MEDI-FLEX LIMITED

FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
FOR YEAR ENDED 31 DECEMBER 2006

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 31/12/06 RM'000	Group Year Ended 31/12/05 RM'000	increase/ (decrease) %
Revenue	89,001	79,013	12.6
Cost of sales	(101,531)	(65,290)	55.5
Gross (loss) / profit	(12,530)	13,723	N.M
Other operating income	130	32	306.3
Selling and distribution expenses	(2,798)	(1,366)	104.8
General and administrative expenses	(7,007)	(4,834)	45.0
Other operating expenses	(245)	(919)	(73.3)
(Loss) / profit from operations	(22,450)	6,636	N.M
Finance costs	(4,570)	(1,033)	342.4
	(27,020)	5,603	N.M
Share of results of associated company	1,623	395	310.9
(Loss) / profit before taxation	(25,397)	5,998	N.M
Tax income / (expense)	2,770	(1,608)	N.M
(Loss) / profit after taxation	(22,627)	4,390	N.M

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

	Group Year Ended 31/12/06 RM'000	Group Year Ended 31/12/05 RM'000	increase/ (decrease) %
Depreciation	(7,414)	(4,421)	67.7
Foreign exchange gain / (loss)	770	(267)	N.M.
Interest income	2	32	(93.8)
Interest expenses	(4,570)	(1,033)	342.4
Impairment of trade debts	(616)	(97)	535.1
Over / (Under) provision of taxation in prior years	9	(6)	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 31/12/06 RM'000	Group As At 31/12/05 RM'000	Company As At 31/12/06 RM'000	Company As At 31/12/05 RM'000
Non-current assets				
Property, plant and equipment	74,861	58,056	130	145
Investments				
- subsidiary companies	-	-	44,271	45,640
- associated company	15,160	13,503	13,089	13,089
Current assets				
Inventories	9,890	13,291	-	-
Trade debtors	6,590	12,737	-	-
Other debtors	15	455	51	51
Prepayment	1,657	1,918	265	98
Amount due from subsidiary companies	-	-	1,418	1,668
Tax recoverable	619	-	-	-
Cash and bank balances	1,531	4,675	6	119
	20,302	33,076	1,740	1,936
Current liabilities				
Bank overdrafts	11,064	930	-	-
Trade creditors	20,520	9,870	378	-
Other creditors and accruals	7,092	3,247	1,062	516
Hire purchase creditors	1,850	672	-	-
Borrowings	11,245	12,871	1,412	1,409
Amount owing to a director	3,000	-	-	-
Provision for taxation	-	91	-	-
	54,771	27,681	2,852	1,925
Net current (liabilities) / assets	(34,469)	5,395	(1,112)	11
Deferred taxation	-	(2,761)	-	-
Hire purchase creditors	(2,093)	(814)	-	-
Borrowings	(23,855)	(21,182)	(16,945)	(16,624)
Net assets	29,604	52,197	39,433	42,261
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	(13,861)	8,766	(4,450)	(1,622)
Foreign currency translation reserve	53	19	-	-
Total equity	29,604	52,197	39,433	42,261

Amendments to the Companies Act

Issued share capital as at 30 June 2006 was calculated in accordance with the Companies (Amendment) Act 2005 effected on 30 January 2006. Pursuant to the Companies (Amendment) Act 2005, share premium will form part of the Company's share capital.

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

Amount repayable in one year or less, or on demand

	As at 31/12/06 Secured RM'000	As at 31/12/05 Secured RM'000
Hire purchase creditors	1,850	672
Borrowings	11,245	12,871
	13,095	13,543

Amount repayable after one year

	As at 31/12/06 Secured RM'000	As at 31/12/05 Secured RM'000
Hire purchase creditors	2,093	814
Borrowings	23,855	21,182
	25,948	21,996

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 31/12/06 RM'000	Group As At 31/12/05 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(25,397)	5,998
Adjustments for:-		
Depreciation	7,414	4,421
Interest expenses	4,570	1,033
Interest income	(2)	(32)
Share of results of associated company	(1,623)	(395)
Impairment of trade debts	616	97
Operating (loss) / profit before working capital changes	(14,422)	11,122
Changes in working capital		
Decrease / (Increase) in inventories	3,401	(5,345)
Decrease / (Increase) in debtors	6,208	(8,453)
Increase in creditors	17,461	4,483
Cash flows generated from operations	12,648	1,807
Tax paid	(677)	(30)
Interest paid	(4,570)	(1,033)
Interest received	2	32
Net cash flows from operating activities	7,403	776
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(20,777)	(40,247)
Net cash flows used in investing activities	(20,777)	(40,247)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from term loans and bank borrowings	42,976	39,409
Repayment of term loans and bank borrowings	(41,895)	(9,543)
Repayment from hire purchase creditors	(985)	(550)
Net cash flows from financing activities	96	29,316
NET DECREASE IN CASH AND BANK BALANCES	(13,278)	(10,155)
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR	3,745	13,900
CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR	(9,533)	3,745
CASH AND BANK BALANCES COMPRISE THE FOLLOWINGS AT END OF THE FINANCIAL YEAR		
Cash at banks and in hand	1,531	4,675
Bank overdrafts	(11,064)	(930)
Cash and banks balances	(9,533)	3,745

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	-	-	-	-	34	34
Loss for the financial year	-	-	-	(22,627)	-	(22,627)
Balance at 31 December 2006	43,883	-	(471)	(13,861)	53	29,604
Balance at 1 January 2005	26,439	4,549	(471)	4,376	-	34,893
Foreign currency translation adjustment	-	-	-	-	19	19
Issuance of ordinary shares to acquire associated company	2,493	10,596	-	-	-	13,089
Issuance of bonus shares	9,570	(9,570)				-
Profit for the financial year	-	-	-	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	52,197

Company	**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	(1,622)	42,261
Transferred to share capital in accordance with the Companies Act	5,381	(5,381)	-	-
Loss for the financial year	-	-	(2,828)	(2,828)
Balance at 31 December 2006	43,883	-	(4,450)	39,433
Balance at 1 January 2005	26,439	4,549	108	31,096
Issuance of ordinary shares to acquire associated company	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)
Balance at 31 December 2005	38,502	5,381	(1,622)	42,261

Amendments to the Companies Act

Issued share capital as at 30 June 2006 was calculated in accordance with the Companies (Amendment) Act 2005 effected on 30 January 2006. Pursuant to the Companies (Amendment) Act 2005, share premium will form part of the Company's share capital.

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 year 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 31/12/06	Group As At 31/12/05
(Loss) / earning per share (EPS) in sen		
I) Basic	(13.18)	2.64
II) On a fully diluted basis	(13.18)	2.64

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 31/12/06	Group As At 31/12/05	Company As At 31/12/06	Company As At 31/12/05
Net asset per share in sen	17.24	30.40	22.97	24.61

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

The Directors had announced on 19 July 2006 that the Group was expecting 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. Subsequently, the Directors made another announcement on 5 Jan 2007 that the financial results of the Group would be dismal due mainly to the following reasons:

1. The Group was affected by the aftermath of the first half financial results, resulting in the Group not being able to operate the production efficiently due to cash flow constraints and shortage of funds; and

2. As the Group reduced the production of latex glove substantially at the end of first half 2006, there was a substantial quantity of undelivered latex committed at high price as at first half of 2006. The Group was consuming these committed latex progressively in the second half 2006, resulting in the Group not being able to enjoy the substantial reduction of the latex price in second half of 2006.

The Group recorded revenue of RM89.0 million for FY06; an increase of 12.6% compared to RM79.0 million in FY05.

Nevertheless, the cost of sales rose significantly to RM101.5 million in FY06 from RM65.3 million in FY05. Accordingly, the Group recorded a gross loss of RM12.5 million for FY06 compared FY05's gross profit of RM13.7 million.

The increase in Selling and Distribution expenses to RM2.8 million from RM1.4 million was due to higher sales volume coupled with an increase in freight rates on higher oil prices, and more commission was committed in order to penetrate new market and secure new orders.

General and Administrative expenses amounted to RM7.0 million in FY06 from RM4.8 million. This included a significant increase in payroll from an increase in management personnel, foreign worker expenses, provision for the penalty expense, and other costs arising from its expansion program.

Other operating expenses amounted to RM0.2 million in FY06 included net of foreign exchange gain and professional fees written off with respect to the AIM listing, which are non-recurring in nature.

Finance costs rose significantly to RM4.6 million from RM1.0 million. This was attributed to the additional financing for the capital investment, corresponding to higher working capital requirements and default interest imposed by banks due to breaches.

Share of results of an associate of RM1.6 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 FY06 were RM25.4 million and RM22.6 million compared to a profit of RM6.0 million and RM4.4 million respectively in FY05.

Balance sheet review

Property, plant and equipment increased to RM74.9 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 Group reducing the production, especially in 2H06 due to financial constraints.

Trade debtors was reduced substantially to RM6.6 million from RM12.7 million due to slow down of production and sales.

Net cash and bank balances shows a negative balance of RM9.5 million as at 31 Dec 2006 compared to the positive balance of RM3.7 million as at 31 December 2005 mainly due to transfer of non settled trade facilities to current accounts by banks.

The Group generated RM7.4 million in net cash flows from operating activities; net cash flows used in investing activities amounted to RM20.8 million and net cash flows from financing activities was RM0.1 million. In FY05, net cash generated from operations and financing activities amounted to RM0.8 million and RM29.3 million respectively while cash flows used in investing activities was RM40.2 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 profit guidance announcements dated 19 July 2006 and 5 Jan 2007, the directors had indicated that the financial results would be badly affected by the unforeseen hike in the price of natural latex. In addition, the lack of cash flow affected the Group's plan to operate the new plant at Banting at the optimum level.

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 Group recorded a net loss in FY06 amounting to RM22.6 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.**

On operations and prospects in FY07, the Directors believe that while global demand remains robust for the Group's range of gloves, operating conditions for the Group will continue to be challenging due to the prevailing uncertainty over the price of natural latex.

Currently, the going concern of the Group is dependent on the proposed placement on new shares to new investors, particularly to Top Glove Subsidiary. If the proposed placement of new shares is successful, the net proceeds from this placement will provide much needed cash flow to the Group. Details can be referred to the Group's recent announcements and the circular dated 16 February 2007.

Resulting from the successful proposed placement, Top Glove Subsidiary will be using the Group's existing cleanroom facilities to produce more cleanroom gloves.

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	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Segment revenue Sales to external customers	40,627	33,278	35,071	33,580	13,303	12,155	89,001	79,013
Segment result	(3,635)	5,047	(13,468)	1,384	(5,477)	173	(22,580)	6,604
Other income							130	32
(Loss) / Profit from operations							(22,450)	6,636
Finance costs							(4,570)	(1,033)
							(27,020)	5,603
Share of results of associated company							1,623	395
(Loss) / Profit before taxation							(25,397)	5,998
Tax income / (expense)							2,770	(1,608)
(Loss) / Profit after taxation attributable to shareholders							(22,627)	4,390

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	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Segment revenue	28,517	34,527	50,065	33,323	10,419	11,163	89,001	79,013
Segment assets	-	-	95,163	91,132	-	-	95,163	91,132
Capital expenditure	-	-	24,219	42,282	-	-	24,219	42,282

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 2006 RM'000	Group 2005 RM'000	increase/ (decrease) %
(a) Sales reported for first half year	51,120	30,712	66.4
(b) Operating (loss) / profit after tax reported for first half year	(12,587)	2,124	N.M
(c) Sales reported for second half year	37,881	48,301	(21.6)
(d) Operating (loss) / profit after tax reported for second half year	(10,040)	2,266	N.M

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

	2006 RM'000	2005 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**	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Greenview Properties Sdn Bhd	Factory rental	914	613	-	-
Greenview Properties Sdn Bhd	Heat Supply	-	-	3,090	807

BY ORDER OF THE BOARD

Tu Ah Kim
Director
1 March 2007