

**MEDI-FLEX**



## **Medi-Flex Limited**

### **Press Release – 1H 2005 Results**

# **Fast-expanding Medical & Cleanroom Gloves Specialist Medi-Flex Posts 14.7% Rise in Profit After Taxation to RM2.1 Million As Sales Grow 37.2% to RM30.7 Million**

- **Financial Highlights:**

<b>Ringgit Malaysia</b>	<b>1H05</b>	<b>1H04</b>	<b>Change</b>
<b>Revenue</b>	RM30.7 M	RM22.4 M	+37.2%
<b>Gross Profit</b>	RM5.4 M	RM3.8 M	+40.3 %
<b>Profit Before Taxation</b>	RM2.5 M	RM2.2 M	+13.2%
<b>Profit After Taxation</b>	RM2.1 M	RM1.9 M	+14.7 %

- **1H-on-1H growth attributed to some initial impact from progressive capacity expansion in 1H05; full impact on bottomline to kick in from 2H05**
- **Directors propose 1-for-3 Bonus Issue to increase the share base; adjusted share price will be more appropriate for SESDAQ-listed Medi-Flex to attract new investors**
- **FY05 Outlook: Directors expect demand for Group’s products to remain robust; optimistic of better performance in 2H05 compared to 1H05 as:**
  - **Significant impact from progressive installation of new dipping lines in 1H05 will only kick in from 2H; five “double-capacity” lines to be operational by early 4Q**
  - **Once the 2<sup>nd</sup> cleanroom facility is ready in early 4Q, the Group expects it to help its bottomline growth by capitalising on the strong surge in global demand for cleanroom gloves.**
  - **Cost savings to start accruing once biomass boiler system starts operation as energy source instead of expensive fuel oil, in late 3Q05**

**SINGAPORE – 12 August 2005 – Medi-Flex Limited (“Medi-Flex”),** the first manufacturer of disposable gloves to be listed on Singapore Exchange, today announced its results for the six months ended 30 June 2005 (“1H05”) which showed initial impact from the first stage of its capacity expansion programme, with greater impact on its revenue and net profit expected to kick in strongly only from 2H05.

Based in Klang, Selangor Darul Ehsan, Malaysia, Medi-Flex specialises on the premium segments for disposable latex and nitrile gloves, i.e., medical and cleanroom gloves which are increasingly widely used by the healthcare-related industries and entire value chain of the global electronic, semiconductor and aerospace industries, respectively.

For 1H05, the Group achieved a 37.2% growth in revenue to RM30.7 million compared to RM22.4 million recorded for 1H04. Gross profit duly increased 40.3% to RM5.4 million as the capacity expansion enabled Medi-Flex to maximise leverage on the prevailing strong demand for its premium gloves.

During 1H05, the Group made significant progress on its capacity expansion programme to boost total annual installed capacity from 415 million gloves to 1.3 billion disposable gloves and two cleanroom facilities before the end of 2005.

The H1-on-H1 growth was largely attributed to the progressive installation and operation of additional dipping lines at the Group's new manufacturing facility located in Olak Lempit near Malaysia's Sepang International Airport.

In 1H04, the Group was operating at near capacity with seven dipping lines and one cleanroom at its existing plant in Klang. By 1Q05, the Group was operating a total of 11 lines including four lines at the new plant. In 2Q05, two more lines were added making a group total of 13 lines in operation plus the first plant's existing cleanroom facility.

Gross margin improved slightly from 17.1% to 17.4% as Medi-Flex remained constrained from accepting more orders for its higher-margin cleanroom gloves until its additional cleanroom facility extending over 12,000 square feet is completed sometime in early 4Q05.

Inevitably, the Group's expanded operations incurred higher total operating expenses of RM2.7 million in 1H05 compared to 1H04's RM1.6 million. Accordingly, 1H05 operating profit only grew 19.3% to RM2.7 million while 1H05 net profit after tax grew 14.7% from RM1.9 million to RM2.1 million.

While selling and distribution expenses rose in tandem with increased sales, higher general and administrative expenses were incurred in 1H05 as payroll rose in line with an increase in management personnel and supporting staff to cope with the expanded operations and business volume.

The Group also incurred a new set of administrative expenses at the Singapore-incorporated holding company level in respect of its SGX listing. Finance costs rose to RM225,000 from RM69,000 previously, to finance its capacity expansion programme and higher working capital requirements viz-a-viz expanded business volume.

Medi-Flex's Managing Director Mr Tu Ah Kim said, "I'm satisfied with the roll-out of our expansion programme. The new plant is using a different dipping line design which will ultimately be more efficient than our first plant. As with all new systems, there is an initial learning curve and substantial testing, hence we progressed cautiously. The support and feedback from our existing and new customers have been very encouraging and I assure shareholders our output has been ramping up smoothly on a full swing basis.

“What’s limiting our bottomline growth in 1H05 is our constraint in producing more cleanroom gloves. Once our new cleanroom, which is three times larger than the first one, is ready in early 4Q, we will go full steam ahead in significantly changing our revenue mix to leverage on the surge in demand for cleanroom gloves. Moreover, the balance five new dipping lines we will be adding differ from the existing 13 lines in that they are each “double capacity” lines. We aim to put these in operations by early 4Q. By end 2005, we can expect to tap on considerable economies of scale”, added Mr Tu.

Mr Tu also expects cost savings to start accruing once the biomass boiler system starts operation in late 3Q05 as the alternative energy source instead of expensive fuel oil to generate the substantiate heat requiring for its dipping process.

With the Group requiring all cash resources to maximise leverage from this high-growth phase, the directors have not recommended any cash dividend for 1H05. Instead, they have proposed a 1-for-3 Bonus Issue to increase Medi-Flex’s share base. Moreover, in view of Medi-Flex’s SESDAQ listing primarily attracting retail investors, the bonus issue-adjusted share price will be at trading at more appropriate levels that can attract new investors.

Commenting on strategies to sustain growth going forward, Mr Tu said, “In 1H05, we expedited our overseas expansion process by investing in a strategic alliance with Singapore-based Unisteel Group via a share swap deal resulting the Group owing 35% stake in its subsidiary, Sonic Clean. This alliance will help accelerate the Group’s expansion into China’s booming prime end-user markets for cleanroom gloves – data storage / electronic and semicon MNCs and their entire component supply chain vendors.”

Earnings per Share for 1H05 was 1.80 Sen compared to 2.94 Sen for 1H04 due to the significantly enlarged post-invitational share base (117,953,071 no of shares vs 62,942,410 respectively). Net Asset Value per share as at 30 June 2005 was 38.91 Sen vs 29.63 Sen as at 31 December 2004.

In line with a large business base in 1H05, inventories increased from RM7.9 million to RM11.8 million while trade debtors grew from RM6.2 million to RM8.1 million. Despite bank borrowings and credit line facilities having increased from RM5.7 million to RM13.9 million to finance the Group’s capital investment in capacity expansion and expanded business base, the Group maintains a healthy gearing ratio of approximately 0.28.

The IPO of the Company’s shares were sponsored by Stirling Coleman Capital Limited.

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***Issued on behalf of Medi-Flex Limited by WeR1 Consultants Pte Ltd***

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