

MEDI-FLEX LIMITED

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

PROPOSED PLACEMENT OF 328,305,829 NEW ORDINARY SHARES IN THE CAPITAL OF MEDI-FLEX LIMITED (“THE PROPOSED PLACEMENT”) -EXECUTION OF SUPPLEMENTAL AGREEMENT TO THE SUBSCRIPTION AGREEMENT

1. INTRODUCTION

Further to its announcement dated 27 November 2006 relating to the Proposed Placement, the Board of Directors of Medi-Flex Limited (the “Company”) wishes to announce that the Company has today entered into a supplemental agreement with the Subscribers to vary certain terms of the Subscription Agreement upon mutual agreement. Unless otherwise defined, terms used in this announcement shall bear the same meaning as those in the announcement dated 27 November 2006.

2. KEY TERMS OF THE SUPPLEMENTAL AGREEMENT

2.1 Adjustment of Placement Price

- 2.1.1 Under the terms of the Subscription Agreement as stated in paragraph 3.4 of the announcement dated 27 November 2006, in the event that TG is not satisfied with the results of the due diligence investigations, it shall inform the Company in writing 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 and none of the parties shall have any claims against the other parties for costs, damages, compensation or otherwise except for antecedent breaches.

On 21 December 2006, TG informed the Company that it was not satisfied with the results of the due diligence performed up to 30 September 2006, and has requested for an adjustment to the Placement Price after taking into account the financial condition of the Company, *inter alia*, the following factors:-

- (a) the losses suffered by the Group in respect of its operations subsequent to its last financial results announcement released on 14 August 2006;
- (b) the valuation of the finished goods of the Group as at 30 September 2006 based on higher raw material (ie. latex) prices as compared to the current latex prices; and
- (c) the contracts for the purchase of latex as raw materials committed by the Group at contract prices which were higher than the current latex prices for which the Group was only able to utilise progressively in view of its current cashflow problems.

In light of the above and having regard to, *inter alia*, the following considerations:-

- (a) TG’s role as a potential long-term strategic investor, whose investment in the Company will generate greater business opportunities for the Group. TG will procure the 24-month moratorium undertaking described in paragraph 2.2(a);

- (b) the management resources which TG will allocate to the Company if the Proposed Placement is successful. In this regard, TG intends to nominate 4 executive directors (who are currently executive directors of TG) to the Board of Directors of the Company;
- (c) the Subscription Agreement will terminate if the parties fail to reach an agreement on the adjustment to the Placement Price; and
- (d) the prospects for the Group if the Proposed Placement does not proceed, in view of the ailing financial condition and cash shortage of the Group. In addition, no alternative option is available to the Group within a short space of time if the Company chooses not to proceed with the Proposed Placement,

the Company agreed to the adjusted Placement Price of S\$0.04 proposed by TG in respect of the subscription of 300,305,829 Placement Shares by Top Glove Sdn Bhd (a wholly-owned subsidiary of TG which has been nominated by TG to subscribe for its portion of the Placement Shares).

- 2.1.2 Notwithstanding the adjustment of the placement price to S\$0.04 per Placement Share in respect of the subscription of 300,305,829 Placement Shares by Top Glove Sdn Bhd, RHI and Pacal shall continue to subscribe for 23,000,000 and 5,000,000 Subscription Shares respectively at the placement price of S\$0.07 per Placement Share.

2.2 Moratorium Undertakings by the Subscribers

To show their support and commitment to the Company, TG and RHI have provided the following moratorium undertakings:-

- (a) TG undertakes to procure Top Glove Sdn Bhd not to sell, realise, transfer or dispose of any part of their 300,305,829 Placement Shares for a period of twenty-four (24) months from the listing and quotation of the Placement Shares on the SGX Sesdaq. Such undertaking by Top Glove Sdn Bhd shall be furnished by TG to the Company within one (1) week from the date of this Agreement.
- (b) RHI undertakes not to sell, realise, transfer or dispose of any part of their 23,000,000 Placement Shares for a period of six (6) months from the date of the listing and quotation of the Placement Shares on the SGX Sesdaq; and (ii) fifty per cent (50%) of their 23,000,000 Placement Shares for another six (6) months thereafter.

2.3 Undertaking to be provided by Greenview Properties

Prior to completion but after TG's payment of Top Glove Sdn Bhd's portion of the placement price, the Company shall procure Greenview Properties to give a written undertaking 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 Greenview Properties 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 and the Biomass Boiler System at its discretion.

3. USE OF PROCEEDS

The net proceeds to be raised by the Company from the Proposed Placement (after deducting estimated expenses of S\$0.7 million) are approximately S\$13.3 million. The Company intends to utilise the net proceeds from the Proposed Placement as follows:-

- (a) approximately S\$8.5 million to repay part of the Group's bank borrowings; and
- (b) approximately S\$4.8 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.

4. 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\$8.5 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.

4.1 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	30,641 ⁽¹⁾
Enlarged share capital after the Proposed Placement	500,000	74,524

- (1) Based on the estimated net proceeds of S\$13.3 million at an exchange rate of S\$1.00 = RM2.30.

4.2 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)	581	465
Adjusted (loss)/profit after taxation (RM'000)	(12,006)	4,855
Number of Shares after Proposed Placement ('000)	500,000	494,636
(Loss)/EPS after Proposed Placement (sen)	(2.40)	0.98

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.

4.3 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)	30,641	30,641
NAV after the Proposed Placement (RM'000)	70,382	82,838
Number of Shares after the Proposed Placement ('000)	500,000	500,000
Estimated NAV per Share after Proposed Placement (sen)	14.08	16.57

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.

4.4 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)	19,550	19,550
Adjusted borrowings (RM'000)	28,369	16,919
Shareholders' equity (RM'000) ⁽⁴⁾	39,741	52,197
Add: net proceeds from the Proposed Placement (RM'000)	30,641	30,641
Adjusted shareholders' equity (RM'000)	70,382	82,838
Gearing after the Proposed Placement (times) ⁽⁵⁾	0.40	0.20

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.

5. FURTHER INFORMATION

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 8 January 2007 to the SGX-ST.