

MEDI-FLEX LIMITED

**FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
FOR YEAR ENDED 31 DECEMBER 2004**

PART I INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

- 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 Year Ended 31/12/04 RM'000	Group Year Ended 31/12/03 RM'000	Increase %
Revenue	46,863	40,499	15.7
Cost of sales	<u>(38,365)</u>	<u>(33,394)</u>	14.9
Gross profit	8,498	7,105	19.6
Other operating income	213	3	N.M.
Selling and distribution expenses	(1,013)	(835)	21.3
General and administrative expenses	<u>(2,331)</u>	<u>(1,687)</u>	38.2
Profit from operations	5,367	4,586	17.0
Finance costs	<u>(192)</u>	<u>(163)</u>	17.8
Profit before taxation	5,175	4,423	17.0
Taxation	<u>(799)</u>	<u>(503)</u>	58.8
Profit after taxation	<u><u>4,376</u></u>	<u><u>3,920</u></u>	11.6

Explanatory notes

(1) The Company was formerly known as Flex-Med International Pte. Limited, incorporated in the Republic of Singapore on 12 December 2003 and changed its status to a public company on 27 September 2004.

(2) The formation of the Group has been accounted for as a reorganisation of companies under common control. The consolidated financial statements therefore reflect the combined financial statements of all companies that form the Group as if they were a consolidated group for all periods presented. For the purpose of this announcement, the comparatives have included proforma adjustments as detailed in the prospectus of the Company dated 1 November 2004.

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

	Group Year Ended 31/12/04 RM'000	Group Year Ended 31/12/03 RM'000	increase/ (decrease) %
Bad debts written off	-	(16)	N.M.
Depreciation	(2,214)	(1,786)	24.0
Foreign exchange gain / (loss)	206	(2)	N.M.
Gain / (loss) on disposal of fixed assets	2	(1)	N.M.
Interest income	5	-	N.M.
Interest expenses	(192)	(163)	17.8
Provision for doubtful debts	(3)	(5)	(40.0)
Overprovision of taxation in prior year	10	-	N.M.

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 31/12/04 RM'000	Group As At 31/12/03 RM'000	Company As At 31/12/04 RM'000
Fixed assets	20,195	7,826	-
Investment in subsidiary	-	-	14,036
Current assets			
Inventories	7,946	3,812	-
Trade debtors	6,226	5,428	-
Other debtors, deposits and prepayment	2,009	905	126
Tax recoverable	30	-	-
Amount due by subsidiary	-	-	7,222
Cash and bank balances	13,900	2,460	9,827
	<u>30,111</u>	<u>12,605</u>	<u>17,175</u>
Current liabilities			
Trade creditors	6,384	2,906	-
Other creditors and accruals	2,057	2,074	115
Amount due to a director	-	3	-
Hire purchase creditors	-	102	-
Short term loan	1,739	-	-
Bank borrowings	705	1,289	-
Provision for taxation	-	21	-
	<u>10,885</u>	<u>6,395</u>	<u>115</u>
Net current assets	19,226	6,210	17,060
Non-current liabilities			
Deferred taxation	(1,280)	(471)	-
Long term loan	(3,248)	-	-
Net assets	<u>34,893</u>	<u>13,565</u>	<u>31,096</u>
Share capital	26,439	10,838	26,439
Share premium	4,549	919	4,549
Merger deficits	(471)	(471)	-
Retained profits	4,376	2,279	108
Shareholders' equity	<u>34,893</u>	<u>13,565</u>	<u>31,096</u>

Explanatory notes:

(1) As at 31 December 2003, the Company had an authorised share capital of S\$10,000,000 comprising 10,000,000 ordinary shares of S\$1.00 each, of which 2 ordinary shares of S\$1.00 each were issued and fully paid up.

At an extraordinary general meeting held on 15 September 2004, the shareholders of the Company approved an increase in the authorised share capital of the Company to S\$50,000,000 comprising of 50,000,000 ordinary shares of S\$1.00 each. The shareholders also approved the sub-division of each ordinary share of \$1.00 each in the authorised and issued and paid-up share capital of the Company into 10 ordinary shares of \$0.10 each.

1 (b) (ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

	As at 31/12/04 Secured RM'000	As at 31/12/03 Secured RM'000
Borrowings	705	1,289
Hire purchase creditors	-	102
Term loans	1,739	-
	<u>2,444</u>	<u>1,391</u>

Amount repayable after one year

	As at 31/12/04 Secured RM'000	As at 31/12/03 Secured RM'000
Term loans	<u>3,248</u>	<u>-</u>

The borrowings are secured by way of:-

- a) Pledge of director's fixed deposits of RM1.7 million plus interest thereon; and
- b) Joint and several guarantee of RM2.65 million by certain directors of the Group.

The term loans are secured by way of:-

- a) First fixed charge over certain equipment; and
- b) Joint and several guarantee of RM5.27 million by certain directors of the Group.

- 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 31/12/04 RM'000	Group As At 31/12/03 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,175	4,423
Adjustments for:-		
Depreciation	2,214	1,786
Gain on disposal of fixed assets	(2)	(1)
Interest expenses	192	163
Interest income	(5)	-
Provision for doubtful debts	3	5
Operating profit before working capital changes	<u>7,577</u>	<u>6,376</u>
Changes in working capital		
(Increase) / decrease in inventories	(4,134)	868
Increase in receivables	(1,905)	(2,073)
Increase / (decrease) in payables	3,458	(1,287)
Cash generated from operations	<u>4,996</u>	<u>3,884</u>
Tax paid	(41)	(23)
Interest income	5	-
Interest expenses	(192)	(163)
<i>Net cash provided by operating activities</i>	<u>4,768</u>	<u>3,698</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of fixed assets	3	4
Purchase of fixed assets	<u>(14,584)</u>	<u>(1,395)</u>
<i>Net cash used in investing activities</i>	<u>(14,581)</u>	<u>(1,391)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from term loan	4,987	-
Proceeds from issuance of share capital	12,322	679
Proceeds from issuance of convertible bonds	4,630	-
Repayment of hire purchase payables	(102)	(186)
Repayment of bank borrowings	(584)	(312)
<i>Net cash generated from financing activities</i>	<u>21,253</u>	<u>181</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,440	2,488

CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	2,460	(28)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>13,900</u>	<u>2,460</u>
COMPRISING THE FOLLOWING:		
Cash and bank balances	<u>13,900</u>	<u>2,460</u>

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 2004	10,838	919	(471)	2,279	13,565
Conversion of convertible bonds	4,630	-	-	-	4,630
Allotment of bonus shares	3,198	(919)	-	(2,279)	-
Initial public offering - Issue of new ordinary shares	7,773	7,773	-	-	15,546
Net profit for the financial year	-	-	-	4,376	4,376
Expenses for initial public offering	-	(3,224)	-	-	(3,224)
Balance at 31 December 2004	<u>26,439</u>	<u>4,549</u>	<u>(471)</u>	<u>4,376</u>	<u>34,893</u>
Balance at 1 January 2003	3,125	919	(471)	(1,641)	1,932
Issued during the financial year	7,713	-	-	-	7,713
Net profit for the financial year	-	-	-	3,920	3,920
Balance at 31 December 2003	<u>10,838</u>	<u>919</u>	<u>(471)</u>	<u>2,279</u>	<u>13,565</u>

Company	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000
Balance at date of incorporation	*	-	-	*
Issued pursuant to restructuring exercise	10,838	3,198	-	14,036
Conversion of convertible bonds	4,630	-	-	4,630
Allotment of bonus shares	3,198	(3,198)	-	-
Initial public offering - Issue of new ordinary shares	7,773	7,773	-	15,546
Net profit for the financial year	-	-	108	108
Expenses for initial public offering	-	(3,224)	-	(3,224)
Balance at 31 December 2004	<u>26,439</u>	<u>4,549</u>	<u>108</u>	<u>31,096</u>

* - 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.**

Share capital	Number of shares	Share Capital RM'000
As at 1 January 2004	2	*
Issue of shares after share split		
Restructuring exercise	4,859,946	10,838
Conversion of convertible bonds	<u>2,082,834</u>	<u>4,630</u>
	<u>6,942,782</u>	<u>15,468</u>
Share split	69,427,820	15,468
Bonus issue	<u>14,342,930</u>	<u>3,198</u>
	83,770,750	18,666
Public issue	<u>34,000,000</u>	<u>7,773</u>
	<u>117,770,750</u>	<u>26,439</u>

* - This denotes RM 4

On incorporation, the authorised share capital of the Company was S\$10,000,000, comprising 10,000,000 ordinary shares of S\$1.00 each and issued and paid-up capital of the Company was S\$2.00 comprising 2 ordinary shares of S\$1.00 each.

At the Extraordinary General Meeting held on 15 September 2004, the shareholders of the Company approved, *inter alia*, the followings:-

- a) an increase in its authorised share capital from S\$10,000,000 divided into 10,000,000 ordinary shares of S\$1.00 each to S\$50,000,000 divided into 50,000,000 ordinary shares of S\$1.00 each;
- b) the Restructuring Exercise where the Company acquired the entire issued and paid-up share capital of Flexitech, comprising 11,757,248 ordinary shares of RM1.00 each with a total consideration of RM14,036,154. The consideration was satisfied in full by the issuance of 4,859,946 fully paid-up shares of S\$1.00 each in the capital of the Company at a premium of approximately 29.5 cents per share;
- c) the allotment and issuance of 2,082,834 new ordinary shares of S\$1.00 each in the share capital of the Company pursuant to the conversion of the Convertible Bonds;
- d) the sub-division of each ordinary share of S\$1.00 each in the authorised and issued and paid-up share capital of the Company into 10 ordinary shares of S\$0.10 each;
- e) the bonus issue of 14,342,930 new ordinary shares of S\$0.10 each fully-paid in the capital of the Company prior to this Invitation by way of capitalising the share premium account of the Company;
- f) the issue of 34,000,000 New Shares which are the subject of this Invitation which when fully paid will rank *pari passu* in all respects with the existing Shares of the Company;

Pursuant to the Prospectus dated 1 November 2004 lodged with Monetary Authority of Singapore, the Company invited the public to subscribe for its Invitation Shares. The Invitation Shares of S\$0.10 each comprising:

- (a) 1,500,000 Offer Shares at S\$0.20 for each Offer Share by way of public offer; and
- (b) 32,500,000 Placement Shares by way of placement, comprising:
 - (i) 30,500,000 Placement Shares at S\$0.20 for each Placement Share by way of placement; and
 - (ii) 2,000,000 Reserved Shares at S\$0.20 for each Reserved Share reserved for independent Directors, management, employees, business associates of the Group and those who have contributed to the success of the Group.

The Company's shares commenced trading on the Singapore Stock Exchange on 10 November 2004.

There is presently no option scheme to take up unissued shares of the Company.

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 same accounting policies and methods of computation as presented in the Company's Prospectus dated 1 November 2004 have been applied in the current financial year.

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 31/12/04	Group As At 31/12/03
Earning per share (EPS) in sen		
I) Basic *	5.92	11.72
II) On a fully diluted basis **	5.92	11.72

* The earning per share for the year ended 31 December 2004 is calculated based on profit from ordinary activities after taxation of RM4.38 million (2003 : RM3.92 million) divided by weighted average 73,919,079 (2003 : 33,449,557) ordinary shares of S\$0.10 each. The calculation of weighted average ordinary shares has been adjusted retrospectively to take into account for the bonus issue and sub-division.

** 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 31/12/04 RM	Group As At 31/12/03 RM	Company As At 31/12/04 RM
Net asset per share in sen	29.63	21.75	26.40

The net asset backing per ordinary share as at 31 December 2004 is calculated based on 117,770,750 ordinary shares in issue.

For comparative purpose, the net asset backing per ordinary shares as at 31 December 2003 has been adjusted for the proceeds raised from the issue of the Convertible Bonds of approximately RM4.653 million and has been computed based on the pre-invitation share capital of 83,770,750 shares.

8 **A review of the performance of the Group, to the extent 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 applicable) 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.**

Review of operations

For the financial year ended 31 December 2004 ("FY04"), the Group achieved a 17.0% growth in profit before tax to RM5.2 million compared to the previous corresponding period FY03, on the back of a 15.7% increase in revenue to RM46.9 million.

Operating profit margins improved in FY04 by 0.6% to 18.1%, mainly attributable to growth in sales of Cleanroom gloves which yield better profit margins. Profit after tax grew 11.6% to RM4.4 million.

Selling and distribution expenses increased by approximately RM0.2 million or 21.3% to RM1.0 million due mainly to higher freight and forwarding charges in line with the increased turnover. General and administrative expenses increased by approximately RM0.6 million or 38.2% to RM2.3 million due to the increased headcount and payroll in line with the higher turnover.

There was some positive impact from tax-related benefits arising from the utilisation of reinvestment allowance in Malaysia.

On a segmental basis, revenue growth was driven by a RM9.2 million or 71.6% growth in revenue from its Cleanroom segment to RM22.1 million, which has become the Group's largest contributor for FY04. The Group also enjoyed growth in sales from its markets in Asia.

Balance sheet review

Fixed assets increased by RM12.4 million to RM20.2 million, which included the acquisition of four dipping lines and auxiliary equipment in existing and new factory to increase the production capacity of the Group.

In line with the increase in turnover, inventories increased by RM4.1 million to RM7.9 million and trade receivables increased by RM0.8 million to RM6.2 million; while trade payables increased by RM3.5 million to RM6.4 million.

During FY04, net cash provided by operating activities increased to RM4.8 million from RM3.7 million. Cash and bank balances increased by RM11.4 million to RM13.9 million in FY2004. This was attributed to the net proceeds from the recent IPO of the Company and increase in revenue.

Term loan increased by RM5.0 million due to the financing of four additional dipping lines, of which two were fully operational during the year in review.

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.

The Group experienced strong demand for our products in particular Cleanroom gloves in FY04 and the Directors expect the demand for our products to remain strong in FY05.

For FY04, the Group's existing plant has been operating close to maximum capacity on a 24-hour basis, seven days a week to cope with the increase in orders. As disclosed in the Company's prospectus dated 1 November 2004, the Group had embarked on a facility expansion programme that will increase its installed production capacity from 415 million gloves to approximately 850 million gloves by end of 2005 to cope with the increase in orders from the strong demand for our products.

In view of the above and barring any unforeseen circumstances, the Directors are optimistic that the Group will perform better in FY05.

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.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

- 13 **Segmental revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Revenue (by product segment)

	2004 RM'000	2003 RM'000
Cleanroom	22,141	12,906
Medical	18,693	21,432
Industrial	6,029	6,161
	<u>46,863</u>	<u>40,499</u>

Results (by product segment)

	2004 RM'000	2003 RM'000
Cleanroom	3,244	1,871
Medical	1,740	2,307
Industrial	170	405
	<u>5,154</u>	<u>4,583</u>

Revenue (by geographical regions)

	2004 RM'000	2003 RM'000
North America	19,703	21,697
Asia	18,016	10,782
Europe	9,144	8,020
	<u>46,863</u>	<u>40,499</u>

- 14 **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to paragraph 8 above.

15	A breakdown of sales.	Group 2004 RM'000	Group 2003 RM'000	increase/ (decrease) %
	(a) Sales reported for first half year	22,386	17,988	24.4
	(b) Operating profit after tax reported for first half year	1,851	990	87.0
	(c) Sales reported for second half year	24,477	22,511	8.7
	(d) Operating profit after tax reported for second half year	2,525	2,930	(13.8)

16 **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Total Annual Dividend

	2004 RM'000	2003 RM'000
Ordinary	-	-
Preference	-	-
Total	-	-

17 **Interested Person Transaction.**

Name of interested person:	Nature	Aggregate value of all interested person transactions (excluding transactions less than \$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Success Way Development Sdn Bhd	Purchase of fixed assets	698	77	-	-
Greenview Properties Sdn Bhd	Factory rental	180	-	-	-