MEDI-FLEX LIMITED

FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
FOR YEAR ENDED 31 DECEMBER 2005

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 31/12/05 RM'000	Group Year Ended 31/12/04 RM'000	increase/ (decrease) %
Revenue	79,013	46,863	68.6
Cost of sales	(65,290)	(38,365)	70.2
Gross profit	13,723	8,498	61.5
Other operating income	32	213	(85.0)
Selling and distribution expenses	(1,366)	(1,013)	34.8
General and administrative expenses	(4,834)	(2,331)	107.4
Other operating expenses	(919)	-	N.M.
Profit from operations	6,636	5,367	23.6
Finance costs	(1,033)	(192)	438.0
	5,603	5,175	8.3
Share of results of an associate	508	-	N.M.
Profit before taxation	6,111	5,175	18.1
Taxation	(1,721)	(799)	115.4
Profit after taxation	4,390	4,376	0.3

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

	Group Year Ended 31/12/05 RM'000	Group Year Ended 31/12/04 RM'000	increase/ (decrease) %
Depreciation	(4,421)	(2,214)	99.7
Foreign exchange (loss) / gain	(267)	206	N.M.
Gain on disposal of fixed assets	-	2	N.M.
Interest income	32	5	540.0
Interest expenses	(1,033)	(192)	438.0
Provision for doubtful debts	(97)	(3)	3,133.3
(Under) / Over provision of taxation in prior year	(6)	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 31/12/05 RM'000	Group As At 31/12/04 RM'000	Company As At 31/12/05 RM'000	Company As At 31/12/04 RM'000
Non-current assets				
Fixed assets	58,056	20,195	145	-
Investment in subsidiaries	-	-	47,302	21,258
Investment in an associate	13,465	-	13,070	-
Current assets				
Inventories	13,291	7,946	-	-
Trade debtors	12,737	6,226	-	-
Other debtors, deposits and prepayment	2,349	2,009	149	126
Tax recoverable	24	30	-	-
Amount due from subsidiaries	-	-	6	-
Cash and bank balances	4,675	13,900	119	9,827
	33,076	30,111	274	9,953
Current liabilities				
Bank overdrafts	930	-	-	-
Trade creditors	9,870	6,384	-	-
Other creditors and accruals	3,247	2,057	516	115
Hire purchase creditors	672	-	-	-
Short term loans	4,064	1,739	1,409	-
Bank borrowings	8,807	705	-	-
Provision for taxation	91	-	-	-
	27,681	10,885	1,925	115
Net current assets / (liabilities)	5,395	19,226	(1,651)	9,838
Non-current liabilities				
Deferred taxation	(2,761)	(1,280)	-	-
Hire purchase creditors	(814)	-	-	-
Long term loans	(21,182)	(3,248)	(16,624)	-
Net assets	52,159	34,893	42,242	31,096
Equity attributable to equity holders of the company				
Share capital	38,502	26,439	38,502	26,439
Share premium	5,381	4,549	5,381	4,549
Reserves	8,276	3,905	(1,641)	108
Total equity	52,159	34,893	42,242	31,096

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

Amount repayable in one year or less, or on demand

	As at 31/12/05 Secured RM'000	As at 31/12/04 Secured RM'000
Hire purchase creditors	672	-
Term loans	4,064	1,739
Borrowings	8,807	705
	13,543	2,444

Amount repayable after one year

	As at 31/12/05 Secured RM'000	As at 31/12/04 Secured RM'000
Hire purchase creditors	814	-
Term loans	21,182	3,248
	21,996	3,248

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 31/12/05 RM'000	Group As At 31/12/04 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,111	5,175
Adjustments for:-		
Depreciation	4,421	2,214
Gain on disposal of fixed assets	-	(2)
Interest expenses	1,033	192
Interest income	(32)	(5)
Share of results of an associate	(508)	-
Provision for doubtful debts	97	3
Operating profit before working capital changes	11,122	7,577
Changes in working capital		
Increase in inventories	(5,345)	(4,134)
Increase in receivables	(8,453)	(1,905)
Increase in payables	4,483	3,458
Cash flows generated from operations	1,807	4,996
Tax paid	(30)	(41)
Interest paid	(1,033)	(192)
Interest received	32	5
Net cash flows from operating activities	776	4,768
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of fixed assets	-	3
Purchase of fixed assets	(42,282)	(14,584)
Net cash flows used in investing activities	(42,282)	(14,581)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from term loans	23,656	5,270
Repayment of term loans	(1,892)	(283)
Proceeds from issuance of ordinary shares	-	12,322
Proceeds from issuance of convertible bonds	-	4,630
Proceeds of hire purchase payables	2,233	-
Repayment of hire purchase payables	(748)	(102)
Proceeds of bank borrowings	15,753	3,299
Repayment of bank borrowings	(7,651)	(3,883)
Net cash flows from financing activities	31,351	21,253
NET (DECREASE) / INCREASE IN CASH AND BANK BALANCES	(10,155)	11,440
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR	13,900	2,460
CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR	3,745	13,900
CASH AND BANK BALANCES COMPRISE THE FOLLOWINGS AT END OF THE FINANCIAL YEAR		
Cash at banks and in hand	4,675	13,900
Bank overdrafts	(930)	-
Cash and banks balances	3,745	13,900

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	Foreign Currency Translation Reserve RM'000	Total Reserve RM'000	Total Equity RM'000
Balance at 1 January 2005	26,439	4,549	(471)	4,376	-	3,905	34,893
Net effect of exchange differences	-	-	-	-	(19)	(19)	(19)
Issuance of ordinary shares in exchange for issued share capital of an associate	2,493	10,596	-	-	-	-	13,089
Issuance of bonus shares	9,570	(9,570)	-	-	-	-	-
Profit for the financial year	-	-	-	4,390	-	4,390	4,390
Expenses on issue of ordinary shares	-	(194)	-	-	-	-	(194)
Balance at 31 December 2005	38,502	5,381	(471)	8,766	(19)	8,276	52,159
Balance at 1 January 2004	10,838	919	(471)	2,279	-	1,808	13,565
Conversion of convertible bonds	4,630	-	-	-	-	-	4,630
Issuance of bonus shares	3,198	(919)	-	(2,279)	-	(2,279)	-
Initial public offering - Issue of new ordinary shares	7,773	7,773	-	-	-	-	15,546
Profit for the financial year	-	-	-	4,376	-	4,376	4,376
Expenses for initial public offering	-	(3,224)	-	-	-	-	(3,224)
Balance at 31 December 2004	26,439	4,549	(471)	4,376	-	3,905	34,893

Company	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Foreign Currency Translation Reserve RM'000	Total Reserve RM'000	Total Equity RM'000
Balance at 1 January 2005	26,439	4,549	108	-	108	31,096
Net effect of exchange differences	-	-	-	(19)	(19)	(19)
Issuance of ordinary shares in exchange for issued share capital of an associate	2,493	10,596	-	-	-	13,089
Issuance of bonus shares	9,570	(9,570)	-	-	-	-
Expenses on issue of ordinary shares	-	(194)	-	-	-	(194)
Loss for the financial year	-	-	(1,730)	-	(1,730)	(1,730)
Balance at 31 December 2005	38,502	5,381	(1,622)	(19)	(1,641)	42,242
Balance at date of incorporation	*	-	-	-	-	*
Issued pursuant to restructuring exercise	10,838	3,198	-	-	-	14,036
Conversion of convertible bonds	4,630	-	-	-	-	4,630
Issuance of bonus shares	3,198	(3,198)	-	-	-	-
Initial public offering - Issue of new ordinary shares	7,773	7,773	-	-	-	15,546
Profit for the financial year	-	-	108	-	-	108
Expenses for initial public offering	-	(3,224)	-	-	-	(3,224)
Balance at 31 December 2004	26,439	4,549	108	-	-	31,096

* - 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 2005	117,770,750	26,439
Issuance of ordinary shares in exchange for issued share capital of an associate	11,000,000	2,493
Issuance of bonus shares	42,923,421	9,570
As at 31 December 2005	171,694,171	38,502

On 28 June 2005, the issued share capital of the Company was increased from 117,770,750 shares to 128,770,750 shares on the issuance of 11,000,000 ordinary shares in exchange for issued share capital of an associate.

On 5 October 2005, the issued share capital of the Company was increased from 128,770,750 shares to 171,694,171 due to a bonus issue of 42,923,421 ordinary shares.

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.

Except as disclosed in paragraph 5, the unaudited financial statements have been prepared applying accounting policies and methods of computation consistent with those used in the preparation of the audited financial statements for the financial year ended 31 December 2004.

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.**

The Group has adopted the following Financial Reporting Standards ("FRS"):

FRS 39 - Financial Instruments - Recognition and Measurement
FRS 102 - Share - Based Payment
FRS 103 - Business Combinations

Except as described below, the adoption of the above FRS did not have any material impact on the results of the Group and of the Company for the year ended 31 December 2005:

In accordance with the provision of FRS 103, amortisation of goodwill is discontinued from 1 January 2005. Instead, goodwill arising from the acquisition of subsidiary and associate will be tested for impairment annually or as and when there are indications of impairment called under FRS 36. Impairment loss, if applicable, shall be charged to profit and loss account and no subsequent reversal is allowed.

The adoption of FRS 103 does not have any financial impact to the Group.

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 31/12/05	Group As At 31/12/04
Earning per share (EPS) in sen		
I) Basic *	2.64	3.75
II) On a fully diluted basis **	2.64	3.75

* The earning per share for the year ended 31 December 2005 is calculated based on profit from ordinary activities after taxation of RM4.39 million (2004 : RM4.38 million) divided by weighted average 166,329,787 (2004 : 116,842,500) ordinary shares of S$0.10 each. The calculation of weighted average ordinary shares has been adjusted restrospectively to take into account for the bonus issue during the financial year.

** 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 31/12/05 RM	Group As At 31/12/04 RM	Company As At 31/12/05 RM	Company As At 31/12/04 RM
Net asset per share in sen	30.38	29.63	24.60	26.40

The net asset backing per ordinary share as at 31 December 2005 and 31 December 2004 are calculated based on 171,694,171 and 117,770,750 ordinary shares in issue in the respective years.

8 **A review of the performance of the Group, to the extend 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 aplicable) 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 2005 ("FY05"), the Group recorded a 68.6% increase in revenue to RM79.0 million compared to RM46.9 million in FY04. Due to unforeseen technical problems during the implementation of the Phase I expansion programme at the new plant in Banting, Selangor, the Group was constrained from increasing its glove production to the higher levels as planned in 2H FY05, in particular for the higher-margin cleanroom gloves, which could then significantly cover the increased operating overheads and expenses arising from the expansion programme in FY05.

The Group was able to resolve the above matters at end November 2005 and from December 2005, has been increasing glove production to near-capacity levels incorporating both Banting and Klang plants. Thus, during FY05, the expanded capacity from newly installed dipping lines was only running efficiently during the month of December 2005, with Banting's new cleanroom operating from December 2005 based on 40% of supporting equipment installed.

In view of the above, profit before taxation grew 18.1% to RM6.1 million, while profit after taxation was RM4.4 million (FY04: RM5.2 million and RM4.4 million respectively).

The increase in sales was largely due to the additional production capacity coming on-stream, vis-à-vis the progressive installation of additional dipping lines at the new Banting plant. Sales in 2H FY05 amounted to RM48.3 million, a 97.3% increase versus 2H FY04's RM24.5 million, with the main increase occurring in 4Q FY05 in line with the timing of the additional capacity.

On a segmental basis, sales mix for FY05 was 42.1% cleanroom gloves, 42.5% medical gloves and 15.4% industrial gloves (FY04: 47.2%, 39.9% and 12.9% respectively) while the segment results were 76.4% cleanroom gloves, 21.0% medical gloves and 2.6% industrial gloves (FY04: 62.9%, 33.8% and 3.3% respectively).

In FY05, the Group saw growth in absolute sales value across its three main markets and received increased orders from existing customers and new customers. Sales contribution based on geographical regions is now 43.7% North America, 42.2% Asia and 14.1% Europe compared to 42.0%, 38.4% and 19.6% respectively in FY04.

Gross profit duly increased 61.5% to RM13.7 million in FY05. However, gross profit margin was 17.4% in FY05 compared to FY04's 18.1%. This was mainly due to higher raw material prices where the global glove industry was impacted across-board by the rise in natural latex prices, which is slowly being shared by customers.

The increase in Selling and Distribution expenses to RM1.4 million from RM1.0 million was in tandem with a higher sales volume.

General and Administrative expenses amounted to RM4.8 million in FY05 from RM2.3 million. This included a significant increase in traveling, higher payroll from an increase in management personnel and support staff arising from its expansion programme, as well as new holding company expenses resulting from the Malaysia-based Group becoming a listed entity on the Singapore Exchange from end 2004.

Other operating expenses amounted to RM0.9 million in FY05 included foreign exchange loss and professional fees with respect to the completion of the Heat Supply Agreement and legal expenses for the application of term loans during the year, which are non-recurring in nature.

Finance costs increased significantly to RM1.0 million from RM0.2 million. This was attributed to the additional financing for the capital investment to increase the Group's production capacity and corresponding higher working capital requirements.

Share of results of an associate of RM0.5 million arose from the Group'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.

Taxation jumped to RM1.7 million from RM0.8 million mainly due to the corresponding increase in deferred taxation from an increase in plant, machinery and equipment. Furthermore, the losses incurred by the Singapore-incorporated holding company cannot be offset against the profit generated from subsidiaries in Malaysia.

Balance sheet review

As at 31 December 2005, fixed assets increased to RM58.1 million (31 Dec 2004: RM20.2 million) in line with the near-completion of Phase I of the expansion programme.

As the Group's business base enlarged, inventories increased to RM13.3 million from RM7.9 million. Trade debtors rose to RM12.7 million from RM6.2 million, with the more-than-proportionate increase mainly due to the increase in sales transacted towards the year-end in line with the timing of new capacity.

Other debtors, deposits and prepayment increased to RM2.3 million from RM2.0 million, mainly due to a deposit made for the acquisition of two adjoining land parcels in September 2005 in preparation for the next phase of expansion. Net cash and bank balances stood at RM3.7 million compared to RM13.9 million as at 31 December 2004 which included the remaining unused net proceeds from Medi-Flex's initial public offering exercise in November 2004.

Net cash flows from operating activities was RM0.8 million, net cash flows used in investing activities amounted to RM42.3 million and net cash flows from financing activities was RM31.4 million (31 December 2004: RM4.8 million, RM14.6 million and RM21.3 million respectively).

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

In conjunction with the Group's announcement of financial results for 1H FY05, the directors had indicated under paragraph 10 the following prospect statement: "Barring unforeseen circumstances, the Group is optimistic of achieving a better performance in 2H05 compared to 1H05, as the full impact of the progressive installation of new dipping lines during 1H05 will only kick in from 2H05".

Due to the unforeseen circumstances as outlined in paragraph 8, the Group was only able to capitalise on the full impact of its expansion programme in December 2005. On the other hand, the Group incurred higher finance costs and deferred taxation arising from the expansion programme in FY05. Consequently, the actual performance in 2H FY05 did not reach the higher output levels as planned and the Group recorded a profit after taxation for 2H FY05 that is comparable to that achieved in 1H FY05.

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 Group's announcement dated 23 November 2005 providing a progress update on the Phase I Expansion Programme at its new Banting plant, the directors wish to provide shareholders with the following updates:

1) The Group is now operating a total of 15 dipping lines (including seven lines at the first plant, in Klang) with an installed production capacity of 1.2 billion pieces of disposable gloves on an annual basis. The Group is on track to commission the remaining three new double dipping lines under Phase I by end 1Q FY06. Upon which, the Group will then target to raise its total installed production capacity to 1.6 billion pieces of gloves on an annual basis;

2) The new 12,000 square foot cleanroom at Banting has been operating based on 40% of supporting equipment installed since December 2005. The Group remains on track to progressively install the remaining 60% capacity by mid 2006;

3) Global demand for the Group's range of premier disposable rubber and nitrile gloves remains robust, in particular, cleanroom gloves, which are widely used by the growing electronics and semiconductor sectors. The Group is pleased that its Banting plant was recently qualified by new customers.

Barring any unforeseen circumstances, the directors expect better performance in FY06.

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.**

Segmental revenue and results

	Cleanroom		Medical		Industrial		Total	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Segment revenue								
Sales to external customers	33,278	22,141	33,580	18,693	12,155	6,029	79,013	46,863
Segment result	5,047	3,244	1,384	1,740	173	170	6,604	5,154
Other income							32	213
Profit from operations							6,636	5,367
Finance costs							(1,033)	(192)
							5,603	5,175
Share of results of an associate							508	-
Profit before taxation							6,111	5,175
Taxation							(1,721)	(799)
Profit after taxation attributable to shareholders							4,390	4,376

Common costs between Cleanroom, Medical and Industrial segments are allocated primarily based on segment revenue.

As the Group is principally involved in gloves manufacturing industry, the assets and liabilities are generally shared and not identifiable by individual business segment. In this connection, no analysis of segment assets, liabilities, capital expenditure are made.

Geographical segments

Revenue is based on the location of customers. Assets and capital expenditure are based on the location of those assets.

	North America		Asia		Europe		Total	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Segment revenue	34,527	19,703	33,323	18,016	11,163	9,144	79,013	46,863
Segment assets	-	-	91,132	50,306	-	-	91,132	50,306
Investment in associates	-	-	13,465	-	-	-	13,465	-
Capital expenditure	-	-	42,282	14,584	-	-	42,282	14,584

The Group operates predominantly in Malaysia and accordingly, the segment assets and capital expenditure are located in Malaysia.

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

Please refer to paragragh 8 above.

15 **A breakdown of sales.**

	Group 2005 RM'000	Group 2004 RM'000	increase/ (decrease) %
(a) Sales reported for first half year	30,712	22,386	37.2
(b) Operating profit after tax reported for first half year	2,124	1,851	14.7
(c) Sales reported for second half year	48,301	24,477	97.3
(d) Operating profit after tax reported for second half year	2,266	2,525	(10.3)

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

	2005 RM'000	2004 RM'000
Ordinary	-	-
Preference	-	-
Total	-	-

17 **Interested Person Transaction.**

		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)	
Name of interested person:	**Nature**	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Success Way Development Sdn Bhd	Purchase of fixed assets	-	698	-	-
Greenview Properties Sdn Bhd	Factory rental	613	180	-	-
Greenview Properties Sdn Bhd	Heat Supply	-	-	807	-