

Straits Trading hotel unit sued for RM169 million

Malaysia's Taragon says Rendezvous Hotels in breach of lease agreement

By FELDA CHAY

THE Straits Trading Company's wholly owned subsidiary Rendezvous Hotels International (RHI) has been sued for RM169 million (S\$72.6 million) for the alleged repudiatory breach of a lease agreement with Malaysia-based property developer Taragon Capital Malaysia Sdn Bhd.

The jeopardised lease agreement for a four-star hotel – which RHI had planned to manage under the Rendezvous brand in Kuala Lumpur – means that Straits Trading will not be able to open its first hotel in Kuala Lumpur by this month, as planned.

Straits Trading said last week in a Singapore Exchange (SGX) filing that its hotel management arm was served with the writ, but did not reveal the

amount that Taragon is claiming.

The writ of summons filed by Taragon through M & A Law Corporation alleges that Taragon has suffered a loss of about RM155.5 million in rental and lease income as a result of the breach.

Together with costs incurred for the deal and liquidated damages, the total claim is about RM169 million.

Straits Trading said in its SGX filing that RHI – which operates the Rendezvous Hotel at Bras Basah Road – is seeking legal advice on Taragon's claim.

"RHI is of the view that it has acted at all times within its legal rights and did not act in repudiatory breach of the agreement for lease," Straits Trading said.

According to Taragon's writ, the breach is in relation to a March 8, 2007 agreement between Taragon and RHI, under which Taragon agreed to lease to RHI a four-star in-

ternational standard hotel that it was constructing in Kuala Lumpur at that time. Under the terms of the agreement, RHI was required to obtain consent from the Malaysian authorities by September 2007 to rent the hotel, with a

tension period, and did not request for any time extension to secure the consent subsequently.

Both sides, however, continued to engage each other on the agreement. But in April this year, RHI "out of the blue, unilateral-

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three-month extension to be provided to RHI if it was unable to do so. Taragon alleges that RHI "did not take any steps to obtain the consent" by September 2007.

It also claims that RHI "further did not take any steps to obtain the consent" within the three-month ex-

ly announced that the agreement for lease had been terminated", Taragon says in its writ.

Following RHI's announcement, the parties continued to engage each other on the agreement until June this year, according to Taragon.

In an announcement on

March 9, 2007 – one day after RHI's agreement with Taragon – RHI said that it had been appointed to manage a four-star hotel in Kuala Lumpur that it will name Rendezvous Hotel, Kuala Lumpur. According to the announcement, the hotel was to be completed and opened in 2009.

This did not happen. But an annual report released by Straits Trading earlier this year for fiscal 2009 said that the hotel would open by this month – something that is unlikely to happen.

Straits Trading set up RHI in 1997 to manage its hotels and resorts in the Asia-Pacific region.

In October last year, Straits Trading announced the formation of Rendezvous Hospitality Group, a wholly owned subsidiary that would combine the hotel properties of Straits Trading with those under RHI.

The group's 13 hotels come under two brands – boutique brand Marque, and Rendezvous – rated four stars and above.