

MEDI-FLEX



Medi-Flex Limited

Press Release – FY2005 Results

Medi-Flex Rides on Robust Demand for Medical & Cleanroom Gloves and Expanding Capacity at New Plant to Achieve 68.6% Revenue Growth to RM79.0 Million

- **Financial Highlights:**

Ringgit Malaysia (million)	FY2005	FY2004	Change (%)
Revenue	79.0	46.9	68.6
Gross Profit	13.7	8.5	61.5
Profit from Operations	6.6	5.4	23.6
Profit Before Taxation	6.1	5.2	18.1
Profit After Taxation	4.4	4.4	0.3

- Sales in 2H FY2005 grew 97.3% to RM48.3 million on increased orders from existing customers and new customers;
- Unforeseen technical issues during Phase 1 expansion roll-out constrained the planned increase in glove production in 2H FY2005 to higher levels, in particular for high-margin cleanroom gloves, which could then significantly cover the higher operating overheads and expenses arising in FY2005 from the expansion;
- Technical issues resolved by November 2005; from December 2005, glove production increased to near-capacity levels with new Banting cleanroom commencing operation based on 40% of supporting equipment installed;
- Bottomline growth also impacted by significantly higher operating overheads and expenses in FY2005, including increased headcount, higher finance costs and deferred taxation arising from Phase I expansion; new expenses as a listed entity;
- Directors expect better performance in FY2006 – new plant recently qualified by new customers; installation of three new double dipping lines and new cleanroom's remaining 60% of supporting equipment remain on-track; once fully installed, the Group will be in a stronger position to capitalize on the robust demand for high-margin cleanroom gloves.

Singapore, 28 February 2006 – Singapore Exchange Sesdaq-listed Medi-Flex Limited ("Medi-Flex"), a niche manufacturer of premier disposable gloves for medical and cleanroom purposes, announced today that the fast-expanding Group has achieved a 68.6% year-on-year revenue growth for FY2005 to RM79.0 million compared to RM46.9 million for

FY2004. Sales in 2H FY2005 amounted to RM48.3 million, a 97.3% increase compared to the RM24.5 million in revenue recorded for 2H FY2004. This reflected the initial kicking-in of benefits from the progressive completion of the Group's green-field development of a new manufacturing facility at Banting located near Kuala Lumpur International Airport, in particular during the last quarter of 2005.

Based in Klang, Selangor Darul Ehsan, Malaysia, Medi-Flex specialises in the premium segments for disposable latex and nitrile gloves, i.e., medical and cleanroom gloves that are increasingly widely used by the healthcare-related industries and entire value chain of the global electronic, semiconductor and aerospace industries, respectively.

Due to unforeseen technical problems during the roll-out of Phase I Expansion at Banting, 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 anticipated increase in operating overheads and expenses arising in FY2005 from the expansion programme.

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, with Banting's new 12,000 square feet-cleanroom commencing operations based on 40% of supporting equipment installed. Thus, the expanded capacity from Banting's newly installed dipping lines in FY2005 was only running efficiently during the month of December 2005.

On the other hand, the Group incurred significantly higher operating overheads and expenses arising from the expansion and operation of the new plant in FY2005, coupled with new expenses in Singapore relating to the Malaysia-based Group becoming a listed entity on Singapore Exchange in November 2004.

Consequently, profit before taxation grew 18.1% to RM6.1 million, while profit after taxation was RM4.4 million (*FY2004: RM5.2 million and RM4.4 million respectively*).

Gross profit rose 61.5% to RM13.7 million in FY2005 from FY2004's RM8.5 million; however gross profit margin in FY2005 was 17.4% versus 18.1%. This was inevitable in view of higher raw material prices whereby the global glove industry was impacted across-board by the rise in natural latex prices, which is slowly being shared by customers.

Commenting on the Group's performance, Medi-Flex's Managing Director Mr A.K. Tu said, "We encountered several technical hiccups in rolling out our expansion in 2H FY2005 which unfortunately derailed our planned ramp-up in output. Nevertheless, what's more important is that we have resolved these issues by end November 2005 and were able to start making up for lost time from December 2005. We are especially heartened at the support rendered by our regular customers who have given us more orders. The team at Medi-Flex is poised

to accelerate into higher gear to secure new customers and penetrate new geographical markets in 2006. Soon, our new plant will begin to generate greater economies of scale.”

Operating profit in FY2005 grew 23.6% to RM6.6 million from RM5.4 million in FY2004. Selling and distribution expenses increased to RM1.4 million from RM1.0 million, in tandem with a higher sales volume. Higher general and administrative expenses, amounting to RM4.8 million in FY2005, was in line with an increase in management personnel and supporting staff for the new Banting plant and expanded business volume; coupled with significant increases in travelling expenses. 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, all of which are non-recurring in nature.

Finance costs also increased significantly to RM1.0 million from RM0.2 million, to finance its capital investment to triple the Group's annual installed capacity and higher working capital requirements to support the enlarged operation base. Furthermore, taxation doubled in FY2005 largely due to increased deferred taxation from an increase in plant, machinery and equipment and losses incurred by the Singapore-incorporated holding company which cannot be offset against the profit generated from subsidiaries in Malaysia.

On a segmental basis, sales mix was 42.1% cleanroom gloves, 42.5% medical gloves and 15.4% industrial gloves while segment results were 76.4% cleanroom gloves, 21.0% medical gloves and 2.6% industrial gloves (FY2004: 47.2%, 39.9% & 12.9% and 62.9%, 33.8% & 3.3%, respectively). In FY2005, the Group registered growth in absolute sales value across its three main markets, North America, Asia and Europe; which account for 43.7% 42.2% and 14.1% of total sales (FY2004: 42.0%, 38.4% & 19.6% respectively).

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. The Group also remains on track to progressively install the remaining 60% of supporting equipment in the new cleanroom at Banting by mid 2006.

On outlook for FY2006, Mr Tu said, “We are expecting better performance for FY2006, barring unforeseen circumstances. Our intake of additional orders for the high-margin cleanroom gloves was inevitably restrained in 2H FY2005 with the delay in expansion schedule and we accepted comparatively more orders for medical gloves. We are pleased that our Banting plant was recently qualified by new customers. Once the supporting equipment in our Banting cleanroom is fully installed, the Group will be in a stronger position to capitalize on the strong demand for cleanroom gloves that is underpinned by the growth in

end-user markets, such as the semi-conductor and high-end consumer electronics and mobile devices sectors.”

Looking ahead, Mr Tu added, “Global demand for our range of premier disposable rubber and nitrile gloves remains robust. This was the impetus for us to plan ahead for the next expansion phase with the acquisition of two land parcels adjoining our Banting plant in September 2005.”

Earnings per share for FY2005 was 2.64 sen compared to 3.75 sen for FY2004 due to the significantly enlarged post-invitational share base (weighted average 166,329,787 shares for FY2005 vs 116,842,500 shares for FY2004). Net Asset Value per share as at 31 December 2005 was 30.38 sen vs 29.63 sen as at 31 December 2004.

In line with the Group’s larger business base, inventories increased from RM7.9 million to RM13.3 million. Trade debtors rose from RM6.2 million to RM12.7 million, reflecting the greater increase in sales transactions towards the 31 December year-end. Other debtors, deposits and prepayment increased to RM2.3 million from RM2.0 million, mainly due to a deposit made for acquisition of two adjoining land parcels in September 2005 in preparations 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 remaining unused net proceeds from its Initial Public Offering exercise in November 2004.

On 1 December 2005, the Group announced plans to seek a listing on the AiM Market of London Stock Exchange (“LSE-AiM”) in 2006. The requisite procedural documentation in respect of LSE-AiM as well as SGX-ST and all other relevant preparations is on track.

End

Issued on behalf of Medi-Flex Limited by WeR1 Consultants Pte Ltd

Media Contact Info

WeR1 Consultants Pte Ltd
29 Scotts Road, Singapore 228224
Tel: (65) 6737 4844, Fax: (65) 6737 4944
Mona Leong, monaleong@wer1.net, Hp: (65) 9187 4449
Eunice Lua, eunicelua@wer1.net

About Medi-Flex Limited

Medi-Flex Limited is the first cleanroom and medical disposable glove manufacturer to be listed on the SGX in November 2004. Beginning with the production of disposable medical examination gloves in 1999, when the company began its business, Medi-Flex has switched its focus to manufacture specialty gloves, particularly for cleanroom usage, engaging in a partnership with US-based Techniglove International. This resulted in expanding Medi-Flex’s capability to supply high-quality disposable gloves to diverse sectors and, in turn, helped to generate recurring income for the company. In response to the strong demand for the cleanroom disposable gloves, Medi-Flex embarked on an accelerated expansion programme in March to rapidly increase its production capacity to 1.3 billion gloves by the end of 2005. The rapid expansion and strong demand had propelled the company’s

earnings to rise 14.7% to RM2.1million as sales grew 37.2% to RM30.7 million in first half of FY2005. The IPO of the Company's shares in November 2004 was sponsored by Stirling Coleman Capital Limited.