

TRAVEL AND HOSPITALITY

Peninsula in legal battle over Bangkok hotel

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Suite in the Peninsula Bangkok. Image courtesy of Peninsula Hotels

By STAFF REPORTS

The co-owner of hospitality chain Peninsula Hotels' Bangkok hotel has taken the group to court in an attempt to break the brand's management contract for the property.

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Fifty percent of the Peninsula Bangkok is owned by the Phataraprasit family, while the other half is held by Peninsula's parent company The Hongkong and Shanghai Hotels, Ltd. A local court ruling in favor of the Phataraprasit family could lead to the dissolution of Peninsula's management position of the property, but Peninsula is appealing the decision.

Shareholder family feud

The Phataraprasits' legal case centers on the claim that Hongkong and Shanghai Hotels' ownership of the property through affiliated companies has created a conflict of interest. According to the family, in the 20 years of Peninsula's management of the riverfront property, none of the profits have transferred to the hotels' shareholders.

Per the suit, Hongkong and Shanghai Hotels has been able to "create a network of connections among their businesses to keep the monetary benefits and the profits exclusively within their group."

The Phataraprasits, who also hold retail assets such as malls, additionally claim that Hongkong and Shanghai Hotels' position as the owner of Peninsula has prevented it from taking action against the management company in relation to performance.

On Sept. 10, a judge ruled that Hongkong and Shanghai Hotels' subsidiary should not have been allowed to vote in a motion to end Peninsula's management contract.

"During the Peninsula group's more than 20-year tenure as the hotel management company, they have not been able to return any profit to the hotel's shareholders," said Pradit Phataraprasit, a representative for the family and CEO of the family's holding company Winvestment Ltd., in a statement.

"We believe it reasonable that we now ask for their management contract to be terminated, and thereby also resolve a glaring conflict of interest," he said. "The court has agreed that it is illegal for the Peninsula group to block our

move."



Exterior of the Peninsula Bangkok. Image courtesy of Peninsula

HSH appealed the ruling on Oct. 9, saying that any termination of the contract would be a breach of the management agreement and of the agreement between HSH and the Phataraprasit shareholders.

"Having been involved with The Peninsula Bangkok since its inception in 1998, I can confirm that we have always acted with integrity, in the best interests of the joint venture as a whole, supporting both shareholders and in compliance with the shareholders agreement and the hotel management agreement," said Peter Borer, chief operating officer of Hongkong and Shanghai Hotels, in a statement. "Over the past decade, the hotel's financial performance has been affected by political uncertainties and a challenging luxury hotel market in Bangkok, but as a group with a long-term investment philosophy, we have always remained committed to Thailand.

"Despite this difficult market, The Peninsula Bangkok performance has consistently performed well in its competitive set and this hotel has received many awards and accolades over the years, including the World's Best Hotel' by the readers of *Travel + Leisure*," he said. "The daily operations of the hotel are not currently affected pending the final outcome of the legal actions."

As the appeal process continues, Peninsula continues to manage the hotel.

While management or franchise agreements are common among hotel brands, there can be challenges with the model. Some hotel brands have moved away from this option for greater control.

For instance, taking a different approach than many of its competitors, Rocco Forte opts to buy or lease hotels rather than entering into management agreements with owners. This enables the company to not only have a level of permanence, but also drive all of the decision making independently ([see story](#)).