

## **MEDI-FLEX LIMITED**

### **PROPOSED ACQUISITION BY MEDI-FLEX LIMITED OF 35.0% OF THE ISSUED SHARE CAPITAL OF SONIC CLEAN PTE LTD, A 95% SUBSIDIARY OF UNISTEEL TECHNOLOGY LIMITED**

#### **1. Introduction**

The Board of Directors of Medi-Flex Limited (the "**Company**") wishes to announce that the Company has entered into an Investment Agreement (the "**Investment Agreement**") with Unisteel Technology Limited ("**Unisteel**"), to acquire 707,000 ordinary shares of \$1.00 each (the "**Sale Shares**") from Unisteel (the "**Acquisition**"), representing 35.0% of the existing issued share capital of Sonic Clean Pte Ltd ("**Sonic Clean**").

#### **2. About Sonic Clean**

Sonic Clean is a company incorporated in Singapore and has a paid up capital of S\$2,020,000 comprising 2,020,000 shares of S\$1.00 each. Unisteel is the legal and beneficial owner of 1,919,000 ordinary shares of Sonic Clean, representing 95% of the issued and paid up capital of Sonic Clean. Sonic Clean is engaged in the provision of all kinds of aqueous cleaning services, consumables cleaning and sub-assembly work in the clean room environment.

#### **3. Rationale for the Acquisition**

The Directors of the Company believe that the investment in Sonic Clean would be in the interest of the Medi-Flex Group (the "**Group**") for the following reasons:-

##### **3.1 Further expansion of the Group's business**

The Group intends to leverage on Unisteel's customer base to expand the Group's business. Through Sonic Clean, the Company will achieve geographical expansion to the People's Republic of China ("PRC") immediately. This timely investment will enable the Company to benefit from the growth and expansion of the cleanroom and medical disposable gloves market in the PRC.

##### **3.2 Strategic alliance with Unisteel**

The rationale for welcoming Unisteel to participate in the Company is strategic, as a wider business network in Asia will be created and shared between the parties. Both parties intend to continue exploring more business opportunities to constantly tap into and/or expand the wide business network created by them as a result of Unisteel's participation in the Company.

#### **4. Consideration**

The total consideration for the Acquisition shall be fixed at S\$6,116,000. The consideration is to be satisfied through the allotment and issue to Unisteel of 11,000,000 new ordinary shares in the capital of the Company (the "**Consideration Shares**") at an issue price of S\$0.556 each (being the average of the last transacted price of the shares in the Company in the five trading days prior to the execution of the Investment Agreement).

The Consideration Shares represent approximately 9.34% of the issued share capital of the Company as at the date hereof, or approximately 8.54% of the enlarged issued share capital of the Company following the issue of the Consideration Shares.

The Consideration Shares will be issued to Unisteel credited as fully paid and, will rank pari passu in all respects with the existing shares of the Company.

## 5. Details of the Investment Agreement

### 5.1 Obligations of Unisteel

Under the Investment Agreement, Unisteel will transfer to the Company 707,000 ordinary shares of S\$1.00 each in the capital of Sonic Clean, representing 35.0% of Sonic Clean's existing issued capital.

Unisteel has agreed and has undertaken to the Company, inter alia, that:

- (a) Unisteel and its associates (excluding Sonic Clean) will not engage in the manufacturing of gloves so long as the Company holds 5.0% or more of the issued share capital of Sonic Clean;
- (b) Unisteel will not dispose of or transfer the Consideration Shares to any person for a period of six months commencing from the date the Consideration Shares are quoted on the SGX-ST and transfer or dispose of half or more of its original shareholdings in the Company in the subsequent 6 months;
- (c) in the event Unisteel wishes to sell or transfer any further shares which it holds in Sonic Clean to a third party, the Company will have the pre-emptive right to purchase all such shares at the same price being offered by the third party; and
- (d) as long as Unisteel holds a simple majority of the shareholding in Sonic Clean, Unisteel will use its best endeavours to procure that Sonic Clean:
  - (i) gives the Company the right to participate in any equity fundraising by Sonic Clean to the extent of the Company's shareholding in Sonic Clean;
  - (ii) purchases all latex and nitrile gloves from the Company on an arm's length basis; and
  - (iii) markets all types of gloves under the "Sonic Clean" brandname globally and provide original equipment manufacturer sales exclusively to the Company, its associates and customers.

In addition, Unisteel has undertaken that it and its associates shall not for so long as the Company maintains a 35.0% shareholding in Sonic Clean, engage directly or indirectly in any business similar to that of the Medi-Flex group in any jurisdiction or country in which the Company has established a place of business, including Malaysia.

### 5.2 Obligations of the Company

The Company will purchase from Unisteel the Sale Shares in Sonic Clean. In consideration for the transfer of Sale Shares in Sonic Clean to the Company, the Company will issue 11,000,000 new ordinary shares in the Company to Unisteel.

The Company has agreed and has undertaken to Unisteel that:

- (a) it will give Sonic Clean the first right to be engaged in the manufacturing of gloves in the People's Republic of China for so long as the Company holds 5.0% or more of the issued capital of Sonic Clean; and
- (b) in the event the Company wishes to sell or transfer any of the Sale Shares after completion, the shareholders of Sonic Clean will have the pre-emptive right to purchase all such shares on such terms as may be agreed between the parties.

### 5.3 Conditions Precedent

The conditions precedent to the parties' obligations under the Investment Agreement include, inter alia, the following:

- (a) completion, within one month from the date of the Investment Agreement, of a financial and legal due diligence exercise by the Company on the Sonic Clean Group, and the results of such due diligence exercise being satisfactory to the Company;
- (b) the business of Sonic Clean having been carried on in a satisfactory and in the ordinary manner and Sonic Clean not having disposed of any material assets or assumed or incurred any material liabilities (including contingent liabilities) other than those in connection with its ordinary course of business on or before the completion date of the Acquisition which is set as 17 June 2005, or such other date as the parties may agree in writing (the "**Completion Date**");
- (c) no adverse change (as determined by the Company) in the prospects, management, operations or financial conditions of Sonic Clean occurring on or before the Completion Date;
- (d) the Acquisition and the allotment and issue of the Consideration Shares not being prohibited by any statute, order, rule, directive or regulations promulgated by any legislative, executive or regulatory body or authority of Singapore;
- (e) all necessary approval of the Singapore Exchange Securities Trading Limited (the "SGX-ST") for completing the transactions contemplated in the Investment Agreement, including the approval for the listing and quotation of the Consideration Shares on the Official List of the SGX-Sesdaq;
- (f) all approvals and consents, if necessary, for the transactions contemplated under the Investment Agreement being obtained, and not withdrawn or amended, on or before the Completion Date;
- (g) all Warranties by Unisteel under the Investment Agreement being complied with, true, accurate and correct as at the Completion Date; and
- (h) the Company and/or Unisteel not having received on or prior to the Completion Date, notice of any directive, injunction or other order, which restrains or prohibits the consummation of the transactions contemplated by the Investment Agreement or there being no action on or prior to the Completion Date, seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such directive, injunction or other order or action which is threatened.

If any of the above conditions are not fulfilled or not waived by the Company by the Completion Date, the Investment Agreement shall *ipso facto* cease and determine and none of the parties shall have any claim against the others for costs, damages, compensation or otherwise.

## **6. Financial Effects of the Acquisition**

The aggregate net tangible asset value as at 31 December 2004 and net profits for the year ended 31 December 2004 of the Sonic Clean Group attributable to the 35.0% interests to be acquired is approximately S\$1.4 million and S\$0.2 million respectively.

The aggregate purchase consideration was arrived at after negotiation on a willing buyer willing seller basis taking into consideration the profitability and business of the Sonic Clean Group as well as the expected strategic alliance benefits with the Unisteel Group in future.

## 6.1 Earnings per share

Assuming that the Acquisition had been completed on 1 January 2004, the proforma effects on the consolidated earnings of the Group based on the latest audited consolidated financial statements for the year ended 31 December 2004 are as follows:-

	Before the Acquisition	After the Acquisition
Net profit for the year ended 31 December 2004 (RM'000)	4,376	4,784
Earnings per share – basic and diluted (RM cents)	5.92 <sup>(1)</sup>	5.63

(1) Based on the weighted average number of ordinary shares of 73,919,079 in issue during the year.

## 6.2 Net Tangible Assets per share (NTA)

Assuming that the Acquisition had been completed on 31 December 2004 and based on the purchase consideration of S\$6,116,000 at the then SGD to RM exchange rate, the proforma effects on the consolidated NTA of the Group based on the Group's latest audited consolidated financial statements for the financial year ended 31 December 2004 are as follows:-

	Before the Acquisition	After the Acquisition
NTA as at 31 December 2004 (RM'000)	34,893	49,136
NTA per share (RM cents)	29.63 <sup>(1)</sup>	38.16

(1) Based on 117,770,750 ordinary shares.

## 6.3 Rule 1006 Relative Figures

The relative figures computed on the following bases set out in Rule 1006 of the Singapore Exchange Securities Trading Limited's Listing Manual ("Listing Manual") are:-

- The net profits of the Sonic Clean Group for the financial year ended 31 December 2004 attributable to the 35.0% interests acquired is 8.3% compared with the Group's net profits for the financial year ended 31 December 2004;
- The Acquisition constitutes approximately 9.3% of the Company's market capitalization based on the weighted average trading price of S\$0.5598 for each Medi-Flex share on the date preceding this Announcement;
- The number of Consideration Shares issued as consideration for the Acquisition constitutes approximately 9.3% of the number of shares in the Company previously in issue.

The Acquisition constitutes a discloseable transaction under the provisions of Rule 1010 of the Listing Manual.

## 7. Interests of Directors

No director or controlling shareholder has any interest direct or indirect in the proposed Acquisition .

**8. Documents for Inspection**

A copy of the Investment Agreement will be made available for inspection during normal business hours at the Company's registered office for a period of 3 months from the date of this announcement.

Submitted by Tu Ah Kim, Managing Director on 17 May 2005 to the SGX.