

MEDI-FLEX LIMITED
(Incorporated in Singapore)
(Company Registration Number: 200312754H)

**PROPOSED PLACEMENT OF 328,305,829 NEW ORDINARY SHARES
IN THE CAPITAL OF MEDI-FLEX LIMITED**

The Directors of Medi-Flex Limited (the "Company") wish to announce that the Company has on 12 October 2006 entered into a term sheet (the "Term Sheet") with Top Glove Corporation Bhd ("TG"), Regal Honour Investments Limited ("RHI") and PACAL Consulting ("PACAL") Pte Ltd (collectively the "Placees"), pursuant to which the Placees have agreed to subscribe for 328,305,829 new ordinary shares (the "Placement Shares") in the capital of the Company at the price of S\$0.07 for each Placement Share (the "Placement") as follows:-

<u>Placees</u>	<u>Number of Placement Shares</u>
Top Glove Corporation Bhd	300,305,829
Regal Honour Investments Limited	23,000,000
PACAL Consulting Pte Ltd	5,000,000

The Term Sheet sets out certain key terms relating to the proposed share issue and constitutes a legally binding agreement between the parties relating to the key commercial terms of the proposed share issue, subject to the parties entering into a definitive Subscription Agreement. A definitive Subscription Agreement will be prepared to set out the full terms and conditions of the proposed share issue based on the key terms contained herein to be executed within thirty (30) days from the date hereof or such other later date to be agreed amongst the parties, failing which the term sheet shall lapse and no party shall have any claims against the other party. The proposed share issue is subject, *inter alia*, to the following conditions precedent:

1. Due diligence investigation on the Company by TG to be completed within 4 weeks from the date of Subscription Agreement and the results of such due diligence being to TG's satisfaction;
2. Approval in-principle of the SGX-ST for the listing and quotation of the new shares on the Official List of the SGX-SESDAQ;
3. Provisions of the SGX-ST Listing Manual, for which approval of the Company's shareholders and SGX-ST are required;
4. Whitewash waiver to be obtained from Securities Industry Council ("SIC") and a whitewash resolution to be obtained from the Company's shareholders such that TG need not make a general offer for the Company's shares;
5. Approval by the shareholders of TG, if required;
6. All other relevant regulatory approvals in Singapore and Malaysia;
7. Execution of service agreements by key management as described below;
8. Such other conditions precedent as may be advised by TG's legal adviser, subject to the mutual agreement between TG and MFX.

The subscription of new shares by RHI and PACAL Consulting Pte Ltd is conditional upon subscription of new shares by TG. PACAL Consulting Pte Ltd is entitled to a success fee being 2.5% of the placement price for the Placement, under the terms of the consultancy agreement dated 19 July 2006 (as thereafter varied and supplemented) between the Company and PACAL Consulting Pte Ltd.

Mr Tu Ah Kim, the Managing Director and the controlling shareholder of the Company, has given an undertaking under the Term Sheet not to dispose of, or transfer (i) all of his 42,400,128 ordinary shares in the Company (save for 5.5 million shares pledged to UOB Nominees (Pte) Ltd) for a period of 6 months ("the Initial Moratorium") from the date of admission of the Placement Shares on the Official List of the SGX-SESDAQ; and (ii) 50% of his 42,400,128 ordinary shares in the Company (save for 5.5 million shares pledged to UOB Nominees (Pte) Ltd) for a period of 6 months from the end of the Initial Moratorium.

Under one of the conditions precedent in the Term Sheet, certain directors and key management will enter into service agreements with the Company upon terms agreeable to TG for an initial term of one (1) year and subject to annual renewal by the Company.

The placement price of S\$0.07 for each Placement Share represents a discount of approximately 31.2% to the volume weighted average price per share of S\$0.1017 for trades done on the SGX-ST on 9 October 2006, being the market day prior to the trading halt in the shares of the Company on the SGX-ST; and a discount of approximately 47.9% to the net asset value per share of S\$0.1343 based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2005.

The Placement Shares when issued and fully paid will rank *pari passu* in all respects with the existing ordinary shares of the Company.

When completed, the Placement will increase the issued and paid up share capital of the Company to 500,000,000 ordinary shares. Under Rule 14 of the Singapore Code on Take-overs and Mergers and Section 139 of the SFA, any person together with persons acting in concert with him acquiring shares 30% or more of the Company shall be required to make a mandatory general offer for those shares not already owned by him and his concert parties. As at the date hereof, the number of the issued share capital of the Company is 171,694,171 ordinary shares. Based on this figure, upon their issue, the Placement Shares will represent approximately 65.66% of the enlarged issued and paid-up share capital of the Company.

An application will be made to the Securities Industry Council for a waiver of the obligation by TG and persons acting in concert with them (if any) from having to make a mandatory general offer as a result of the allotment and issue of the Placement Shares to TG, and such waiver is a condition precedent to the proposed new share issue.

The net assets value per share and the earnings per share of the Company and its subsidiaries (the "Group") as at 31 December 2005, based on the audited financial statements of the Company and its issued and paid-up share capital as at the date of this announcement, was S\$0.1343 and S\$0.0117 respectively. The net assets value per share and the earnings per share of the Group, after adjusting for the issue of the Placement Shares (the "Adjusted NAV per share" and "Adjusted EPS" respectively), would be S\$0.0921 and S\$0.0039 respectively.

The gross proceeds from the Placement will be approximately S\$23.0 million. The proceeds will be used to repay bank borrowings and working capital purposes. Upon the completion of the Placement, the Company will become a subsidiary of TG. The completion of the Placement will provide growth opportunities for both TG and the Company in the manufacture of specialised gloves whereby both TG and the Company are expected to benefit through the sharing of technology and expertise.

None of the Placement Shares will be placed by the Company with any person or groups of persons disallowed by the SGX-ST as set out under Rule 812 of the Listing Manual of the SGX-ST.

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Placement.

The issue of the Placement Shares will be subject to shareholders' approval by way of an ordinary resolution to be put to the shareholders of the Company at an extraordinary general meeting ("EGM") to be convened. The proposed Placement and the proposed whitewash resolution for the waiver of the rights of the independent shareholders of the Company to receive a mandatory general offer from the Placees and persons acting in concert with them for the remaining issued and paid-up shares of the Company not owned or controlled by them, as a result of the completion of the Placement are subject to the approval of the shareholders of the Company at an EGM to be convened. A Circular containing further details of the said matters and enclosing a notice of EGM in connection therewith will be despatched to the shareholders of the Company in due course.

Shareholders and potential investors should note that the Placement is subject to the fulfillment of, inter alia, the conditions set out above, including the obtaining of the relevant regulatory approvals in both Singapore and Malaysia, and accordingly should exercise caution when trading in the shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Submitted by Tu Ah Kim, Managing Director on 12 October 2006 to the SGX-ST.