

Recommendation: **HOLD**

Stock Code: 5100

Bloomberg: BPP MK

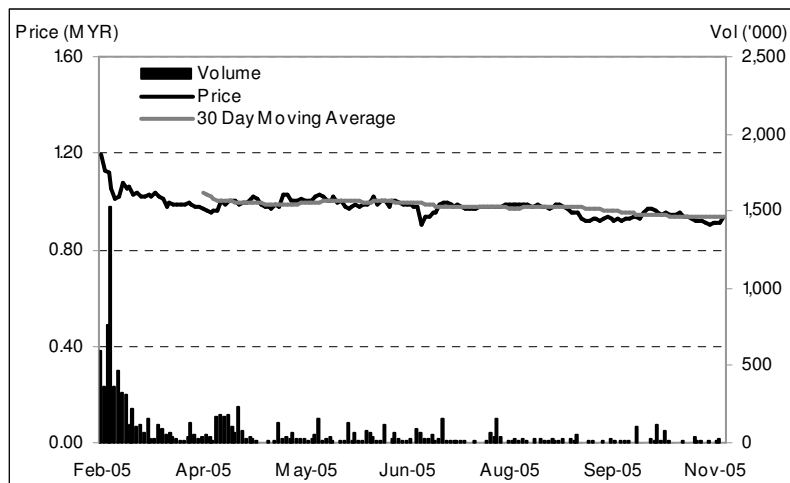
Price: MYR0.94

12-Month Target Price: MYR1.03

Date: November 17 2005

Board: Main**Sector:** Industrial Products**GICS:** Materials / Commodity Chemicals**Market Capitalization:** MYR112.8 mln

Summary: BP Plastics Holding (BPP) is one of the leading producers of industrial plastic packaging bags and stretch films in Malaysia. Operating in a highly competitive environment, the group leverages on its advanced equipment & technologies, and a wide customer base to maintain its performance.

Analyst: Donovan Huang

Results Review & Earnings Outlook

- 3Q05 net profit of MYR6.2 mln (+26.8% QoQ) came in above our expectations, mainly due to lower income tax on adjustments from the overprovision in 2004. Revenue of MYR41.0 mln (+5.4% QoQ) was in line. YoY comparison was not available as the company was only listed in Feb. 2005.
- For the first nine months, net profit of MYR16.0 mln accounted for 85.6% of our full-year forecast, and operating margin of 14.9% (2004: 14.9%) was slightly above our full year assumption of 14.3%.
- While leaving our revenue projection unchanged, we have raised our 2005 operating margin to 14.8% from 14.3%, and lowered our effective tax rate to 12.7% from 18.0%. As a result, our 2005 net profit estimate is increased to MYR20.6 mln (+40.2% YoY) from MYR18.7 mln. We continue to project net profit of MYR23.4 mln (+13.7% YoY) for 2006.
- Aggressive capacity expansion amid brisk demand appears to present a positive outlook in the near- to mid-term. However, we believe earnings momentum in a large part will depend on the ability to continuously pass on cost increases and management's savvy in predicting the pricing trend of plastic resins.

Recommendation & Investment Risks

- Due to the earnings revisions and the update of peer multiples, our 12-month target price is raised to MYR1.03 from MYR1.01. We reiterate our Hold recommendation. Our target price is based on a blend of the sector average valuation metrics of 6.8x 2005 EPS and 1.2x 2005 BV/share plus the projected net DPS of 5 sen, implying a 2005 PER of 6.0x.
- Trading at 5.5x 2005 EPS, the multiples of BPP appear to be relatively undemanding compared to 7.7x 2005 EPS for Scientex Packaging (SCIP MK, Not Ranked) and 7.0x 2004 EPS for Thong Guan (TGI MK, Not Ranked).
- Our valuation is constrained, however, by relatively low earnings visibility and weak sentiment towards the sector due to the difficulty in predicting resin prices and hence, the sustainability of profit margins.
- Risks to our recommendation and target price include relatively low earnings visibility complicated by volatile product prices, raw material costs and limited disclosure. We do not rule out that the possibility of high crude prices (feedstock for plastic resins) could depress margins and sag demand for plastic packaging products.

Key Stock Statistics

FY Dec.	2004	2005F
EPS (sen)	13.1	17.2
PER (x)	7.2	5.5
Dividend/Share (sen)	0.0	5.0
NTA/Share (MYR)	0.55	0.67
Book Value/Share (MYR)	0.55	0.67
Issued Capital (mln shares)	120.0	
52-week Share Price Range (MYR)	0.90 – 1.26	
Major Shareholders:	%	
LG Capital	45.0	

Per Share Data

FY Dec.	2002	2003	2004	2005F
Book Value (MYR)	NA	NA	0.55	0.67
Cash Flow (sen)	8.8	11.5	16.0	20.3
Earnings (sen)	7.0	9.5	13.1	17.2
Dividend (sen)	0.0	0.0	0.0	5.0
Payout Ratio (%)	0.0	0.0	0.0	29.1
PER (x)	13.5	9.9	7.2	5.5
P/Cash Flow (x)	10.7	8.2	5.9	4.6
P/Book Value (x)	NA	NA	1.7	1.4
Dividend Yield (%)	0.0	0.0	0.0	5.3
ROE (%)	NA	NA	23.7	25.6
Net Gearing (%)	NA	NA	0.0	4.4

All required disclosures appear on the last page of this report. Additional information is available upon request.

Redistribution or reproduction is prohibited without written permission. Copyright © 2005 The McGraw-Hill Companies, Inc.

Page 1 of 3

BP Plastics Holding

Recommendation: **HOLD**

Stock Code: 5100

Bloomberg: BPP MK

Price: MYR0.94

12-Month Target Price: MYR1.03

Date: November 17 2005

Quarterly Performance

FY Dec. / MYR mln	3Q05	3Q04	% Change
Revenue	41.0	NA	NA
Operating Profit (EBIT)	6.0	NA	NA
Depreciation	NA	NA	NA
Net Interest Income / (Expense)	0.2	NA	NA
Pretax Profit	6.1	NA	NA
Net Profit	6.2	NA	NA
Operating Margin (%)	14.7	NA	NA
Pretax Margin (%)	14.9	NA	NA
Net Margin (%)	15.2	NA	NA

Source: Company data

Profit & Loss

FY Dec. / MYR mln	2003	2004	2005F	2006F
Revenue	64.9	122.1	162.4	200.6
Operating Profit (EBIT)	13.1	18.1	24.0	29.3
Depreciation	-2.2	-3.2	-3.8	-5.3
Net Interest Income / (Expense)	-0.2	-0.3	-0.4	-0.4
Pretax Profit	12.9	17.9	23.6	28.9
Effective Tax Rate (%)	17.5	17.7	12.7	19.0
Net Profit	10.7	14.7	20.6	23.4
Operating Margin (%)	20.2	14.9	14.8	14.6
Pretax Margin (%)	19.9	14.6	14.5	14.4
Net Margin (%)	16.4	12.1	12.7	11.7

Source: Company data, S&P Equity Research

Standard & Poor's Equity Research Services

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC- London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd and Standard & Poor's Information Services (Australia) Pty Ltd.

Glossary

Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

Hold: Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Required Disclosures

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

Other Disclosures

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"), in the United Kingdom by Standard & Poor's LLC ("S&P LLC"), which is authorized and regulated by the Financial Services Authority; in Hong Kong by Standard & Poor's LLC which is regulated by the Hong Kong Securities Futures Commission, in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Japan by Standard & Poor's LLC, which is regulated by the Kanto Financial Bureau; in Sweden by Standard & Poor's AB ("S&P AB"), in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM") which is regulated by the Securities Commission and in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS") which is regulated by the Australian Securities & Investments Commission.

The research and analytical services performed by SPIAS, S&P LLC, S&P AB, S&PM and SPIS are each conducted separately from any other analytical activity of Standard & Poor's.

CMDF-Bursa Research Scheme ("CBRS")

This report has been prepared by S&PM for purposes of CBRS administered by Bursa Malaysia Berhad, independent from any influence from CBRS or the subject company. S&P will receive total compensation of MYR15,000 each year for each company covered by it under CBRS. For more information about CBRS, please visit Bursa Malaysia's website at:

<http://www.bursamalaysia.com/website/listing/cbrs.htm>

Disclaimers

This material is based upon information that we consider to be reliable, but neither S&P nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. With respect to reports issued by S&P LLC-Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. Neither S&P LLC nor S&P guarantees the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Neither S&P nor its affiliates are responsible for any errors or omissions or for results obtained from the use of this information. Past performance is not necessarily indicative of future results.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

For residents of the U.K. This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001, respectively.

For residents of Malaysia. All queries in relation to this report should be referred to: Alexander Chia, ACA
Hoe Lee Leng, CPA