

**HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
FOR PERIOD ENDED 30 JUNE 2006**

These figures have not been audited or reviewed

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 Period Ended 30/6/06 RM'000	Group Period Ended 30/6/05 RM'000	increase/ (decrease) %
Revenue	51,120	30,712	66.4
Cost of sales	<u>(59,372)</u>	<u>(25,358)</u>	134.1
Gross (loss) / profit	(8,252)	5,354	N.M
Other operating income / (expenses)	128	(144)	N.M
Selling and distribution expenses	(1,336)	(649)	105.9
General and administrative expenses	<u>(2,713)</u>	<u>(1,867)</u>	45.3
(Loss) / profit from operations	(12,173)	2,694	N.M
Finance costs	<u>(1,285)</u>	<u>(225)</u>	471.1
	(13,458)	2,469	N.M
Share of results of an associated company	871	10	N.M
(Loss) / profit before taxation	<u>(12,587)</u>	2,479	N.M
Taxation	-	(355)	N.M
(Loss) / profit after taxation	<u><u>(12,587)</u></u>	<u><u>2,124</u></u>	N.M

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

	Group Period Ended 30/6/06 RM'000	Group Period Ended 30/6/05 RM'000	increase/ (decrease) %
Depreciation	(3,046)	(1,873)	62.6
Foreign exchange gain / (loss)	106	(152)	N.M.
Interest income	2	8	(75.0)
Interest expenses	(1,285)	(225)	471.1
Provision for doubtful debts written back	20	-	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 30/06/06 RM'000	Group As At 31/12/05 RM'000	Company As At 30/06/06 RM'000	Company As At 31/12/05 RM'000
Non-current assets				
Fixed assets	71,958	58,056	137	145
Investment	-	-	-	-
- subsidiary companies	-	-	47,422	45,640
- associated company	14,505	13,503	13,089	13,089
Current assets				
Inventories	9,891	13,291	-	-
Trade debtors	11,472	12,737	-	-
Other debtors	509	455	51	51
Prepayments	2,378	1,918	821	98
Amount due from subsidiary companies	-	-	2,410	1,668
Cash and bank balances	1,117	4,675	9	119
	<u>25,367</u>	<u>33,076</u>	<u>3,291</u>	<u>1,936</u>
Current liabilities				
Bank overdrafts	1,086	930	-	-
Trade creditors	17,215	9,870	-	-
Other creditors and accruals	4,104	3,247	364	516
Hire purchase creditors	697	672	-	-
Bank borrowings	18,908	12,871	2,134	1,409
Provision for taxation	91	91	-	-
	<u>42,101</u>	<u>27,681</u>	<u>2,498</u>	<u>1,925</u>
Net current (liabilities) / assets	(16,734)	5,395	793	11
Deferred taxation	(2,761)	(2,761)	-	-
Hire purchase creditors	(458)	(814)	-	-
Borrowings	(26,769)	(21,182)	(19,194)	(16,624)
Net assets	<u>39,741</u>	<u>52,197</u>	<u>42,247</u>	<u>42,261</u>
Equity attributable to equity holders of the company				
Share capital	43,883	38,502	43,883	38,502
Share premium	-	5,381	-	5,381
Merger deficits	(471)	(471)	-	-
(Accumulated loss) / revenue reserve	(3,821)	8,766	(1,636)	(1,622)
Foreign currency translation reserve	150	19	-	-
Total equity	<u>39,741</u>	<u>52,197</u>	<u>42,247</u>	<u>42,261</u>

1.(b) (ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

	As at 30/6/06 Secured RM'000	As at 31/12/05 Secured RM'000
Hire purchase creditors	697	672
Borrowings	<u>18,908</u>	<u>12,871</u>
	<u>19,605</u>	<u>13,543</u>

Amount repayable after one year

	As at 30/6/06 Secured RM'000	As at 31/12/05 Secured RM'000
Hire purchase creditors	458	814
Borrowings	<u>26,769</u>	<u>21,182</u>
	<u>27,227</u>	<u>21,996</u>

The borrowings are secured by corporate guarantee provided by the Company.

The term loans are secured by way of:-

- a) First fixed charge over certain equipment as well as an equitable assignment of receivables; and
- b) Corporate guarantee provided by the Company and certain of the subsidiary companies.

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 30/6/06 RM'000	Group As At 30/6/05 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(12,587)	2,479
Adjustments for:-		
Depreciation	3,046	1,873
Interest expense	1,285	225
Interest income	(2)	(8)
Share of results of associated company	(871)	(10)
Provision for doubtful debts written back	(20)	-
Operating (loss) / profit before working capital changes	(9,149)	4,559
Decrease / (Increase) in inventories	3,400	(3,897)
Decrease / (Increase) in debtors	1,120	(2,229)
Increase / (Decrease) in creditors	8,202	(697)
Cash flows generated from / (used in) operations	3,573	(2,264)
Tax paid	(349)	(16)
Interest paid	(1,285)	(225)
Interest received	2	8
<i>Net cash flows from / (used in) operating activities</i>	<u>1,941</u>	<u>(2,497)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16,948)	(16,419)
<i>Net cash flows used in investing activities</i>	<u>(16,948)</u>	<u>(16,419)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from term loans and bank borrowings	31,308	7,395
Repayment of term loans and bank borrowings	(19,684)	(960)
(Repayment of) / proceeds from hire purchase creditors	(331)	1,807
<i>Net cash flows from financing activities</i>	<u>11,293</u>	<u>8,242</u>
NET DECREASE IN CASH AND BANK BALANCES	(3,714)	(10,674)
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL PERIOD	3,745	13,900
CASH AND BANK BALANCES AT END OF THE FINANCIAL PERIOD	<u>31</u>	<u>3,226</u>
CASH AND BANK BALANCES COMPRISE THE FOLLOWINGS AT END OF THE FINANCIAL PERIOD		
Cash at banks and in hand	1,117	3,226
Bank overdrafts	(1,086)	-
Cash and banks balances	<u>31</u>	<u>3,226</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	(Accumulated loss)/revenue reserve RM'000	Foreign currency translation reserve RM'000	Total equity RM'000
Balance at 1 January 2006	38,502	5,381	(471)	8,766	19	52,197
Transferred to share capital in accordance with the Companies Act	5,381	(5,381)	-	-	-	-
Net effect of exchange differences	-	-	-	-	131	131
Loss for the financial period	-	-	-	(12,587)	-	(12,587)
Balance at 30 June 2006	43,883	-	(471)	(3,821)	150	39,741
Balance at 1 January 2005	26,439	4,549	(471)	4,376	-	34,893
Issuance of ordinary shares to acquire associated company	2,493	10,596	-	-	-	13,089
Profit for the financial period	-	-	-	2,124	-	2,124
Balance at 30 June 2005	28,932	15,145	(471)	6,500	-	50,106
Company						
	Share capital RM'000	Share premium RM'000	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	Total Equity RM'000
Balance at 1 January 2006	38,502	5,381	38,502	5,381	(1,622)	42,261
Transferred to share capital in accordance with the Companies Act	5,381	(5,381)	5,381	(5,381)	-	-
Loss for the financial period	-	-	-	-	(14)	(14)
Balance at 30 June 2006	43,883	-	43,883	-	(1,636)	42,247
Balance at 1 January 2005	26,439	4,549	26,439	4,549	108	31,096
Issuance of ordinary shares to acquire associated company	2,493	10,596	2,493	10,596	-	13,089
Loss for the financial period	-	-	-	-	(339)	(339)
Balance at 30 June 2005	28,932	15,145	28,932	15,145	(231)	43,846

Amendments to the Companies Act

In accordance with the amendments to the Companies Act that came into effect on 30 January 2006, the Company's Share Premium has been combined into the Share Capital Account.

- 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.

Since the end of the previous financial year, no shares were issued by way of rights issue, bonus issue or exercise of share options under the Medi-Flex Share Option Scheme.

- 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 Group has applied the same accounting policies and method of computation in the financial statements for the current financial period compare with those of audited financial statements as at 31 December 2005.

- 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.

Not applicable.

- 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 30/06/06	Group As At 31/12/05	Group As At 30/06/05
(Loss) / earning per share (EPS) in sen			
I) Basic	(7.33)	2.64	1.80
II) On a fully diluted basis	(7.33)	2.64	1.80

- 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 30/06/06 RM	Group As At 31/12/05 RM	Group As At 30/06/05 RM	Company As At 30/06/06 RM	Company As At 31/12/05 RM	Company As At 30/06/05 RM
Net asset per share in sen	23.15	30.40	38.91	24.61	24.61	34.05

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

The Company's financial performance for the six months ended 30 June ("1H06") is in line with the profit guidance issued on 19 July 2006. The Directors had announced that the Company was expecting to record a loss for 1H06 as its performance was affected by the continuing surge in the price of a key raw material, namely natural latex, which reached unprecedented price levels by the date of the profit guidance.

The rise in latex price had started in the 2nd half of 2005. These increases were however not significant and the Company was able to manage these increases by progressively passing these increases in latex price onto customers. However, the price of latex continued to rise sharply in 1H06. In order to remain competitive, the Company has had to absorb some of these price increases and as a result, gross margins were affected, particularly for lower-price latex glove products. But the continuing sharp surge in latex prices to a 20-year' high outpaced the passing of more cost increases to customers, thus further eroding gross margins

The Company has been implementing various actions to manage the latex price hikes, including adjusting its sales mix, reducing its order intake of latex gloves and intensified its marketing of synthetic rubber or nitrile gloves, and other cost control measures.

The aforementioned measures necessitated the lowering of production output and thus, the utilization of the newly completed double dipping lines in 1H06 was lower than planned. While these initiatives mitigated further losses from lower-price latex gloves, it invariably led to increased idle time for permanently-employed foreign production workers and the operation of the newly expanded Banting plant at a lower utilization rate than budgeted for upon the completion of the expansion.

Consequently, the Company recorded revenue of RM51.1 million for 1H06; an increase of 66.4% compared to RM30.7 million in 1H05 which was prior to the main implementation of the expansion. The increase in sales was largely due to the additional production capacity coming on stream.

In view of the abovementioned factors, cost of sales rose significantly to RM59.4 million from RM25.4 million. Apart from the volume increase, the cost increase was attributable to various other factors: increases in electricity rate, price increase for certain packing materials, increase in repair and maintenance and production consumables, as well as significant new depreciation charges arising from the capital expenditure under Phase I expansion programme.

Accordingly, the Company recorded a gross loss of RM8.3 million for 1H06 compared 1H05's gross profit of RM5.4 million.

The increase in Selling and Distribution expenses to RM1.3 million from RM0.6 million was due to higher sales volume coupled with an increase in freight rates on higher oil prices.

General and Administrative expenses amounted to RM2.7 million in 1H06 from RM1.9 million. This included a significant increase in payroll from an increase in management personnel and production workers, foreign worker expenses, travelling expenses and other costs arising from its expansion programme

Finance costs rose significantly to RM1.3 million from RM0.2 million. This was attributed to the additional financing for the capital investment for the Phase I expansion programme to increase production capacity, installation of equipment in the new cleanroom and corresponding to higher working capital requirements.

Share of results of an associate of RM0.9 million arose from the Company's joint venture-cum-investment in a 35% equity stake in cleanroom services provider Sonic Clean Pte Ltd, a subsidiary of Singapore-listed Unisteel Technology Ltd, in June 2005.

Accordingly, loss before and after taxation for 1H06 was RM12.6 million compared to a profit of RM2.5 million and RM2.1 million respectively in 1H05.

Balance sheet review

Fixed assets increased to RM72.0 million from RM58.1 million due to the completion of Phase I of the expansion programme, including the installation of additional dipping lines, new cleanroom with auxiliary equipment and the capitalisation of two pieces of newly acquired land parcels adjoining Banting plant. .

Inventories decreased to RM9.9 million from RM13.3 million, mainly due to the Company reducing the production for latex gloves in late 1H06.

Trade debtors was maintained at RM11.5 million from RM12.7 million, as the Company did not encounter difficulties in collecting due payments from customers despite the increase in business volume.

Net cash and bank balances stood at RM31,000 as at 30 June 2006 compared to RM3.7 million as at 31 December 2005.

The Company generated RM1.9 million in net cash flows from operating activities; net cash flows used in investing activities amounted to RM16.9 million and net cash flows from financing activities was RM11.3 million, which are consistent with the higher turnover in 1H06 and the majority of the expansion programme being carried out in 2H05. In 1H05, net cash used in operations and investing activities were RM2.5 million and RM16.4 million respectively while net cash from financing activities amounted to RM8.2 million.

9 Where a forecast, or a prospect statement, had been previously disclosed to shareholders, any variance between it and the actual results.

In the results announcement for FY2005 on 28 February 2006, the directors had indicated their expectation of a better performance in FY06 based on the continuing progress of the Company's expansion programme and the continuing global demand for its range of medical and cleanroom gloves.

However, due to the unforeseen hike in the price of a key raw material, natural latex, which had continued rising to unprecedented levels through the first half of 2006 following the rise that first started in 2H05, the Company's sales and gross profit were significantly affected in 1H06. Accordingly, the Company issued a profit guidance announced on 19 July 2006.

As detailed in note 8 of this announcement, consistent with the measures undertaken to manage around the latex price hikes including the reduction of latex glove order intakes, the Company was operating the newly expanded Banting plant at a utilization rate that differed significantly from the planned output levels for 1H06 following the expansion.

Coupled with various increases in plant operation costs and overheads arising from the completion of the expansion in 1H06, including significant finance costs to fund the capital investment and new depreciation charges, the Company recorded a net loss in 1H06 amounting to RM12.6 million.

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.

Further to the update on Phase 1 Expansion programme announced on 28 February 2006, the directors wish to provide the following information:

- The Company completed the full installation work in respect of additional glove dipping lines at its new Banting plant by March 2006. The Banting plant has six single dipping lines and five double dipping lines while the first plant in Klang has seven single dipping lines, for a total of 18 dipping lines.
- Up to 80% of supporting / auxiliary equipment in Banting's new cleanroom has been installed.

On operations and prospects in 2H06, the Directors believe that while global demand remains robust for the Company's range of gloves, operating conditions for the Company will continue to be challenging due to the prevailing uncertainty over the price of natural latex.

The Company will:

- Continue to adjust its sales mix to manage around any increase or decrease in latex price
- Continue efforts to persuade customers to switch from natural latex gloves to synthetic rubber or nitrile gloves, as the price of nitrile has not increased significantly like natural latex over the past few years
- Focus more on the premier cleanroom gloves than medical gloves, in view of the Company's technical ability to produce the cleanroom gloves, which is a niche product, and with the significant expansion in the new cleanroom capacity going forward.
- Remain alert to factors that may impact on the Company's operations in the second half of 2006, such as increases in interest rate thus affecting finance costs, continuing uncertainty of raw material prices; any adjustment to the prevailing US\$:RM fixed exchange rate which is decided by the government of Malaysia

As announced on 19 July 2006, the Company has discontinued the proposed Dual Listing on London's AIM for the time being in view of prevailing market conditions; for now, expansion plans are being re-evaluated and, if necessary, various fund-raising alternatives will be explored.

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 period.

12 If no dividend has been declared (recommended), a statement to that effect.

No interim or final dividend is recommended during the financial period.

13 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)	
		6 months ended 30 June		6 months ended 30 June	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Greenview Properties Sdn Bhd	Factory rental	445	240	-	-
Greenview Properties Sdn Bhd	Heat Supply	-	-	1,882	-

BY ORDER OF THE BOARD

Tu Ah Kim
 Director
 14 August 2006