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## Corporate News Flash

# Hai-O

## *Incorporates Foreign Unit in Beijing*

### CONSUMER (RETAIL)

NEUTRAL ↔

Target  
Previous  
Price

RM3.57  
RM3.57  
RM3.68

### THE BUZZ

Hai-O has proposed to incorporate a 100%-owned foreign subsidiary under the proposed name of Seagull Technology (Beijing) Co. Ltd. in Beijing, China via its wholly owned subsidiary, Hai-O (Hong Kong) Investment Limited, for total cash consideration of RMB2m.

### OUR TAKE

**Rationale for the move.** Hai-O ventured into the technology sector at the end of 2009 via collaboration with the Institute of Engineering Thermophysics of the Chinese Academy of Sciences (IET) to carry out research on scientific and commercial applications on high intensity heat transfer technology. While this collaboration would only allow Hai-O to conduct R&D, the incorporation of the foreign subsidiary, Seagull Technology, would allow Hai-O to commercialize the products developed. The group has been carrying out trial applications for some potential clients in China. We also note that it has filed patents for those applications in China. We believe that the incorporation of a subsidiary could indicate that its trial runs in China have progressed well and more parties have shown interest on its products.

**Maintain NEUTRAL.** As Hai-O's balance sheet is strong, with cash and short term investments of RM120.1m (net cash of RM52.9m), funding would not be a concern. We maintain our FY11 and FY12 forecasts of RM60.4m and RM66.5m respectively. Our TP is unchanged at RM3.57 based on 12x FY11 EPS.

**OSK Research Guide to Investment Ratings****Buy:** Share price may exceed 10% over the next 12 months**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months**Take Profit:** Target price has been attained. Look to accumulate at lower levels**Sell:** Share price may fall by more than 10% over the next 12 months**Not Rated (NR):** Stock is not within regular research coverage

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