

MEDI-FLEX



Medi-Flex Limited

Medi-Flex Announces Three-Fold Increase In Capacity; Accelerated Expansion Will Raise Capacity at end-2005 to 1.3 Billion Gloves a Year Versus Previous Plan of 850 Million

The Board of Directors of Medi-Flex Limited (“Medi-Flex” or “the Company”), a manufacturer of disposable latex and nitrile gloves listed on SGX-SESDAQ, wishes to provide an update to the information that was previously disclosed in its IPO Prospectus dated 1 November 2004 under ‘Prospects and Future Plans’.

Medi-Flex has been operating a single manufacturing facility located at Jalan Meru, Klang, Selangor, Malaysia, with seven dipping lines and a Class 10 cleanroom facility through the financial year ended 31 December 2004 (“FY04”). In its Prospectus, the Company had disclosed its intention to double its annual installed capacity from approximately 415 million gloves to 850 million by end of FY05, especially for the production of cleanroom and medical gloves.

This target of 850 million gloves will be achieved by installing seven new dipping lines at its new manufacturing facility located in Olak Lempit, Banting, in the vicinity of Malaysia’s Kuala Lumpur International Airport at Sepang, approximately one hour’s drive from its first plant. The first four lines were installed and fully operational in early FY05 as scheduled with the remaining three lines due by end-FY2005.

However, since its IPO, the Company has continued to experience strong demand for its products which has convinced the directors on the sustainability of the growing demand for its products, especially cleanroom and medical gloves. During FY04 and FY05 to-date, the Company has been operating at close to maximum capacity utilisation on a 24-hour basis seven days a week to cope with increased orders.

In view of the continuing stream of orders from existing customers as well as the intensity of queries from new customers which the Company currently does not have the capacity to capitalize upon, the directors have decided to accelerate Medi-Flex’s expansion programme and triple its capacity to 1.3 billion gloves annually by end-FY05, versus the previously planned increase in capacity to 850 million gloves a year.

This increase will entail the installation of another four dipping lines at the new plant in addition to the seven new lines as disclosed in the Prospectus, progressively through FY05. Thus, at end-FY05, Medi-Flex would have a total of 18 dipping lines comprising 11 in the new Olak Lempit plant and seven in its first plant in Klang. Correspondingly, the planned cleanroom facility at the new plant of 12,000 square feet, which is 3 times larger than the existing cleanroom facility in Jalan Meru plant is currently under construction.

The increase in capacity to 1.3 billion gloves at the end of FY05 will enable Medi-Flex to provide a higher level of support for existing customers and capitalize on the increase in demand for cleanroom and medical gloves.

Based on the new Olak Lempit plant's total land area of six acres, the Company estimates that the new plant will have adequate space to install up to 21 dipping lines with adjoining cleanroom facilities and an environmentally friendly biomass boiler plant as the main energy source, complemented by a fuel-powered source.

The Company had also earlier disclosed in its Prospectus that the cost of setting up the additional seven dipping lines and purchase new machinery and auxiliary equipment was RM18.5 million (approximately S\$8 million). In increasing the capacity to 1.3 billion gloves, an additional cost amounting to approximately RM10 million (approximately S\$4.3 million) would be incurred, which would be funded by a combination of internally generated funds, net proceeds from the IPO and bank borrowings.

In conjunction with the announcement of Group results for FY04 on 23 February 2005, the Company in its outlook statement had indicated expectations of demand to remain strong in FY05 and is optimistic of achieving better performance in FY05, with the increasing capacity facilitating improved economies of scale.

Assuming that the Company's order intake is sustained and barring unforeseen circumstances, the directors expect the above acceleration programme to have a positive impact on the earnings per share and the net tangible assets per share of the Company from the second half of FY05, taking into consideration the progress schedule of the capacity expansion plan.