



TULIP GARDEN HOTEL: TO PURCHASE OR NOT TO PURCHASE

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This case was written by Chek Derashid, Zarifah Abdullah, Nasibah@Halimah Ahmad and Natrah Saad, Universiti Utara Malaysia. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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Introduction

Ahmad was sitting quietly on the sofa. His eyes were staring blankly through the full-glassed sliding door overlooking the sea. He could hear the sound of the sea slamming the whitish sand on the deserted beach. His mind was in deep thoughts about what took place in the office earlier on that day.

In the Board meeting earlier today, the members were informed that there was an opportunity for a good investment for Jade Sdn. Bhd. (JADE), and that the investment was highly recommended by the proposer. It was an investment opportunity in the hotel industry. The Board was interested to look at the financial and strategic analysis of the Tulip Garden Hotel (Tulip) located in Kuala Lumpur. It was a 3-star hotel, enjoying a great location in the vicinity of a Butterfly Park. The chairman's eagerness on the investment stuck to his mind. He can clearly recall his words uttered..." This is an opportunity not to be missed. Remember, in business, time is money. We really have to act fast if we want to be ahead of others, or else we will be at the losing end. But of course, it requires proper analysis. So, I hope Ahmad will give your priority and full commitment to this. I expect to see concrete and solid analysis before we proceed with this investment decision. I give you one month to come back on your recommendation!"

Definitely this is a tough and very challenging assignment since his appointment as JADE's CEO. Like it or not, he has to get it done. First thing first, he would need to appoint the external consultant to gather the relevant information before he can provide the recommendation to the Board. He needed an experienced consultant who can deliver the information in two weeks' time. In the meantime, he would need to get some background information about the hotel. He could not wait to see the report.

JADE SDN. BHD.

Background

Jade Sdn. Bhd. (Jade) was established in 1999 and was a wholly owned company of Diamond Berhad (Diamond) with a paid-up capital of RM6.5 million. At the beginning of its establishment the company carried out commercial activities in the surrounding area. In line with developments then, the company had later diversified its business activities to include management, trade, and education services.

The company had five subsidiaries with 100% equity holding. However, only four subsidiaries were active while one subsidiary had been newly established but had not carried out any activities yet. The four subsidiaries were Ruby Sdn Bhd (RSB), Amethyst Sdn Bhd (ASB), Pearl Sdn Bhd (PSB) and Sapphire Sdn Bhd (SSB). JADE was involved in various business activities through its subsidiaries. Jade's business activities included property maintenance, cleaning services, hotel management, investment holding, provision of training and consultancy services, management services, technology, and travel agencies. Meanwhile, the company that was still in its infancy and had not carried out any activities was Crystal Sdn Bhd (CSB). CSB was established to venture into restaurant business with a modern and exclusive concept.

Apart from those, the company also had investments in three other wholly owned subsidiaries held through ASB. These companies were Blue Diamond Sdn Bhd (BDSB), Delima Sdn Bhd (DSB) and Azurite Malachite Sdn Bhd (AMSB). However, only ASB was active in running the cleaning and laundry

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