MEDI-FLEX LIMITED

HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
FOR PERIOD ENDED 30 JUNE 2005

These figures have not been audited

1 (a) (i) **An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group 30/6/05 RM'000	Group 30/6/04 RM'000	Increase %
Revenue	30,712	22,386	37.2%
Cost of sales	(25,358)	(18,569)	36.6%
Gross profit	5,354	3,817	40.3%
Other operating (expenses) / income	(144)	1	N.M.
Selling and distribution expenses	(649)	(477)	36.1%
General and administrative expenses	(1,867)	(1,083)	72.4%
Profit from operations	2,694	2,258	19.3%
Finance costs	(225)	(69)	226.1%
	2,469	2,189	12.8%
Share of associated company's profit	10	-	N.M.
Profit before taxation	2,479	2,189	13.2%
Taxation	(355)	(338)	5.0%
Profit after taxation	2,124	1,851	14.7%

(ii) **The net profit / (loss) attributable to shareholders includes the following (charges) / credits.**

	Group Period Ended 30/6/05 RM'000	Group Period Ended 30/6/04 RM'000	increase/ (decrease) %
Depreciation	(1,873)	(975)	92.1%
Foreign exchange loss	(152)	(1)	N.M.
Gain / (loss) on disposal of fixed assets	-	2	N.M.
Interest income	8	-	N.M.
Interest expenses	(225)	(69)	226.1%

N.M: **Not meaningful**

1 (b) (i) **A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group As At 30/06/05 RM'000	Group As At 31/12/04 RM'000	Company As At 30/06/05 RM'000	Company As At 31/12/04 RM'000
Fixed assets	34,741	20,195	93	-
Investment in subsidiary	-	-	14,036	14,036
Investment in associates	13,097	-	13,089	-
Current assets				
Inventories	11,843	7,946	-	-
Trade debtors	8,104	6,226	-	-
Other debtors, deposits and prepayment	2,405	2,039	249	126
Amount due by subsidiary	-	-	16,659	7,222
Cash and bank balances	3,226	13,900	2,414	9,827
	25,578	30,111	19,322	17,175
Current liabilities				
Trade creditors	5,624	6,384	-	-
Other creditors and accruals	2,120	2,057	144	115
Hire purchase creditors	652	-	-	-
Short term loan	2,843	1,739	510	-
Bank borrowings	2,952	705	-	-
Provision for taxation	27	-	-	-
	14,218	10,885	654	115
Net current assets	11,360	19,226	18,668	17,060
Non-current liabilities				
Deferred taxation	(1,605)	(1,280)	-	-
Hire purchase creditors	(1,155)	-	-	-
Long term loan	(6,332)	(3,248)	(2,040)	-
Net assets	50,106	34,893	43,846	31,096
Share capital	28,932	26,439	28,932	26,439
Share premium	15,145	4,549	15,145	4,549
Merger deficits	(471)	(471)	-	-
Retained profits	6,500	4,376	(231)	108
Shareholders' equity	50,106	34,893	43,846	31,096

1 (b) (ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

	As at 30/6/05 Secured RM'000	As at 31/12/04 Secured RM'000
Borrowings	2,952	705
Hire purchase creditors	652	-
Term loans	2,843	1,739
	6,447	2,444

Amount repayable after one year

	As at 30/6/05 Secured RM'000	As at 30/6/04 Secured RM'000
Hire purchase creditors	1,155	-
Term loans	6,332	3,248
	7,487	3,248

The borrowings are secured by way of:-
a) Corporate guarantee provided by the Company.

The term loans are secured by way of:-
a) First fixed charge over certain equipment with net book value of RM11.36 million; and
b) Joint and several guarantee of RM5.27 million by certain directors of the Group.
c) Corporate guarantee provided by the Company.

1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group As At 30/06/05 RM'000	Group As At 30/06/04 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,479	2,189
Adjustments for:-		
Depreciation	1,873	1,007
Gain on disposal of fixed assets	-	(2)
Interest expenses	225	69
Share of associated company profit	(10)	-
Interest income	(8)	-
Operating profit before working capital changes	4,559	3,263
Changes in working capital		
Increase in inventories	(3,897)	(767)
Increase in receivables	(2,229)	(1,958)
Increase in payables	(697)	2,318
Cash (used in) / generated from operations	(2,264)	2,856
Tax paid	(16)	(41)
Interest income	8	-
Interest expenses	(225)	(69)
Net cash (used in) / generated from operating activities	(2,497)	2,746
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of fixed assets	-	3
Purchase of fixed assets	(16,419)	(3,187)
Net cash used in investing activities	(16,419)	(3,184)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from term loan	4,188	1,360
Proceeds from / (repayment of) hire purchase payables	1,807	(50)
Proceeds from bank borrowings	2,247	52
Net cash generated from financing activities	8,242	1,362
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(10,674)	924
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	13,900	2,460
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	3,226	3,384
COMPRISING THE FOLLOWING:		
Cash and bank balances	3,226	3,384

1 (d) (i) A statement (for the issuer and group), showing either (i) all changes in equity or (ii) changes in equity than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	**Share Capital RM'000**	**Share Premium RM'000**	**Merger Deficit RM'000**	**Retained Profits RM'000**	**Total RM'000**
Balance at 1 January 2005	26,439	4,549	(471)	4,376	34,893
Allotment of new shares	2,493	10,596	-	-	13,089
Net profit for the financial period	-	-	-	2,124	2,124
Balance at 30 June 2005	28,932	15,145	(471)	6,500	50,106
Balance at 1 January 2004	10,838	919	(471)	2,279	13,565
Net profit for the financial period	-	-	-	1,851	1,851
Balance at 30 June 2004	10,838	919	(471)	4,130	15,416

Company	**Share Capital RM'000**	**Share Premium RM'000**	**Retained Profits RM'000**	**Total RM'000**
Balance at 1 January 2004	26,439	4,549	108	31,096
Allotment of new shares	2,493	10,596	-	13,089
Net loss for the financial period	-	-	(339)	(339)
Balance at 30 June 2005	28,932	15,145	(231)	43,846
Balance at date of incorporation	*	-	-	*
Net profit for the financial period	-	-	-	-
Balance at 30 June 2004	*	-	-	*

* - This denotes RM4

1 (d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash, or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as the end of the corresponding period of the immediately preceding financial year.

Since the end of the previous financial year, no shares were issued by way of rights issue, bonus issue or exercise of share options under the Medi-Flex Share Option Scheme.

2 Whether the figures had been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3 Where the figures had been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

The figures have not been audited or reviewed.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statement had been applied.

The Group has applied the same accounting policies and methods of computation as in the audited financial statements for the year ended 31 December 2004 as well as all adopting the following Financial Reporting Standards:

FRS 39 - Financial Instruments - Recognition and Measurement
FRS 102 - Share - Based Payment
FRS 103 - Business Combinations

There is no material impact on 30 June 2005 with the adoption of the above FRS which became effective for financial years beginning on or after 1 January 2005.

5 If there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

There are no changes in the accounting policies and methods of computation.

6 Earning per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group As At 30/06/05	Group As At 30/06/04
Earning per share (EPS) in sen		
I) Basic *	1.80	2.94
II) On a fully diluted basis **	1.80	2.94

* The earning per share for the period ended 30 June 2005 is calculated based on profit from ordinary activities after taxation of RM2.12 million (2004 : RM1.85 million) divided by weighted average 117,953,071 (2004 : 62,942,410) ordinary shares of S$0.10 each.

** There were no potential dilutive ordinary shares in existence for the periods presented.

7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

(a) current financial period reported on; and
(b) immediately preceding financial year

	Group As At 30/06/05 RM	Group As At 31/12/04 RM	Company As At 30/06/05 RM	Company As At 31/12/04 RM
Net asset per share in sen	38.91	29.63	34.05	26.40

The net asset backing per ordinary share as at 30 June 2005 and 31 December 2004 are calculated based on 128,770,750 and 117,770,750 ordinary shares in issue in the respective years.

8 A review of the performance of the Group, to the extend necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where aplicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

For the six months ended 30 June 2005 (“1H05”), the Group achieved a 37.2% growth in revenue to RM30.7 million compared to RM22.4 million recorded for 1H04. Net profit after tax grew 14.7% from RM1.9 million to RM2.1 million.

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 based on seven dipping lines and one cleanroom at its existing facility 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 at the new plant, making a group total of 13 lines in operation plus the first plant’s existing cleanroom facility.

Gross profit duly increased 40.3% to RM5.4 million as the capacity expansion enabled the Group to maximise leverage on the prevailing robust demand for its products and continued operating at near capacity 24/7 through 1H05.

Gross margin improved slightly from 17.1% to 17.4% as the Group remained constrained from accepting more orders for its higher-margin cleanroom gloves until its additional cleanroom facility at the new plant is completed.

Profit from operations grew 19.3% to RM2.7 million in 1H05. The Group incurred higher total operating expenses of RM2.7 million in 2H04 compared to RM1.6 million in 1H04.

Selling and distribution expenses rose to RM0.6 million in accordance with increased sales. The Group also incurred higher general and administrative expenses, as payroll rose in line with an increase in management personnel and supporting staff to cope with the expanded operations and business volume.

In 1H05, the Group also incurred a new set of administrative expenses at the holding company level, which was incorporated in Singapore in conjunction with its IPO and inaugural listing on the Singapore Exchange in November 2004.

Finance costs also increased to RM225,000 from RM69,000 previously, in respect of a term loan, hire purchase arrangement and extended facilities to finance its capacity expansion programme and higher working capital requirements viz-a-viz expanded business volume.

As at 30 June 2005, fixed assets increased further to RM34.7 million (31 Dec 2004: RM20.2 million) as the Group continued to acquire additional dipping lines, auxiliary equipment and vehicles.

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.

In 1H05, net cash used in operations was RM2.5 million while net cash used in investing activities amounted to RM16.4 million. Cash and cash balances were maintained at around RM3.2 million

9 **Where a forecast, or a prospect statement, had been previously disclosed to shareholders, any variance between it and the actual results.**

The actual results are in-line with the disclosure under the section entitled "Prospects and Future Plan" in the prospectus of the Company dated 1 November 2004.

10 **A commentary at the date of the announcement of the significant trends and the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

In accordance with the earlier guidance given in the announcement of the FY04 results, the Group remains upbeat on prospects in 2H05 as it expects robust demand for its premium disposable gloves, in particular Cleanroom gloves, to continue through 2H05.

Barring unforeseen circumstances, the Group is optimistic of achieving a better performance in 2H05 compared to 1H05, as the full impact of the progressive installation of new dipping lines during 1H05 will only kick in from 2H05.

With an additional two dipping lines in 2Q05, the Group now operates a total of 13 dipping lines. The remaining five new dipping lines under the expansion programme are 'double lines', i.e., the capacity of each double line is approximately double the capacity of each of the current 13 'single' lines. The Group is hopeful of getting these five new lines operational by early 4Q05.

More importantly, the Group is pleased that the construction of its second cleanroom facility is on track for completion and commissioning by early 4Q05. Located at the new plant in Olak Lempit, the new cleanroom facility extends over 12,000 square feet or three times the size of the cleanroom facility at the Group's first plant in Klang.

Once the new cleanroom facility is ready, the Group expects it to help its bottomline growth by capitalising on the strong surge in global demand for cleanroom gloves.

In addition, upon receiving shareholders' approval the Group has proceeded to implement the use of a biomass boiler as a more sustainable energy source than fuel oil to generate the substantial amount of heat required for its glove-making operations. The boiler system is targeted to commence operation in late 3Q05 and with high fuel oil prices likely to prevail, will result in recurring cost savings henceforth.

Going forward, the Group expects to sustain topline and bottomline growth by leveraging on its recent investment in cleanroom services specialist Sonic Clean Pte Ltd via a share swap deal resulting the Group owing 35% stake in 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.

11 **If a decision regarding dividend has been made:-**

(a) Whether an interim (final) ordinary dividend has been declared (recommended): and
(b) Amount per share ______ cents
(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax rate, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be dated).
(d) The date the dividend is payable
(e) The date on which Registrable Transfers received by the company will be registered before entitlements to the dividend are determined.

No interim or final dividend is recommended during the financial year.

12 **If no dividend has been declared (recommended), a statement to that effect.**

No interim or final dividend is recommended during the financial year.