

**MEDI-FLEX**



**Medi-Flex Limited**

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## **Progress Report on Accelerated Expansion Programme at Second Plant in Banting near Malaysia's Kuala Lumpur International Airport**

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The Board of Directors of SGX SESDAQ-listed Medi-Flex Limited ("Medi-Flex"), which specialises in the manufacture of premium cleanroom and medical disposable latex and nitrile gloves, is pleased to provide the following progress report on the accelerated expansion programme as announced on 21 March 2005 (to be referred to as Phase I), at the Company's new second plant located in Olak Lempit, Banting, Malaysia.

### **Phase I included the following:**

- **11 new dipping lines** (of which five are 'double lines', i.e., the capacity of each double line is approximately double the capacity of each of the other six lines. Each automated line comprises special moulds dipping in latex or nitrile (synthetic rubber) to form gloves;
- **One cleanroom facility** (12,000 square feet; this facility is required for the final-stage processes in the production of cleanroom gloves).

Of the abovementioned 11 lines, eight were progressively put into regular operation at various stages in 2005 and are currently operating near maximum capacity. The last three new dipping lines to be installed are double lines; these are now undergoing final testing runs and scheduled for commissioning in 1Q FY06.

Hence, including the seven dipping lines operating at the Company's first plant in Klang, Medi-Flex currently operates a total of 15 dipping lines with an installed production capacity amounting to 1.2 billion gloves on an annual basis.

Once the three remaining new double lines are fully commissioned for operation in 1Q FY06, the Company's total annual installed capacity will then increase to approximately 1.6 billion gloves. In comparison, as at 31 December 2004, the Company had a single plant located in Meru, Klang, operating seven dipping lines with an installed capacity of 415 million gloves annually and a cleanroom facility.

The most significant contribution from Phase I to Medi-Flex's bottomline will kick in from next year when the Banting plant's cleanroom facility, which is three times larger than the Klang plant's cleanroom facility, progressively moves into full operation.

Commenting on the expansion programme, Medi-Flex's Managing Director, Mr A.K Tu, said, "It has been a very hectic year and we have been looking forward to this moment. We greatly appreciate the patience of our customers who have been awaiting the operation of our new cleanroom facility at the Banting plant as they continue to experience the global surge in demand for cleanroom gloves.

With our first cleanroom at the Klang plant operating at near capacity since 2004, we can't capitalise on the new dipping lines coming on-stream throughout 2005 to accept additional orders for our premium cleanroom gloves. Now, we can ramp up our capacity for these higher-margin cleanroom gloves and ride on the current demand. It will also enable us to start tapping the China market through our associate company Sonic Clean, a subsidiary of SGX-listed Unisteel Technology. With an enlarged base, economies of scale will be facilitated, albeit along with higher operating expenses including fresh depreciation charges."

The value-added processes required for cleanroom gloves, which are used extensively in the global micro-electronics, hard disk drive and semiconductor industries, result in significantly higher yields for Medi-Flex compared to medical gloves.

Accordingly, the 37.2% turnover growth recorded for the January-June first half ("1H FY05") compared to 1HFY04 was mainly attributed to increased orders for medical gloves but not cleanroom gloves, hence bottom-line growth was not in tandem with top-line growth.

Currently, the construction of the new cleanroom is completed and approximately 40% of the total auxiliary equipment required has been installed. The facility is already undergoing qualification by customers in line with standard industry procedures. Its operating capacity will be progressively scaled up in tandem with the progressive installation of the remaining supporting equipment from now through to 1Q FY06. In the interim period, the Company will maximise its order intake for cleanroom gloves with the balance capacity of its new dipping lines expected to be utilised by the production of medical gloves that do not require the cleanroom facility.

In addition, the new biomass boiler installed at the Banting plant by Greenview Properties Sdn Bhd under a heat supply agreement has been put into full operation from 4Q FY05 to generate steam for its glove production process. The use of this boiler will help to partially limit any exposure from further spikes in oil prices.

Looking ahead, Mr Tu said, "Overall, I'm pleased with the milestones we have attained to date, considering that our business is only into its sixth year of operations. However, critical mass is a major success factor for this industry; hence it is strategically important that Medi-Flex continues to invest in building for the future. We are focused in the niche segment of premium gloves for which worldwide demand continues to be robust and relatively inelastic and are optimistic of signing on more new customers. In planning ahead for the Phase II of our Expansion Programme, we have recently secured the large tract of land that is ideally located next to our Banting plant."

On 2 August and 15 September 2005, the Company's subsidiary entered into two sales and purchase agreements for the adjoining piece of leasehold land extending over a combined area of approximately 23,472 square metres at the total price of RM7.35 million. With the completion of Phase I, the Banting plant has already utilised approximately two-thirds of the present land parcel of 23,472 square metres that was leased in 2004 from Greenview Properties Sdn Bhd.

Submitted by Tu Ah Kim, Managing Director, to the SGX on 23 November 2005