

**MEDI-FLEX LIMITED**  
**(Company Registration No. 200312754H)**

**HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT**  
**FOR PERIOD ENDED 30 JUNE 2007**

These figures have not been audited or reviewed

**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<br>Period Ended<br>30/6/07<br>RM'000 | Group<br>Period Ended<br>30/6/06<br>RM'000 | increase/<br>(decrease)<br>% |
|---|--|--|------------------------------|
| Revenue                                   | 32,392                                     | 51,120                                     | -36.64%                      |
| Cost of sales                             | <u>(33,751)</u>                            | <u>(59,372)</u>                            | -43.15%                      |
| Gross (loss) / profit                     | (1,359)                                    | (8,252)                                    | -83.53%                      |
| Other operating income / (expenses)       | 552  | 128  | 331.34%                      |
| Selling and distribution expenses         | (489)                                      | (1,336)                                    | -63.40%                      |
| General and administrative expenses       | <u>(2,325)</u>                             | <u>(2,713)</u>                             | -14.30%                      |
| (Loss) / profit from operations           | (3,621)                                    | (12,173)                                   | -70.25%                      |
| Finance costs                             | <u>(1,402)</u>                             | <u>(1,285)</u>                             | 9.13%                        |
|   | (5,023)                                    | (13,458)                                   | -62.67%                      |
| Share of results of an associated company | 127  | 871  | -85.46%                      |
| (Loss) / profit before taxation           | <u>(4,897)</u>                             | <u>(12,587)</u>                            | -61.10%                      |
| Taxation                                  | -  | -  | 0.00%                        |
| (Loss) / profit after taxation            | <u><u>(4,897)</u></u>                      | <u><u>(12,587)</u></u>                     | -61.09%                      |

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

|   | Group<br>Period Ended<br>30/6/07<br>RM'000 | Group<br>Period Ended<br>30/6/06<br>RM'000 | increase/<br>(decrease)<br>% |
|---|--|--|------------------------------|
| Depreciation                              | (4,663)                                    | (3,046)                                    | 53.09%                       |
| Foreign exchange gain / (loss)            | 438  | 106  | 313.14%                      |
| Interest income                           | 40   | 2  | 1901.44%                     |
| Interest expenses                         | (1,402)                                    | (1,285)                                    | 9.13%                        |
| Provision for doubtful debts written back | -  | 20   | -100.00%                     |
| Provision for doubtful debts              | (67)                                       | -  | 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<br>As At<br>30/06/07<br>RM'000 | Group<br>As At<br>31/12/06<br>RM'000 | Company<br>As At<br>30/06/07<br>RM'000 | Company<br>As At<br>31/12/06<br>RM'000 |
|---|--------------------------------------|--------------------------------------|--|--|
| <b>Non-current assets</b>                                   |                                      |                                      |  |  |
| <b>Fixed assets</b>   | 70,630                               | 74,861                               | -                                      | 130                                    |
| <b>Investment</b>   |                                      |                                      |  |  |
| - subsidiary companies                                      | -                                    | -                                    | 14,036                                 | 44,271                                 |
| - associated company  | 8,459                                | 8,654                                | 13,089                                 | 13,089                                 |
| <b>Current assets</b>                                       |                                      |                                      |  |  |
| Inventories   | 7,340                                | 9,890                                | -                                      | -                                      |
| Trade debtors   | 4,775                                | 6,590                                | -                                      | -                                      |
| Other debtors   | 711                                  | 486                                  | -                                      | 51                                     |
| Prepayments   | 688                                  | 1,186                                | 99                                     | 265                                    |
| Amount due from subsidiary companies                        | -                                    | -                                    | 42,860                                 | 1,418                                  |
| Tax recoverable   | 619                                  | 619                                  | -                                      | -                                      |
| Cash and bank balances                                      | 6,431                                | 1,531                                | 501                                    | 6                                      |
|   | <u>20,564</u>                        | <u>20,302</u>                        | <u>43,461</u>                          | <u>1,740</u>                           |
| <b>Current liabilities</b>                                  |                                      |                                      |  |  |
| Bank overdrafts   | 533                                  | 11,064                               | -                                      | -                                      |
| Trade creditors   | 14,067                               | 20,142                               | -                                      | -                                      |
| Other creditors and accruals                                | 4,596                                | 7,155                                | 471                                    | 1,217                                  |
| Hire purchase creditors                                     | 1,674                                | 1,850                                | -                                      | -                                      |
| Bank borrowings   | 4,115                                | 35,100                               | -                                      | 18,357                                 |
| Amount owing to holdings company                            | 23,601                               | -                                    | -                                      | -                                      |
| Amount due to directors                                     | -                                    | 3,123                                | -                                      | 31                                     |
|   | <u>48,586</u>                        | <u>78,434</u>                        | <u>471</u>                             | <u>19,605</u>                          |
| <b>Net current (liabilities) / assets</b>                   | (28,022)                             | (58,132)                             | 42,990                                 | (17,865)                               |
| Hire purchase creditors                                     | (1,374)                              | (2,093)                              | -                                      | -                                      |
| Bank borrowings   | (863)                                | -                                    | -                                      | -                                      |
| <b>Net assets</b>   | <u>48,830</u>                        | <u>23,290</u>                        | <u>70,115</u>                          | <u>39,625</u>                          |
| <b>Equity attributable to equity holders of the company</b> |                                      |                                      |  |  |
| Share capital   | 74,642                               | 43,883                               | 74,642                                 | 43,883                                 |
| Merger deficits   | (471)                                | (471)                                | -                                      | -                                      |
| (Accumulated loss) / revenue reserve                        | (25,072)                             | (20,175)                             | (4,527)                                | (4,258)                                |
| Foreign currency translation reserve                        | (269)                                | 53                                   | -                                      | -                                      |
| <b>Total equity</b>   | <u>48,830</u>                        | <u>23,290</u>                        | <u>70,115</u>                          | <u>39,625</u>                          |

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

**Amount repayable in one year or less, or on demand**

|                         | As at 30/6/07<br>Secured<br>RM'000 | As at 31/12/06<br>Secured<br>RM'000 |
|-------------------------|------------------------------------|-------------------------------------|
| Hire purchase creditors | 1,674                              | 1,850                               |
| Borrowings              | <u>4,115</u>                       | <u>35,100</u>                       |
|                         | <u><u>5,789</u></u>                | <u><u>36,950</u></u>                |

**Amount repayable after one year**

|                         | As at 30/6/07<br>Secured<br>RM'000 | As at 31/12/06<br>Secured<br>RM'000 |
|-------------------------|------------------------------------|-------------------------------------|
| Hire purchase creditors | 1,374                              | 2,093                               |
| Borrowings              | <u>863</u>                         | <u>-</u>                            |
|                         | <u><u>2,237</u></u>                | <u><u>2,093</u></u>                 |

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 assets; and
- b) Corporate guarantee provided by the Company and ultimate holding company.

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<br>As At<br>30/6/07<br>RM'000 | Group<br>As At<br>30/6/06<br>RM'000 |
|--|-------------------------------------|-------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                     |                                     |
| (Loss) / profit before taxation  | (4,897)                             | (12,587)                            |
| Adjustments for:-  |                                     |                                     |
| Depreciation   | 4,663                               | 3,046                               |
| Interest expense   | 1,402                               | 1,285                               |
| Interest income  | (40)                                | (2)                                 |
| Share of results of associated company   | (127)                               | (871)                               |
| Provision for doubtful debts   | 67                                  | -                                   |
| Provision for doubtful debts written back  | -                                   | (20)                                |
| Operating (loss) / profit before working capital changes                             | <u>1,068</u>                        | <u>(9,149)</u>                      |
| Decrease in inventories  | 2,550                               | 3,400                               |
| Decrease in debtors  | 2,021                               | 1,120                               |
| Increase in creditors  | <u>(11,757)</u>                     | <u>8,202</u>                        |
| Cash flows generated from / (used in) operations                                     | (6,118)                             | 3,573                               |
| Tax paid   | -                                   | (349)                               |
| Interest paid  | (1,402)                             | (1,285)                             |
| Interest received  | <u>40</u>                           | <u>2</u>                            |
| <i>Net cash flows from / (used in) operating activities</i>                          | <u>(7,480)</u>                      | <u>1,941</u>                        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                     |                                     |
| Purchase of property, plant and equipment  | <u>(432)</u>                        | <u>(16,948)</u>                     |
| <i>Net cash flows used in investing activities</i>                                   | <u>(432)</u>                        | <u>(16,948)</u>                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                     |                                     |
| Proceeds from issue of share   | 30,759                              | -                                   |
| Advanced from holdings company   | 23,601                              | -                                   |
| Proceeds from term loans and bank borrowings   | -                                   | 31,308                              |
| Repayment of term loans and bank borrowings  | (30,122)                            | (19,684)                            |
| (Repayment of) / proceeds from hire purchase creditors                               | <u>(895)</u>                        | <u>(331)</u>                        |
| <i>Net cash flows from financing activities</i>                                      | <u>23,343</u>                       | <u>11,293</u>                       |
| <b>NET DECREASE IN CASH AND BANK BALANCES</b>  | 15,431                              | (3,714)                             |
| <b>CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL PERIOD</b>                   | (9,533)                             | 3,745                               |
| <b>CASH AND BANK BALANCES AT END OF THE FINANCIAL PERIOD</b>                         | <u><u>5,898</u></u>                 | <u><u>31</u></u>                    |
| <b>CASH AND BANK BALANCES COMPRISE THE FOLLOWINGS AT END OF THE FINANCIAL PERIOD</b> |                                     |                                     |
| Cash at banks and in hand  | 6,431                               | 1,117                               |
| Bank overdrafts  | <u>(533)</u>                        | <u>(1,086)</u>                      |
| Cash and banks balances  | <u><u>5,898</u></u>                 | <u><u>31</u></u>                    |

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<br>RM'000 | Share premium<br>RM'000 | Merger deficit<br>RM'000        | (Accumulated loss)/revenue reserve<br>RM'000 | Foreign currency translation reserve<br>RM'000 | Total equity<br>RM'000         |
|---|-------------------------|-------------------------|---------------------------------|--|--|--------------------------------|
| Balance at 1 January 2007   | 43,883                  | -                       | (471)                           | (20,175)                                     | 53   | 23,290                         |
| Issuance of ordinary shares                                       | 30,759                  |                         |                                 |  |  | 30,759                         |
| Net effect of exchange differences                                | -                       | -                       | -                               | -  | (322)  | (322)                          |
| Loss for the financial period                                     | -                       | -                       | -                               | (4,897)                                      | -  | (4,897)                        |
| Balance at 30 June 2007   | <u>74,642</u>           | <u>-</u>                | <u>(471)</u>                    | <u>(25,072)</u>                              | <u>(269)</u>                                   | <u>48,830</u>                  |
| 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                                | -                       | -                       | -                               | -  | 131  | 131                            |
| Loss for the financial period                                     | -                       | -                       | -                               | (12,587)                                     | -  | (12,587)                       |
| Balance at 30 June 2006   | <u>43,883</u>           | <u>-</u>                | <u>(471)</u>                    | <u>(3,821)</u>                               | <u>150</u>                                     | <u>39,741</u>                  |
| <b>Company</b>  |                         |                         | <b>Share capital<br/>RM'000</b> | <b>Share premium<br/>RM'000</b>              | <b>Accumulated losses<br/>RM'000</b>           | <b>Total Equity<br/>RM'000</b> |
| Balance at 1 January 2007   |                         |                         | 43,883                          | -  | (4,258)  | 39,625                         |
| Issuance of ordinary shares                                       |                         |                         | 30,759                          | -  | -  | 30,759                         |
| Loss for the financial period                                     |                         |                         | -                               | -  | (269)  | (269)                          |
| Balance at 30 June 2007   |                         |                         | <u>74,642</u>                   | <u>-</u>                                     | <u>(4,527)</u>                                 | <u>70,115</u>                  |
| Balance at 1 January 2006   |                         |                         | 38,502                          | 5,381  | (1,622)  | 42,261                         |
| Issuance of ordinary shares to acquire associated company         |                         |                         | 5,381                           | (5,381)                                      | -  | -                              |
| Loss for the financial period                                     |                         |                         | -                               | -  | (14)   | (14)                           |
| Balance at 30 June 2006   |                         |                         | <u>43,883</u>                   | <u>-</u>                                     | <u>(1,636)</u>                                 | <u>42,247</u>                  |

- 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.**

Following from the completion of the proposed placement on 15 March 2007. A total of 328,305,829 new ordinary shares were issued and allotted to the following subscribers

|                           | <u>Shares</u>      | <u>Issue Price (S\$)</u> |
|---------------------------|--------------------|--------------------------|
| Top Glove Sdn Bhd         | 300,305,829        | 0.04                     |
| Honour Investment Limited | 23,000,000         | 0.07                     |
| Pacal Consulting Pte Ltd  | 5,000,000          | 0.07                     |
|                           | <u>328,305,829</u> |                          |

- 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 period compare with those of audited financial statements as at 31 December 2006.

- 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<br>As At<br>30/06/07 | Group<br>As At<br>31/12/06 | Group<br>As At<br>30/06/06 |
|---|----------------------------|----------------------------|----------------------------|
| (Loss) / earning per share (EPS) in sen |                            |                            |                            |
| I) Basic                                | (1.30)                     | (16.96)                    | (7.33)                     |
| II) On a fully diluted basis            | (1.30)                     | (16.96)                    | (7.33)                     |

- 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<br>As At<br>30/06/07<br>RM | Group<br>As At<br>31/12/06<br>RM | Group<br>As At<br>30/06/06<br>RM | Company<br>As At<br>30/06/07<br>RM | Company<br>As At<br>31/12/06<br>RM | Company<br>As At<br>30/06/06<br>RM |
|----------------------------|----------------------------------|----------------------------------|----------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Net asset per share in sen | 9.77                             | 13.56                            | 23.15                            | 14.02                              | 23.08                              | 24.61                              |

**A review of the performance of the Group, to the extent 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 applicable) 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 Group's financial performance for the six months ended 30 June 2007 ("1H07") was to a certain extent impacted by the volatility in natural latex and oil prices, coupled by the fluctuation in the exchange rate and also due to lower production output. However to improve on the performance of the Group, the management had implemented various cost cutting measures, including adjusting its sales mix, intensified its marketing for synthetic rubber or nitrile gloves and carried out more extensive R&D on the glove manufacturing formulation to not only improve on the product offering but to also ensure that the quality is not compromised.

Following from the Company's announcement on the completion of the subscription of 60.06% new ordinary shares by Top Glove Sdn Bhd ("TGSB") in March 2007, Medi-Flex Limited is now a subsidiary company of TGSB. The management is currently working very closely with Top Glove Group to incorporate the work culture and management practices to assist in the improvement of the operation and efficiency of the Group. In addition, technical exchanges have also commenced since the second quarter of the year to ensure that methodologies of operations, efficiency and cost controls are maximised to improve on the operations of the Group.

For the period under review, sales revenue for the Group reduced from RM51.1 million recorded in 1H06 to RM32.4 million recorded in the period under review, a decrease of 36.64%. This was mainly due to cash flow and operational constrained experienced in the 1st quarter of the year and rectification and modification works done to the production lines after the proposed subscription by TGSB. The modification to the lines is anticipated to improve the efficiency and productivity of the lines.

Due to the decrease in sales, the cost of sales also reduce significantly in tandem to RM33.8 million from RM59.4 million registered in 1H06. However the gross loss margin improved from 16% recorded in 1H06 to 4.2% in 1H07. This was mainly contributed to the management policy to improving its production capacity, better quality control, improvement in its cost efficiency and marketing strategy which were implemented upon taking over by TGSB.

Due to the streamlining of operation, modification of the production lines and cost cutting measures implemented to improve on the efficiency in the future as mentioned earlier, Selling and Distribution expenses and General and Administration expenses reduced from RM1.3 million and RM2.7 million respectively to RM0.5 million and RM2.3 million in 1H07.

Finance costs rose marginally from RM1.2 million registered in 1H06 to RM1.4 million for the period under review. This was attributed to the increase in banking charges due to default in instalments experienced in the 1st quarter of the year. These facilities were subsequently restructured since the change in management, the Group have also been in negotiation with the financial institutions to look into reducing the bank interest charges of its existing facilities. These are some of the improvement plans put in place by TGSB to improve on the financial health and performance of the Group.

Share of results of an associate of RM0.1 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 1H07 reduced to RM4.9 million compared to RM12.6 million respectively in 1H06 resulting in an improvement in the net loss margin of 24% recorded in 1H06 to a net loss margin of 15% in 1H07.

## **Balance sheet review**

Due to the financial position of the Group, there was no major fixed asset acquisition in the period under review; the marginal movement in fixed assets from RM71.9 million to RM70.6 million was mainly due to depreciation during the period.

Inventories also decreased from RM9.9 million to RM7.3 million, mainly due to the Group improvements in inventory control in line with reason highlighted above.

Trade debtors also reduced from RM6.6 million to RM4.8 million, which is in tandem with the lower production and sales and also tighter collection practices implemented by the Group.

Net cash and bank balances improved from RM0.03 million registered in the corresponding period under review to RM5.9 million in 1H07.

The Group used RM6 million in its operating activities; net cash flows used in investing activities amounted to RM0.4 million and net cash flows used in financing activities was RM23.3 million, which were mainly from the private placement undertaken by the Company which was completed in 15 March 2007. In 1H06, the net cash from operations and used in investing activities were RM1.9 million and RM16.9 million respectively while, the net cash from financing activities amounted to RM11.3 million.

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

Not applicable as no announcement was provided.

**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.**

With the commitment of the management team, the Group is working towards better performance and results in the coming years through the continued efforts of aggressive marketing strategies, increase in production capacity to capitalise on the economies of scale coupled with the further improvement in product quality, cost control and efficiency.

Barring unforeseen circumstances, the Group only expects its financial performance to improve in the next FY2008.

**11** No interim or final dividend is recommended during the financial period.

**12** **If no dividend has been declared (recommended), a statement to that effect.**

Not applicable.

13 Interested Person Transaction.

| Name of interested person:   | Nature                                  | 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) |                |
|------------------------------|---|--|----------------|---|----------------|
|                              |   | 6 months ended 30 June 2007<br>RM'000  | 2006<br>RM'000 | 6 months ended 30 June 2007<br>RM'000   | 2006<br>RM'000 |
| Greenview Properties Sdn Bhd | Factory rental                          | 445  | 240            | -   | -              |
| Greenview Properties Sdn Bhd | Heat Supply                             | -  | -              | 1,882   | -              |
| Top Glove Sdn Bhd            | Financials Assistance                   | 23,601   |                |   |                |
|                              | Sale of Raw Material                    | 8  |                |   |                |
|                              | Provision of Management Services        | (161)  |                |   |                |
|                              | Provision of parts and consumables      | 156  |                |   |                |
|                              | Provision or obtaining the fixed assets | 22   |                |   |                |
|                              | Provision of other items or services    | 8  |                |   |                |

**BY ORDER OF THE BOARD**

Tan Sri Dr Lim, Wee-Chai  
Chairman  
13 August 2007

Statement by Directors  
Pursuant to SGX Listing Rule 705(4)

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statement for the 6 months ended 30 June 2007 to be false or misleading.

On behalf of the Board of Directors

Lee Kim Meow  
Managing Director

Lim Cheong Guan  
Executive Director