MEDI-FLEX LIMITED

(Incorporated in Singapore)
(Company Registration Number: 200312754H)

PROPOSED PLACEMENT OF 328,306,000 NEW ORDINARY SHARES IN THE CAPITAL OF MEDI-FLEX LIMITED ("THE PROPOSED PLACEMENT")
-EXECUTION OF DEFINITIVE SUBSCRIPTION AGREEMENT

1. INTRODUCTION

Further to its announcements dated 12 October 2006, 23 October 2006 and 10 November 2006, the Board of Directors of Medi-Flex Limited (the "Company") wishes to announce that the Company has on 27 November 2006 entered into a subscription agreement (the "Subscription Agreement") with Top Glove Corporation Bhd ("TG"), Regal Honour Investments Limited ("RHI") and Pacal Consulting Pte Ltd ("Pacal") (collectively the "Subscribers"), pursuant to which the Subscribers have agreed to subscribe for an aggregate of 328,305,829 new ordinary shares ("Placement Shares") in the capital of the Company at an issue price of S$0.07 ("Placement Price") per Placement Share ("Proposed Placement"). TG, RHI and Pacal are subscribing for 300,305,829, 23,000,000 and 5,000,000 Placement Shares respectively.

2. CONDITIONS PRECEDENT

2.1 The completion of the subscription of its portion of the Placement Shares by TG is conditional upon certain conditions precedent being fulfilled or waived on or before 31 March 2007 (or such later date as the parties may agree in writing) including, *inter alia*, the following:-

(i) TG being satisfied with the results of the due diligence investigations carried out by it in respect of the legal, financial and business affairs of the Company and its subsidiaries (the "Group") within 4 weeks from the date of the Subscription Agreement;

(ii) the lodgement with and acceptance by the Monetary Authority of Singapore of the Offer Information Statement in relation to the Proposed Placement;

(iii) the approval in-principle being granted by the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing of and quotation for the Placement Shares on the SGX-ST Dealing and Automated Quotation System ("SGX-SESDAQ") (on conditions, if any, reasonably acceptable to the Company and TG and such approval not being revoked or withdrawn prior to completion)

(iv) the receipt of the whitewash waiver from the Securities Industry Council of Singapore ("SIC") in favour of TG and its concert parties (if any) waiving its obligations to make a general offer pursuant to the provisions of the Singapore Code on Take-overs and Mergers upon the issue and allotment of its portion of the Subscription Shares to TG (on conditions, if any, reasonably acceptable to the Company and TG and such waiver not being revoked, rescinded or cancelled prior to completion);

(v) the approval of the shareholders of the Company at an extraordinary general meeting ("EGM") to be convened for the allotment and issue of the Placement Shares to the Subscribers and the whitewash resolution;

(vi) the appointment of such directors nominated by TG having regard to the proportion of TG's shareholding in the enlarged issued share capital of the Company on the issue of the Placement Shares;

(vii) Tu Ah Kim, Hew Yew Fook and Liew Hock Nean (being the Managing Director, Executive Director and Marketing Manager of the Group respectively) each having entered into a service agreement with the Company for an initial term of 1 year from the date of completion of the Proposed Placement, subject to renewal on a yearly basis; and

(viii) all representations and warranties of the Company under the Subscription Agreement being true, accurate and correct on completion.

2.2 The completion of the subscription of the Placement Shares by RHI and Pacal is conditional upon the subscription of the Placement Shares by TG.

3. KEY TERMS

Consideration Payable

3.1 Upon the conditions precedent being fulfilled (or waived) in accordance with the terms of the Subscription Agreement, the completion of the Proposed Placement shall take place within 14 days whereupon the Subscribers will pay the aggregate placement price of S$22,981,408 to the Company. Upon the Company's receipt of the aggregate placement price from all the Subscribers, the Company shall within 5 business days thereafter, allot and issue the Placement Shares to the Subscribers. TG may also nominate its subsidiary to be allotted and issued the Placement Shares.

Undertakings

3.2 Prior to completion but after TG's payment of its portion of the placement price, the Company shall procure Tu Ah Kim, the Managing Director and the Controlling Shareholder of the Company, to give a written undertaking not to dispose of, or transfer (i) all of his 42,400,128 Shares (save for 5.5 million Shares pledged to UOB Nominees (Pte) Ltd and such number of shares or such Shares charged as security for loans granted to the Company and/or its subsidiaries for working capital purposes) 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 Shares (save for 5.5 million Shares pledged to UOB Nominees (Pte) Ltd or such Shares charged as security for loans granted to the Company and/or its subsidiaries for working capital purposes) for a period of 6 months from the end of the Initial Moratorium.

3.3 Prior to completion but after TG's payment of its portion of the placement price, the Company shall procure Tu Ah Kim to give a written undertaking to procure Greenview Properties Sdn Bhd ("Greenview Properties") to sell, upon the Company's written request, 2 plots of land i.e. Lot 124 and Lot 126, Kompleks Olak Lempit, Banting, Selangor, Malaysia, on which the Company's new factory is located (collectively the "Property") and 2 biomass boilers (the "Biomass Boiler System") to the Company, at a purchase consideration based on independent valuation and subject to, *inter alia*, the applicable provisions of the Listing Manual, including obtaining shareholders' approval, where necessary. In the event that the Company does not serve the said written request on Tu Ah Kim or if a legally binding agreement for the sale and purchase of the Property has not been entered into between the parties within 1 year from the completion of the Proposed Placement, the said undertaking shall lapse and Greenview Properties shall be free to dispose of the Property at its discretion. Greenview Properties is a private limited company incorporated in Malaysia that is principally engaged in the business of property investments and development. Tu Ah Kim, the Managing Director of the Company and the Controlling Shareholder, Tu Kwang Yam, a non-executive Director, and Wong Kim Chen, the spouse of Tu Ah Kim, are directors of Greenview Properties, and they, together with Tan Lye Im, the spouse of Tu Kwang Yam, collectively own the entire issued and paid-up share capital of Greenview Properties.

Termination

3.4 In the event that TG is not satisfied with the results of the due diligence investigations referred to in paragraph 2.1(i), it shall inform the Company in writing accordingly within 4 weeks from the date of the Subscription Agreement, thereupon the parties shall in good faith negotiate for an adjustment to the Placement Price. In the event the parties fail to reach an agreement on the adjustment of Placement Price within 14 days from the expiry of the said 4-week period, the Subscription Agreement shall cease and determine in accordance with paragraph 3.5.

3.5 If any of the conditions precedent in the Subscription Agreement is not fulfilled or waived by TG on or before 31 March 2007 (or such later date as the parties may agree in writing), the Subscription Agreement shall cease and determine, and none of the parties shall have any claims against the other parties for costs, damages, compensation or otherwise except for antecedent breaches.

4. RATIONALE FOR THE PROPOSED PLACEMENT

4.1 The Proposed Placement would improve the financial position of the Group

Since the listing of the Company in November 2004, the Group has been expanding rapidly and bank borrowings have been taken on by the Group in connection therewith. In addition, the Group has been severely affected by the sudden and unexpected increase in the price of a key raw material used in the Group's products, namely natural rubber or latex, to unprecedented price levels. As disclosed in the Company's announcement in respect of its unaudited half year financial statement and dividend statement dated 14 August 2006, the Group had incurred a net loss of approximately RM12.6 million for HY2006 despite implementing various actions to manage the latex price hikes, including adjusting its sales mix and implementing other cost control measures. As at 30 June 2006, the Group had unaudited net current liabilities of RM16.7 million.

In view of the above, the Group is facing a very tight cash flow situation and requires new funds as working capital and to repay its bank borrowings. Taking into consideration the present financial position of the Group and the various alternatives that the Company has recently explored, the Directors are of the view that the Proposed Placement is currently the best alternative available to the Company for raising the required funds.

4.2 TG as a suitable strategic investor

Due to the Group's losses as reported for the half year ended 30 June 2006, it is difficult for the Company to raise funds through share placement. Accordingly, the Company decided to seek out strategic investors which have business plans that are beneficial to the Group or have existing business which are complementary to the Group's business and are inclined to invest in the Company. TG is such an investor.

The Proposed Placement, if successful, will result in the Company becoming a subsidiary of TG, and they will become one consolidated group, resulting in increased economies of scale and provide opportunities for both companies for future growth in the manufacturing of specialised gloves whereby both TG and the Group are expected to benefit through the sharing of technology, resources and expertise. In addition, both the Group and TG have a presence in Malaysia, which enhances the synergies between them and facilitates the co-operation and integration of their businesses.

5. USE OF PROCEEDS

The net proceeds to be raised by the Company from the Proposed Placement (after deducting estimated expenses of S$900,000) are approximately S$22.1 million. The Company intends to utilise the net proceeds from the Proposed Placement as follows:-

(a) approximately S$14.0 million to repay part of the Group's bank borrowings; and

(b) approximately S$8.1 million for working capital purposes.

Pending the deployment of the proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions as the Directors may deem appropriate in the interests of the Group.

6. FINANCIAL EFFECTS OF THE PROPOSED PLACEMENT

The financial effects of the Proposed Placement, based on the audited financial statements of the Group for FY2005 and the unaudited financial statements of the Group for HY2006, are set out below. The calculations, which are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after completion are based on the following assumptions:

(a) the Placement Shares were issued on 1 January 2005 and 1 January 2006 for computation of EPS, and on 31 December 2005 and 30 June 2006 for the computation of NAV per Share;

(b) S$14.0 million of the net proceeds of the Proposed Placement were utilised to repay bank borrowings at the beginning of the relevant financial periods, which would result in a reduction in bank borrowings and the associated finance costs; and

(c) the exchange rate used was S$1.00 = RM2.30.

6.1 Share Capital

The financial effects of the Proposed Placement on the issued share capital of the Company are as follows:-

	No. of Shares ('000)	RM ('000)
Issued and paid-up share capital as at 30 June 2006 and 31 December 2005	171,694	43,883
Increase in issued share capital pursuant to the Proposed Placement	328,306	50,787(1)
Enlarged share capital after the Proposed Placement	500,000	94,670

Notes:

(1) Based on the estimated net proceeds of S$22.1 million at an exchange rate of S$1.00 = RM2.30.

6.2 Earnings per Share (EPS)

The financial effects of the Proposed Placement on the EPS of the Group are as follows:-

	HY2006[1]	**FY2005**[2]
Net (Loss)/Profit after taxation (RM'000)	(12,587)	4,390
Weighted average number of Shares before Proposed Placement ('000)	171,694	166,330
(Loss)/EPS before Proposed Placement (sen)	(7.33)	2.64
Net (Loss)/Profit after taxation (RM'000)	(12,587)	4,390
Add: tax-adjusted interest savings arising from part repayment of borrowings (RM'000)	952	686
Adjusted (loss)/profit after taxation (RM'000)	(11,635)	5,076
Number of Shares after Proposed Placement ('000)	500,000	494,636
(Loss)/EPS after Proposed Placement (sen)	(2.33)	1.03

Notes:

(1) Based on the unaudited financial statements of the Group for HY2006.

(2) Based on the audited financial statements of the Group for FY2005.

6.3 Net Asset Value (NAV)

The financial effects of the Proposed Placement on the NAV of the Group are as follows:-

	As at 30 June 2006[1]	**As at 31 December 2005**[2]
NAV (RM'000)	39,741	52,197
Number of Shares before Proposed Placement ('000)	171,694	171,694
NAV per Share before Proposed Placement (sen)	23.15	30.40
NAV (RM'000)	39,741	52,197
Estimated net proceeds from the Proposed Placement (RM'000)	50,787	50,787
NAV after the Proposed Placement (RM'000)	90,528	102,984
Number of Shares after the Proposed Placement ('000)	500,000	500,000
Estimated NAV per Share after Proposed Placement (sen)	18.11	20.60

Notes:

(1) Based on the unaudited financial statements of the Group for HY2006.

(2) Based on the audited financial statements of the Group for FY2005.

6.4 Gearing

The financial effects of the Proposed Placement on the Gearing of the Group are as follows:-

	As at 30 June 2006$^{(1)}$	As at 31 December 2005$^{(2)}$
Total borrowings (RM'000)$^{(3)}$	47,919	36,469
Shareholders' equity (RM'000)$^{(4)}$	39,741	52,197
Gearing before the Proposed Placement (times)$^{(5)}$	1.21	0.70
Total borrowings (RM'000)$^{(3)}$	47,919	36,469
Less: part repayment of borrowings (RM'000)	(32,200)	(32,200)
Adjusted borrowings (RM'000)	15,719	4,269
Shareholders' equity (RM'000)$^{(4)}$	39,741	52,197
Add: net proceeds from the Proposed Placement (RM'000)	50,787	50,787
Adjusted shareholders' equity (RM'000)	90,528	102,984
Gearing after the Proposed Placement (times)$^{(5)}$	0.17	0.04

Notes:

(1) Based on the unaudited financial statements of the Group for HY2006.

(2) Based on the audited financial statements of the Group for FY2005.

(3) Total Borrowings means the aggregate amount of liabilities arising from bank borrowings, hire purchase and overdrafts.

(4) Shareholders' Equity means the amount represented by the aggregate of share capital, revenue reserve, merger deficit and foreign currency translation reserve of the Group.

(5) Gearing means the ratio of Total Borrowings to Shareholders' Equity.

7. INFORMATION ON TG

TG is a public investment holding company incorporated in Malaysia. TG and its subsidiaries is the world's largest rubber gloves manufacturer and operate 15 factories throughout Malaysia, Thailand and the People's Republic of China. TG's principal activities are investment holding and provision of management services. Its subsidiaries are involved substantially in the manufacturing, trading and export of latex examination gloves, nitrile gloves, vinyl gloves, *s*urgical gloves, household/industrial gloves, cleanroom gloves and polyethylene or PE gloves. TG was incorporated in Malaysia on 23 December 1998 as a public limited company under the Malaysian Companies Act 1965. TG was listed on the second board of Bursa Malaysia in March 2001 and subsequently promoted to the Main Board of the Bursa Malaysia in May 2002. It has an issued and paid-up capital of RM96.2 million with a market capitalisation of RM2.04 billion as at 31 October 2006.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, none of the directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Placement.

9. FURTHER INFORMATION

An application will be submitted to the SGX-ST for the listing and quotation of the Placement Shares on the Official List of the SGX-SESDAQ. A circular containing, inter alia, the notice of the EGM and the details of the Proposed Placement will be despatched to the Company's shareholders in due course.

Shareholders and potential investors should note that the Proposed Placement is subject to the fulfilment of, *inter alia*, the conditions set out above, including obtaining 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. Further announcements will be made by the Company as and when appropriate.

BY ORDER OF THE BOARD
Submitted by Tu Ah Kim, Managing Director on 27 November 2006 to the SGX-ST.