

UOBKH HIGHLIGHTS

Malaysian Resources Corporation (MRC MK/BUY/RM1.54/Target: RM1.88)

PKNS Files For An Injunction

WHAT'S NEW

Malaysian Resources Corporation (MRCB) announced that its solicitors have been served with a copy of the Notice of Application for an Injunction dated 3 Mar 14 by the solicitors of PKNS Holdings Sdn Bhd (PKNS).

In its application, PKNS has sought the order to restrain MRCB and Nusa Gapurna Development Sdn Bhd from taking any action or steps to perform or implement that part of the share sale agreement dated 8 Feb 13 with regards to MRCB's proposed acquisition of 70% equity interest in P.J. Sentral Development Sdn Bhd, pending the hearing and final disposal of PKNS's appeal to the Court of Appeal.

COMMENT:

- Recall that last week, the High Court dismissed PKNS' claim against Nusa Gapurna Development and MRCB, and allowed Nusa Gapurna's counterclaim against PKNS. The High Court had also ordered PKNS to pay costs of RM100,000 and RM50,000 to Nusa Gapurna and MRCB respectively.
- **Why file an injunction?** We believe the move by PKNS to file in an injunction is just to put the sale on hold pending a hearing by the Court of Appeal. It is worth noting that the application for an injunction was filed in the same courtroom that delivered the decision favouring Nusa Gapurna on 27 Feb 14.
- **We still maintain our positive view on MRCB**, and believe a favourable settlement would be achieved. Also, although not so soon, this decision could pave way for MRCB to exercise its option for PJ Sentral 2, which we have yet to take into account. PJ2 could enhance MRCB's SOTP valuation by 55sen/share (or 22%) from RM2.50 currently.
- **Maintain BUY and target price of RM1.88**, after imputing a 25% discount to our SOTP valuation of RM2.50/share, that implicitly factors in the expected value-enhancing exercises and corporate exercises. There could be substantial upside to our SOTP valuation, which has not factored in likely enhancements from future development projects undertaken at the PJ2 or the RRI land.

Disclosures

As of 6 March 2014, the analyst and his/her immediate family do not hold positions in the respective securities recommended in this report.

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