

CIRCULAR DATED 21 NOVEMBER 2007

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This Circular is issued by Medi-Flex Limited. If you are in any doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred your ordinary shares in the capital of Medi-Flex Limited, please forward this Circular, the Notice of Annual General Meeting and the attached Proxy Form immediately to the purchaser or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

# MEDI-FLEX



## MEDI-FLEX LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200312754H)

### CIRCULAR TO SHAREHOLDERS

in relation to

### PROPOSED NEW GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

Independent Financial Adviser to the Independent Directors

 **PhillipCapital**  
**PHILLIP SECURITIES PTE LTD**

#### IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Form: 5 December 2007; 12.00 noon

Date and time of Annual General Meeting: 7 December 2007; 12.00 noon

Place of Annual General Meeting: Singapore Exchange Ltd, SGX Auditorium,  
2 Shenton Way #02-02, Podium SGX Centre 1,  
Singapore 068804

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## DEFINITIONS

The following definitions shall apply throughout this Circular unless the context otherwise requires or is otherwise stated:

- “AGM” : Annual general meeting of the Company
- “Associated Company” : In relation to a listed company, any company in which at least 20% but not more than 50% of the its shares are held by the listed company or the listed group
- “Audit Committee” : The audit committee of the Company as at the date of this Circular, comprising Mr Foong Daw Ching, Mr Wong Hung Khim and Dr Ngo Get Ping
- “Board” or “Board of Directors” : The Board of Directors of the Company as at the date of this Circular
- “CDP” : The Central Depository (Pte) Limited
- “Circular” : This circular dated 21 November 2007
- “Company” : Medi-Flex Limited
- “Companies Act” : The Companies Act, Chapter 50, of Singapore, as may be amended or modified from time to time
- “Controlling Shareholder” : A person who:
- (a) holds, directly or indirectly, 15% or more of the nominal amount of all voting shares in the company (unless the SGX-ST has determined such a person not to be a Controlling Shareholder of the company); or
  - (b) in fact exercises control over the company;
- or such other definition as the SGX-ST may from time to time determine
- “Directors” : The directors of the Company as at the date of this Circular
- “financial assistance” : Includes:
- (i) the lending or borrowing of money, the guaranteeing or providing security for a debt incurred or the indemnifying of a guarantor for guaranteeing or providing security; and
  - (ii) the forgiving of a debt, the releasing of or neglect in enforcing an obligation of another, or the assuming of the obligations of another

“General Mandate”	:	A new general mandate from the Shareholders, pursuant to Chapter 9 of the Listing Manual, for the Medi-Flex Group to enter into specified transactions of a revenue or trading nature or those necessary for day-to-day operations with specified classes of the Company’s Interested Persons
“Group”	:	The Company and its subsidiaries
“IFA” or “Phillip Securities”	:	Independent financial adviser, being Phillip Securities Pte Ltd, which acts as the financial adviser to the Independent Directors of the Company
“Independent Directors”	:	The independent Directors of the Company as at the date of this Circular, being Mr Wong Hung Khim, Mr Foong Daw Ching and Dr Ngo Get Ping
“Interested Person”	:	The interested persons of the Company who fall within the General Mandate as set out in paragraph 3.2 of this Circular
“Interested Person Transaction”	:	The categories of transactions with Interested Persons which fall within the General Mandate as set out in paragraph 3.3 of this Circular
“Latest Practicable Date”	:	9 November 2007, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended or modified from time to time
“Medi-Flex Group”	:	For the purposes of this Circular and the General Mandate, shall mean the Company, its subsidiaries and Associated Companies (other than a subsidiary or an associated company that is itself listed on the SGX-ST or an approved stock exchange, or an associated company over which the listed group and/or its Interested Person(s) has no control over)
“NTA”	:	Net tangible asset
“RM”	:	Malaysian Ringgit
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered Shareholders of Shares except that where the registered holder is CDP, the term “Shareholder” shall, in relation to such Shares and where the context admits, mean the persons named as depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
“Shares”	:	Ordinary shares in the capital of the Company
“Substantial Shareholder”	:	A person who has an interest of not less than 5% of the total issued and voting share capital of the Company

“Top Glove Group”	:	Top Glove Corporation Bhd and its subsidiaries
“S\$” and “cents”	:	Singapore dollars and cents respectively
“%”	:	Percentage or per centum

The terms “Depositor”, Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The term “subsidiary” shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

The total of figures listed in certain tables including in this Circular may not be the same as the arithmetic addition of the figures. Any such discrepancies are due to rounding.

# MEDI-FLEX



**MEDI-FLEX LIMITED**

(Incorporated in the Republic of Singapore)  
Registration No. 200312754H

21 November 2007

**Directors:**

Tan Sri Dr Lim, Wee-Chai  
Mr Lee Kim Meow  
Mr Lim Cheong Guan  
Mr Wong Hung Khim  
Dr Ngo Get Ping  
Mr Foong Daw Ching

**Registered Office:**

36 Carpenter Street  
Singapore 059915

To : The Shareholders of Medi-Flex Limited

Dear Sir/Madam

**PROPOSED NEW GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

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**1. INTRODUCTION**

The purpose of this Circular is to provide the Shareholders with information pertaining to the proposed adoption of the new General Mandate for Interested Person Transactions and to seek Shareholders' approval thereof at the AGM to be held on 7 December 2007.

**2. LISTING MANUAL**

**2.1 Chapter 9 of the Listing Manual**

Chapter 9 of the Listing Manual ("Chapter 9") governs transactions in which a listed company or any of its subsidiaries or associated companies (other than a subsidiary or an associated company that is itself listed on the SGX-ST or an approved stock exchange, or an associated company over which the listed group and/or its Interested Person(s) has no control over) (which is known as an "**entity at risk**") proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the listed company or its shareholders.

For the purpose of Chapter 9:

- (a) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9;

- (b) an “**associate**” in relation to any director, chief executive officer or controlling shareholder (being an individual) means his immediate family (i.e., spouse, child, adopted child, step-child, sibling and parent), the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. An “associate” in relation to a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;
- (c) an “**associated company**” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group; and
- (d) a “**controlling shareholder**” is a person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in a listed company (unless otherwise excepted by SGX-ST) or in fact exercises control over the listed company;
- (e) an “**entity at risk**” means a listed company, a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange, or an associated company of the listed group that is not listed on the SGX-ST or an approved exchange, provided that the listed group or the listed group and its interested person(s) has control over the associated company;
- (f) an “**interested person**” means a director, chief executive officer or controlling shareholder of a listed company, or an associate of such director, chief executive officer or controlling shareholder;
- (g) an “**interested person transaction**” means a transaction between an entity at risk and an interested person and includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

Save for transactions which are not considered to put the listed company at risk and which are therefore excluded from the ambit of Chapter 9, an immediate announcement and/or shareholders’ approval would be required in respect of transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds. In particular, an immediate announcement is required where:

- (a) the value of a proposed transaction is equal to or exceeds 3% of the listed group’s latest audited consolidated NTA (“**Threshold 1**”); or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than 3% of the listed group’s latest audited consolidated NTA. An announcement will have to be made immediately of the latest transaction and all future transactions entered into with that same interested person during the financial year,

and shareholders’ approval (in addition to an immediate announcement) is required where:

- (c) the value of a proposed transaction is equal to or exceeds 5% of the listed group’s latest audited consolidated NTA (“**Threshold 2**”); or
- (d) the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than 5% of the listed group’s latest audited consolidated NTA. The aggregation will exclude any transaction that has been approved by shareholders previously, or is the subject of aggregation with another transaction that has been previously approved by shareholders.

For the purposes of aggregation, interested person transactions below \$100,000 each are to be excluded.

For illustration purposes, based on the Medi-Flex Group's latest audited accounts for the financial period from 1 January 2007 to 31 August 2007, the Medi-Flex Group's audited NTA as at 31 August 2007 was approximately S\$20.73 million (equivalent to approximately RM\$47.67 million, based on an exchange rate of RM\$2.30 to S\$1.00). Accordingly, in relation to the Medi-Flex Group, for the purposes of Chapter 9 in the current financial year, Shareholders' approval would be required where:

- (a) the transaction is of a value equal to, or more than, S\$1,036,500 being 5% of the Medi-Flex Group's latest audited consolidated NTA as at 31 August 2007; or
- (b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, S\$1,036,500. The aggregation will exclude any transaction that has been approved by Shareholders previously, or is the subject of aggregation with another transaction that has been approved by Shareholders.

Part VIII of Chapter 9 allows a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons of revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate granted by Shareholders is subject to annual renewal.

### **3. THE PROPOSED NEW GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

#### **3.1 Rationale for the General Mandate**

On 15 March 2007, Top Glove Sdn Bhd successfully acquired a controlling stake of 300,305,829 Shares which represents approximately 60.06% in the issued share capital of the Company through the subscription of new Shares in the Company's private placement exercise. Pursuant to the completion of the private placement exercise, Top Glove Sdn Bhd became a Controlling Shareholder of the Company and entities within the Top Glove Group (as described in paragraph 3.2 of this Circular) therefore became Interested Persons of the Medi-Flex Group for the purpose of Chapter 9 of the Listing Manual.

The Medi-Flex Group has since 15 March 2007 entered into various transactions with the Top Glove Group. Specifically, the transactions involve mainly financial assistance, sale and purchase of raw materials and consumables, and management and support services to and from the Top Glove Group. The aggregate value of transactions between the Medi-Flex Group and the Top Glove Group from 15 March 2007 to 31 August 2007 is approximately S\$147,000 (excluding transactions that are less than S\$100,000), representing approximately 0.71% of the consolidated NTA of the Group as at 31 August 2007. It is envisaged that the Medi-Flex Group will, in the ordinary course of business, continue to enter into transactions with the Top Glove Group with some degree of frequency. The proposed General Mandate will give the Company the flexibility to enter into transactions with the Top Glove Group in the ordinary course of business. To facilitate such transactions and taking into consideration the time-sensitivity and frequent nature of such transactions, the Directors are seeking the approval of Shareholders pursuant to Chapter 9 of the Listing Manual for a new General Mandate for the Medi-Flex Group to enter into the categories of Interested Person Transactions (as described in paragraph 3.3 of this Circular) with the classes of Interested Persons (as described in paragraph 3.2 of this Circular), provided that such transactions are made at arm's length and on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

The General Mandate will eliminate the need for the Company to announce and convene separate general meetings on each occasion to seek the Shareholders' prior approval for each separate Interested Person Transaction. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings on an ad hoc basis, without compromising the corporate objectives of the Company and/or adversely affecting the business opportunities available to the Medi-Flex Group. In addition, this will considerably improve administrative efficiency.

The General Mandate will not cover any Interested Person Transaction which has a value below S\$100,000 as the threshold and aggregation requirements of Chapter 9 of the Listing Manual do not apply to such transactions.

Transactions with Interested Persons which do not come within the ambit of the General Mandate (including and renewal thereof) will be subject to applicable provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

### **3.2 Classes of Interested Persons under the General Mandate**

The General Mandate will apply to the Interested Person Transactions (as described in paragraph 3.3 of this Circular) which are carried out between any company within the Medi-Flex Group and the Top Glove Group. Top Glove Group comprises Top Glove Corporation Bhd, a company listed on the Bursa Malaysia Securities Berhad, and its subsidiaries. Top Glove Corporation Bhd is the holding company of Top Glove Sdn Bhd, being the Controlling Shareholder of the Company with interests in approximately 60.06% of the issued share capital of the Company as at the Latest Practicable Date.

### **3.3 Categories of Interested Person Transactions under the General Mandate**

The types of transactions with the Interested Persons to which the General Mandate applies and the benefits to be derived there from are set out below.

#### **3.3.1 Receipt of financial assistance**

The Medi-Flex Group will receive financial assistance from the Interested Persons, including the following:-

(i) Borrowing of funds

The Medi-Flex Group will borrow funds from the Interested Persons. The basis for determining the rate of borrowings is described in paragraph 3.4.1 below.

(ii) Receipt of guarantees, indemnities or securities

The Medi-Flex Group will receive guarantees, indemnities or securities to be provided by the Interested Persons, for securing obligations of any company within the Medi-Flex Group, at no charge to the Medi-Flex Group.

In respect of borrowing of funds from the Interested Persons, the Medi-Flex Group can benefit from the more competitive rates offered by the Interested Persons by leveraging on the financial strength and credit standing of the Interested Persons. In respect of the provision of guarantees, indemnities or securities by the Interested Persons to secure the obligations of any company within the Medi-Flex Group, the Medi-Flex Group can benefit from such financial support of the Interested Persons to enable them to procure contracts or to secure work or to obtain financing from financial institutions.

### **3.3.2 Sale and purchase of raw materials and consumables**

The Medi-Flex Group will supply or purchase raw materials and consumables to or from the Interested Persons. The basis for determining the terms of the transaction is described in paragraph 3.4.2 below.

The above arrangement is to facilitate bulk purchasing of raw materials and consumables which may be used by both the Medi-Flex Group and the Top Glove Group. By combining orders for raw materials and consumables with the Interested Persons, the Medi-Flex Group can benefit from bulk discount and other economies of scale.

### **3.3.3 Sale and purchase of products**

The Medi-Flex Group will supply to, or purchase from, the Interested Persons, gloves which the Medi-Flex Group does not itself produce. The basis for determining the terms of the transaction is described in paragraph 3.4.3 below.

The above arrangement is to satisfy the customers of the Medi-Flex Group and the Top Glove Group, as the case may be, who request to purchase certain types of gloves which the Medi-Flex Group or the Top Glove Group do not produce. In addition, this will allow the Medi-Flex Group and the Top Glove Group to carry on their businesses on normal commercial terms similar to that with non-interested person customers.

### **3.3.4 Provision and obtaining of management and support services**

The Medi-Flex Group will provide and obtain management and support services, mainly in the areas of production, administration, finance, corporate secretarial, utilities, logistics, warehousing and transportation services (the “**Management and Support Services**”) to and from the Interested Persons. The basis for determining the charges for such Management and Support Services is described in paragraph 3.4.4 below.

By having access to such services, the Medi-Flex Group will derive operational and financial leverage through savings in terms of reduced overheads and greater economies of scale. In addition, the Medi-Flex Group will be able to obtain expertise and gain from the experience of the Interested Persons. The ability to tap on such expertise and experience is particularly important for the Company’s ability to manage its resources well and to respond in a timely manner to take advantage of opportunities as and when they arise.

## **3.4 Review Procedures for Interested Person Transactions under the General Mandate**

To ensure that the Interested Person Transactions are undertaken at arm’s length and on normal commercial terms consistent with the Medi-Flex Group’s usual business practices, as a general rule, the Medi-Flex Group will only enter into transactions with the Interested Persons if the terms offered by the Interested Persons are no less favourable than those offered by unrelated third parties or if the terms extended to the Interested Persons are no more favourable than those extended to unrelated third parties.

The following review procedures will be implemented to ensure that all Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms:-

### **3.4.1 Receipt of financial assistance**

(a) *Borrowing of funds from Interested Persons*

In relation to the borrowing of funds from the Interested Persons by the Medi-Flex Group, the Interested Persons will charge the Medi-Flex Group rates which the Interested Persons will incur contemporaneously in time. In addition, the same shall not be approved unless the terms of the borrowing are no less favourable than the usual commercial terms extended to the Medi-Flex Group under its existing financial facilities with its bankers or from unrelated third parties. The Company's finance manager or such other persons as may be appointed by the Audit Committee will review the terms of the borrowing.

(b) *Receipt of guarantees, indemnities or securities from Interested Persons*

In relation to the provision of any guarantee, indemnity or security by any Interested Persons to secure the obligations of the Medi-Flex Group, there will be no charges from the Interested Persons to the Medi-Flex Group.

### **3.4.2 Sale and purchase of raw materials and consumables**

(a) *Sale of raw materials and consumables to Interested Persons*

The sale of raw materials and consumables by the Medi-Flex Group to the Interested Persons will be at the Medi-Flex Group's cost without any mark-up.

(b) *Purchase of raw materials and consumables from Interested Persons*

The purchase of raw materials and consumables by the Medi-Flex Group from the Interested Persons shall be either of the following, as the case may be:

- (i) at the Interested Persons' cost without any mark up, in the event the said raw materials and consumables are purchased from unrelated third party suppliers; or
- (ii) on terms which are no less favourable than those extended by the Interested Persons to other companies within its group of companies and/or to its unrelated third party customers, in the event the said raw materials and consumables are produced by any of its group of companies.

In addition to the above, the purchase of raw materials and consumables from the Interested Persons shall be carried out on terms which are no less favourable than those offered by unrelated third party suppliers. In this regard, in undertaking such transactions, the purchasing personnel and/or general manager will submit a recommendation for approval to any one of the Directors or such other persons as may be appointed by the Audit Committee, who will then obtain at least two comparable market prices for raw materials or consumables available contemporaneous in time. Such prices will be used as comparison with the amount to be charged by the Interested Persons, taking into account factors such as, but not limited to, the nature of the product, delivery schedules, order quantity, supplier requirements and specifications, duration of contract, preferential rates, discounts or rebates for bulk purchases, and cost for freight.

### 3.4.3 Sale and purchase of products

(a) *Sale of products to Interested Persons*

The sale of products by the Medi-Flex Group to the Interested Persons will be carried out on terms which are no more favourable to the Interested Persons than those extended by the Medi-Flex Group to its unrelated third party customers. In this regard, the terms of at least two other sale transactions to the Medi-Flex Group's unrelated third party customers for similar products and/or quantities, contemporaneously in time, will be used as comparison, wherever possible, taking into account all pertinent factors such as, but not limited to, delivery schedules, quality of products and track record of the counter-parties and, where applicable, preferential rates, rebates or discounts accorded for bulk purchases.

Where it is not possible to compare against the terms of such other transactions with unrelated third party customers (for instance, where such products are not sold to any unrelated third party customers), the Medi-Flex Group's pricing for such products to be sold to the Interested Persons will be determined by any one of the Directors or such other persons as may be appointed by the Audit Committee, in accordance with the Medi-Flex Group's usual business practices and policies and consistent with the gross margins to be obtained by the Medi-Flex Group for transactions between the Medi-Flex Group and unrelated third party customers. Such business practices and policies include consideration of the most recent price list setting out the recommended sale prices of the Medi-Flex Group's products to unrelated third party customers and ensuring that the Medi-Flex Group's profit margins are maintained. In determining the transaction price payable by the Interested Persons for such products, factors such as, but not limited to, quantity, customer requirements and specifications will be taken into account.

(b) *Purchase of products from Interested Persons*

The purchase of products by the Medi-Flex Group from the Interested Persons will be carried out on terms which are no less favourable than those offered by unrelated third party suppliers to the Medi-Flex Group. In addition, the purchase price to be charged by the Interested Persons to the Medi-Flex Group shall not be higher than that offered by the Interested Persons to its unrelated third party customers.

In this regard, prior to the entry of the transaction with the Interested Persons, competitive quotations obtained (wherever possible or available) from at least two other unrelated third party suppliers for similar products and/or quantities, contemporaneous in time, will be used as comparison, taking into account all pertinent factors such as, but not limited to, delivery schedules, quality of products and track record of the counter-parties and, where applicable, preferential rates, rebates or discounts accorded for bulk purchases.

In the event that competitive quotations cannot be obtained, the price and terms offered by the Interested Persons may be compared with similar transactions contracted by the Interested Persons with unrelated third party customers, taking into account factors such as, but not limited, to the nature of the product, delivery schedules, order quantity, customer requirements and specifications, duration of contract, preferential rates, discounts or rebates for bulk purchases, and cost for freight.

### 3.4.4 Management and Support Services

In relation to the Management and Support Services (as set out in paragraph 3.3.4 above) provided or received by the Medi-Flex Group, the management fees charged should be at cost of the party providing the Management and Support Services without any mark up. The cost will be computed based on the salary and other staff-related costs of the specific personnel providing the Management and Support Services, apportioned based on the time spent by such personnel in the Interested Persons or the Medi-Flex Group, as the case may be.

### 3.5 Threshold Limits

In addition to the review procedures as set out in paragraph 3.4 of this Circular, a threshold limit equivalent to 5% of the latest audited NTA of the Group for each Interested Person Transaction (the “**Threshold Limit**”) will be applied. The Threshold Limit has been set based on the Directors’ view on the value of potential Interested Person Transactions that the Medi-Flex Group may enter into with the Interested Persons going forward.

- (i) Where an Interested Person Transaction exceeds the Threshold Limit, such transaction must be reviewed and approved by the Audit Committee prior to the Medi-Flex Group entering into such a transaction.
- (ii) Where an Interested Person Transaction does not exceed the Threshold Limit, such transaction does not require the Audit Committee’s prior approval. However, these transactions with a value equivalent to or greater than S\$100,000 will continue to be reviewed on at least a semi-annual basis by the Audit Committee to ensure that they are conducted on normal commercial terms and in accordance with the review procedures outlined in this Circular. All relevant non-quantitative factors such as (but not limited to) the nature of the products and prevailing market conditions will also be taken into consideration.

### 3.6 Additional Review Procedures for Interested Person Transactions

In addition to the above procedures, the following review and approval procedures will be implemented to supplement existing internal control procedures:

- (a) The Company shall maintain a register of transactions carried out with the Interested Persons (“IPT Register”) pursuant to the General Mandate, with details on the nature of the transaction, the amount of and basis for the fees and charges, and those transactions that are below S\$100,000.
- (b) The Audit Committee shall be provided with the IPT Register and such other relevant information which it may reasonably require, and it shall review the information on a semi-annual basis to ensure that such transactions are carried out at arm’s length and done on normal commercial terms and in accordance with the review procedures outlined in this Circular. All relevant non-quantitative factors such as (but not limited to) the nature of the products and prevailing market conditions will also be taken into consideration.
- (c) The Top Glove Group undertakes to give its full co-operation to provide the Audit Committee with any further information which it requires to discharge its responsibilities, including providing the Audit Committee access to its books and records for the purpose of the review of the Interested Person Transactions.
- (d) The Medi-Flex Group’s annual internal audit plan shall incorporate a review of all Interested Person Transactions entered into pursuant to the General Mandate.

- (e) If during its periodic reviews, the Audit Committee is of the view that the guidelines and review procedures as stated above have become inappropriate or are no longer sufficient to ensure that the interests of the Company and its minority Shareholders are not prejudiced and that the Interested Person Transactions are on normal commercial terms in view of changes to the nature of, or the manner in which, the business activities of the Medi-Flex Group are conducted, the Company will revert to Shareholders for a fresh mandate based on new guidelines and review procedures to ensure that the Interested Person Transactions will be conducted on an arm's length and normal commercial basis.
- (f) If a member of the Audit Committee has an interest in an Interested Person Transaction to be reviewed by the Audit Committee, he will abstain from making any recommendation and any decision-making in respect of that transaction and the review and approval of that transaction will be undertaken by the remaining members of the Audit Committee.

### **3.7 Disclosures to Shareholders**

Disclosures will be made:

- (a) in the annual report of the Company of the aggregate value of Interested Person Transactions conducted pursuant to the General Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a General Mandate is in force, in the format prescribed under Rule 907 of the Listing Manual; and
- (b) in the announcements to be made by the Company of the results for the financial periods which it is required to report on pursuant to Rule 705 of the Listing Manual of the aggregate value of Interested Person Transactions conducted pursuant to the General Mandate during such financial periods, and in such announcements for the subsequent financial years during which a General Mandate is in force.

### **3.8 Validity period of General Mandate**

If approved by Shareholders at the AGM, the General Mandate will take effect from the date of receipt of Shareholders' approval at the AGM until the next AGM of the Company, and shall apply in respect of Interested Person Transactions entered or to be entered into from the date of the AGM until the next AGM of the Company, unless revoked or varied by the Company in a general meeting.

Thereafter, approval from Shareholders for a renewal of the General Mandate will be sought at each subsequent AGM of the Company.

## **4. INDEPENDENT FINANCIAL ADVISER'S OPINION**

- 4.1 Pursuant to Chapter 9 of the Listing Manual, Phillip Securities has been appointed as the independent financial adviser to render an opinion on the sufficiency of the review procedures to ensure that the Interested Person Transactions under the General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.
- 4.2 Subject to the qualifications and assumptions made in their letter to the Independent Directors dated 21 November 2007, Phillip Securities is of the opinion that the methods and procedures for determining transaction prices of Interested Person Transactions as set out in paragraphs 3.4 to 3.6 of this Circular are, if adhered to, sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. Phillip Securities' letter to the Independent Directors dated 21 November 2007 is reproduced in Appendix A to this Circular.

## 5. AUDIT COMMITTEE'S STATEMENT

- 5.1 The Audit Committee has reviewed the terms of the General Mandate and is satisfied that the review procedures for Interested Person Transactions under the General Mandate, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that the Interested Person Transactions under the General Mandate will be made with the relevant class of Interested Persons in accordance with the Medi-Flex Group's normal commercial terms, and are hence not prejudicial to the interests of the Company or the minority Shareholders.
- 5.2 If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are not sufficient or inappropriate to ensure that the Interested Person Transactions under the General Mandate will be on the Medi-Flex Group's normal commercial terms and will not be prejudicial to the interests of the Company or the minority Shareholders or in the event of any amendment to Chapter 9 of the Listing Manual, it will direct the Company to revert to Shareholders for a fresh mandate based on new guidelines and procedures, which the Audit Committee may propose, after consultation with the Board, for transactions with the relevant Interested Persons.

## 6. TRANSACTIONS WITH INTERESTED PERSONS DURING THE SAME FINANCIAL YEAR

Save as previously disclosed in paragraph 3.1, there were no other Interested Person Transactions entered into or proposed to be entered into in the period from 1 January 2007 to 31 August 2007 (excluding transactions less than S\$100,000) by the Medi-Flex Group with the Interested Persons or other interested persons (as defined under Chapter 9 of the Listing Manual).

## 7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on the Register of Directors' Shareholdings, Directors who have an interest in the issued share capital of the Company as at the Latest Practicable Date are as follows:

Director	Direct		Deemed	
	Number of Shares	% of total issued Shares <sup>1</sup>	Number of Shares	% of total issued Shares <sup>1</sup>
Tan Sri Dr. Lim, Wee-Chai <sup>2</sup>	-	-	300,305,829	60.06
Wong Hung Khim	266,666	0.05	-	-
Foong Daw Ching	266,666	0.05	-	-

### Notes:

- 1 As a percentage of the issued share capital of the Company as at the Latest Practicable Date, comprising 500,000,000 Shares.
- 2 Through his controlling interest in Top Glove Sdn Bhd via Top Glove Corporation Bhd.

Based on the Register of Substantial Shareholders, the interests of the Company's Substantial Shareholders in the issued share capital of the Company as at the Latest Practicable Date are as follows:

Substantial Shareholders	Direct		Deemed	
	Number of Shares	% of total issued Shares <sup>1</sup>	Number of Shares	% of total issued Shares <sup>1</sup>
Top Glove Sdn Bhd	300,305,829	60.06	-	-
Tan Sri Dr. Lim, Wee-Chai <sup>2</sup>			300,305,829	60.06
Tu Ah Kim	36,900,128	7.38	8,080,136	1.62

**Notes:**

- 1 As a percentage of the issued share capital of the Company as at the Latest Practicable Date, comprising 500,000,000 Shares.
- 2 Through his controlling interest in Top Glove Sdn Bhd via Top Glove Corporation Bhd.

## 8. DIRECTORS

In relation to the proposed new General Mandate for Interested Person Transactions, the Directors (except for Messrs Tan Sri Dr. Lim, Wee-Chai, Mr Lee Kim Meow and Mr Lim Cheong Guan who are also directors of Top Glove Group and/or their respective subsidiaries/associated companies, and who will abstain from making any recommendation in respect of the General Mandate) are of the opinion that the proposed General Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolutions relating to the proposed General Mandate as set out in the Notice of AGM in Appendix B of this Circular.

## 9. VOTING

In accordance with the requirements of Chapter 9 of the Listing Manual, Top Glove Sdn Bhd (being Controlling Shareholder of the Company) will abstain from voting, and has undertaken to ensure that its associates will abstain from voting, on the ordinary resolution relating to the General Mandate to be proposed at the AGM in respect of the Shares held by them respectively.

## 10. RESOLUTIONS TO BE PASSED AT THE ANNUAL GENERAL MEETING

The resolutions set out in the Notice of AGM will be proposed at the AGM of the Company to be convened on 7 December 2007 at 12.00 noon at Singapore Exchange Ltd, SGX Auditorium, 2 Shenton Way #02-02, Podium SGX Centre 1, Singapore 068804.

## 11. ACTION TO BE TAKEN BY SHAREHOLDERS

### 11.1 Appointment of Proxies

Shareholders who are unable to attend the AGM and wish to appoint a proxy to attend and vote at the AGM on their behalf will find attached to Annual Report for the financial year ended 31 August 2007, a proxy form which they are required to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 36 Carpenter Street Singapore 059915 not less than 48 hours before the time fixed for the AGM. The sending of a proxy form by a Shareholder does not preclude him from attending and voting in person at the AGM if he finds that he is able to do so.

## **11.2 When Depositor regarded as Shareholder**

A Depositor shall not be regarded as a Shareholder entitled to attend the AGM and vote thereof unless his name appears on the Depository Register at least 48 hours before the AGM.

## **12. CONSENT**

Phillip Securities has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and its letter reproduced in Appendix A and all references thereto in the form and context in which they appear in this Circular.

## **13. INSPECTION OF DOCUMENTS**

The following documents are available for inspection at the registered office of the Company at 36 Carpenter Street Singapore 059915 during normal business hours from the date of this Circular up to the date of the AGM:-

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the Annual Report of the Company for financial year ended 31 August 2007.

## **14. RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate and that there are no material facts the omission of which would make any statement in this Circular misleading.

Yours faithfully

---

FOONG DAW CHING

For and on behalf of the Board of Directors of Medi-Flex Limited

## LETTER FROM PHILLIP SECURITIES PTE LTD TO THE INDEPENDENT DIRECTORS OF MEDI-FLEX LIMITED

21 November 2007

The Independent Directors of  
Medi-Flex Limited  
36 Carpenter Street  
Singapore 059915

Dear Sirs,

### THE PROPOSED NEW GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

#### 1. INTRODUCTION

Medi-Flex Limited (the “**Company**”) is proposing to adopt a new general mandate (the “**General Mandate**”) to enable any company within the Medi-Flex Group to enter into certain recurrent transactions in the ordinary course of business as set out in paragraph 3.3 of the Circular, with any company within the Top Glove Group.

As at the Latest Practicable Date, Top Glove Sdn Bhd is the Controlling Shareholder of the Company and holds approximately 60.06% of the issued share capital of the Company. Top Glove Sdn Bhd is a wholly-owned subsidiary of Top Glove Corporation Bhd. As such, any company within the Top Glove Group falls within the definition of an “Interested Person” under Chapter 9 of the Listing Manual. Accordingly, transactions between the Medi-Flex Group and the Top Glove Group are deemed “Interested Person Transactions” as defined in the Listing Manual.

Accordingly, the General Mandate is subject to the approval of Shareholders (other than those interested Shareholders within the meaning of Chapter 9 of the Listing Manual).

In compliance with the requirements of Chapter 9 of the Listing Manual, Phillip Securities Pte Ltd (“**Phillip Securities**”) has been appointed as the independent financial adviser to provide an opinion on whether the methods and procedures for determining transaction prices are adequate to ensure that the interested person transactions pursuant to the General Mandate (the “**Interested Person Transactions**”) will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

This letter, which sets out our evaluation to the Independent Directors, will form part of the Circular which provides, *inter alia*, details of the General Mandate as well as the recommendation of the Directors thereon. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

#### 2. TERMS OF REFERENCE

Phillip Securities was neither a party to the negotiations entered into by the Medi-Flex Group in relation to the transactions contemplated under the General Mandate, nor were we involved in the deliberations leading up to the decision on the part of the Directors to seek approval for the General Mandate. We do not, by this letter, warrant the merits of the General Mandate, other than to express a view on whether the methods and procedures for determining transaction prices are adequate to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

It is not within our terms of reference to evaluate or comment on the legal, commercial and financial merits and/or risks of the General Mandate, and as such, we do not express an opinion thereon. We are also not addressing the relative merits of the General Mandate as compared to any alternative transactions previously considered by the Medi-Flex Group or that otherwise may be available to the Medi-Flex Group in the future. Such evaluations or comments are and remain the sole responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion.

We are not required to conduct any review of the historical or current Interested Person Transactions carried out by the Medi-Flex Group, and therefore are not able to independently verify if such Interested Person Transactions are in compliance with the review procedures set out under the General Mandate. The implementation of such review procedures shall remain the sole responsibility of the Directors.

We are not required or authorised to obtain, and we have not obtained, any quotation or transaction price from third parties for products or services similar to those which are to be covered by the General Mandate, and therefore are not able to, and will not, compare the Interested Person Transactions with similar transactions with third parties. In addition, we do not and are not required to confirm the nature or the types of Interested Person Transactions. Likewise, we are not required to comment on or evaluate the methods or procedures used by the Medi-Flex Group in the context of possible changes in the nature of operations. Such evaluations or comments remain the sole responsibility of the Directors and management of the Company.

In the course of our evaluation, we have held discussions with the Directors and management of the Company, and have examined information provided to us by the Medi-Flex Group. We have also relied on the information contained in the Circular. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant the accuracy or completeness of such information. Nevertheless, the Directors and management of the Company have confirmed to us that, to the best of their knowledge and belief, the information contained herein constitutes a full and true disclosure, in all material respects, of all material facts on the General Mandate, and there is no other information or fact, the omission of which would cause any information contained herein to be inaccurate, incomplete or misleading in any material respect. We have also made reasonable enquiries and used our judgement in assessing such information and have found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects and earnings potential of the Medi-Flex Group. In addition, we are not expressing any view herein as to the future financial performance of the Medi-Flex Group after entering into the General Mandate.

Our view is based upon the market, economic and industry conditions as well as the information provided to us as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date, or to review the existence or the implementation of the procedures or processes for recurrent Interested Person Transactions that may affect our opinion contained herein.

In arriving at our recommendation, we have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholders. As different Shareholders may have different investment objectives, we would advise you to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

**Our opinion in relation to the General Mandate should be considered in the context of the entirety of this letter and the Circular.**

### **3. THE GENERAL MANDATE**

#### **3.1 Classes of Interested Persons**

The Interested Persons covered under the General Mandate relate to any company within the Top Glove Group, i.e. Top Glove Corporation Bhd and its subsidiaries.

#### **3.2 Categories of Interested Person Transactions**

The types of transactions with the Interested Persons to which the General Mandate applies are set out as follows:-

- (a) Receipt of financial assistance
- (b) Sale and purchase of raw materials and consumables
- (c) Sale and purchase of products
- (d) Provision and obtaining of Management and Support Services

Please refer to paragraph 3.3 of the Circular for further details of the various categories of Interested Person Transactions.

The General Mandate does not cover any Interested Person Transactions which has a value below S\$100,000 as the threshold and aggregation requirements of Chapter 9 of the Listing Manual do not apply to transactions below S\$100,000 each. Transactions with Interested Persons which do not fall within the ambit of the General Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual.

#### **3.3 Validity Period**

The General Mandate, if approved by Shareholders at the AGM, will take effect from the date of receipt of Shareholders' approval at the AGM until the next AGM of the Company, and shall apply in respect of Interested Person Transactions entered or to be entered into from the date of the AGM until the next AGM of the Company, unless revoked or varied by the Company in a general meeting.

Thereafter, approval from Shareholders for a renewal of the General Mandate will be sought at each subsequent annual general meeting of the Company. In accordance with Rule 920(1)(b)(viii) of the Listing Manual, interested persons and their associates will abstain from voting on resolutions approving interested person transactions involving themselves and the Medi-Flex Group. Furthermore, such interested persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the Shareholder.

#### **3.4 Disclosure**

In accordance with the requirements of Chapter 9 of the Listing Manual, disclosures are required to be made for the following:-

- (a) in the annual report of the Company, the aggregate value of Interested Person Transactions conducted pursuant to the General Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a General Mandate is in force, in the format prescribed under Rule 907 of the Listing Manual; and

- (b) in the announcements to be made by the Company of the results for the financial periods which it is required to report on pursuant to Rule 705 of the Listing Manual, the aggregate value of Interested Person Transactions conducted pursuant to the General Mandate during such financial periods, and in such announcements for the subsequent financial years during which a General Mandate is in force.

### 3.5 Evaluation of the General Mandate

In our evaluation and thereon recommendation of the General Mandate, we have given due consideration to the following key factors:-

- (i) the rationale for the General Mandate;
- (ii) the key terms and conditions of the Interested Person Transactions; and
- (iii) the control and verification procedures to be undertaken by the Audit Committee.

#### 3.5.1 Rationale for the General Mandate

**It is not within our terms of reference to comment or express an opinion on the commercial merits of the Interested Person Transactions or on the future prospects of the Medi-Flex Group.** Nevertheless, we have discussed with the Directors and reviewed the rationale for the General Mandate, and would like to highlight the following salient points:-

- (a) The Interested Person Transactions are transactions to be entered into by the Medi-Flex Group in the ordinary course of business. The Directors are of the opinion that enabling the Medi-Flex Group to have the flexibility to enter into the Interested Person Transactions would benefit the Medi-Flex Group as this would allow the Medi-Flex Group to obtain products and services required in its ordinary course of business, at the best available terms such as, price, quality, delivery time, reliability and service, be it from an Interested Person or otherwise.
- (b) The Interested Person Transactions will enable the Medi-Flex Group to capitalise on the financial strength, credit standing and expertise of the Top Glove Group, in view of Top Glove Group's relatively larger scale of operations, higher level of expertise in the industry and stronger financial standing. In addition, the Interested Person Transactions with Top Glove Group will enable the Medi-Flex Group to enjoy greater economies of scale.
- (c) The Interested Person Transactions are likely to occur from time to time, with some degree of frequency. Due to the time-sensitive nature of such transactions, it may not be practical to seek Shareholders' approval on a case by case basis before entering into each Interested Person Transaction. As such, the General Mandate will allow the Medi-Flex Group practical flexibility to take advantage of business opportunities which arise.
- (d) The General Mandate is intended to facilitate transactions in the normal course of business of the Medi-Flex Group which are transacted from time to time with the specified classes of Interested Persons, provided that they are carried out at arm's length and on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

- (e) The obtaining of the General Mandate and the renewal of the same on an annual basis would eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential Interested Person Transactions arise. This would thus reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objective of the Medi-Flex Group or adversely affecting the business opportunities available to it.

### **3.5.2 Key Terms and Conditions of the Interested Person Transactions**

#### **(a) Transaction Prices**

The methods for determining transaction prices for each of the Interested Person Transaction are set out in paragraph 3.4 of the Circular. We set out the salient information as follows:-

##### **(i) Receipt of financial assistance**

In relation to the borrowing of funds from the Interested Persons by the Medi-Flex Group, the Interested Persons will charge the Medi-Flex Group rates which the Interested Persons will incur contemporaneous in time. In addition, the same shall not be approved unless the terms of the borrowing are no less favourable than the usual commercial terms extended to the Medi-Flex Group under its existing financial facilities with its bankers or from unrelated third parties. The Company's finance manager or such other persons as may be appointed by the Audit Committee will review the terms of the borrowing; and

In relation to the provision of any guarantee, indemnity or security by any Interested Persons to secure the obligations of the Medi-Flex Group, there will be no charges from the Interested Persons to the Medi-Flex Group; and

##### **(ii) Sale of raw materials and consumables**

The sale of raw materials and consumables by the Medi-Flex Group to the Interested Persons shall be at the Medi-Flex Group's cost without any mark-up.

##### **(iii) Purchase of raw materials and consumables**

The purchase of raw materials and consumables by the Medi-Flex Group from the Interested Persons shall be either of the following, as the case may be:-

- (a) at the Interested Persons' cost without any mark up, in the event the said raw materials and consumables are purchased from unrelated third party suppliers; or
- (b) on terms which are no less favourable than those extended by the Interested Persons to other companies within its group of companies and/or to its unrelated third party customers, in the event the said raw materials and consumables are produced by any of its group of companies.

In addition to the above, the purchase of raw materials and consumables from the Interested Persons shall be carried out on terms which are no less favourable than those offered by unrelated third party suppliers. In this regard, in undertaking such transactions, the purchasing personnel and/or general manager will submit a recommendation for approval to any one of the Directors or such other persons as may be appointed by the Audit Committee who will then obtain at least two comparable market prices for raw materials or consumables available, contemporaneous in time. Such prices will be used as comparison with the amount to be charged by the Interested Persons, taking into account factors such as, but not limited to, the nature of the product, delivery schedules, order quantity, supplier requirements and specifications, duration of contract, preferential rates, discounts or rebates for bulk purchases, and cost for freight.

(iv) Sale of products

The sale of products by the Medi-Flex Group to the Interested Persons shall be on terms which are no more favourable to the Interested Persons than those extended by the Medi-Flex Group to its unrelated third party customers. In this regard, the terms of at least two other sale transactions to the Medi-Flex Group's unrelated third party customers for similar products and/or quantities, contemporaneous in time, will be used as comparison, wherever possible, taking into account all pertinent factors such as, but not limited to, delivery schedules, quality of products and track record of the counter-parties and, where applicable, preferential rates, rebates or discounts accorded for bulk purchases.

Where it is not possible to compare against the terms of such other transactions with unrelated third party customers (for instance, where such products are not sold to any unrelated third party customers), the Medi-Flex Group's pricing for such products to be sold to the Interested Persons will be determined by any one of the Directors or such other persons as may be appointed by the Audit Committee, in accordance with the Medi-Flex Group's usual business practices and policies and consistent with the gross margins to be obtained by the Medi-Flex Group for transactions between the Medi-Flex Group and unrelated third party customers. Such business practices and policies include consideration of the most recent price list setting out the recommended sale prices of the Medi-Flex Group's products to unrelated third party customers and ensuring that the Medi-Flex Group's profit margins are maintained. In determining the transaction price payable by the Interested Persons for such products, factors such as, but not limited to, quantity, customer requirements and specifications will be taken into account.

(v) Purchase of products

The purchase of products by the Medi-Flex Group from the Interested Persons shall be on terms which are no less favourable than those extended by unrelated third party suppliers to the Medi-Flex Group. In addition, the purchase price to be charged by the Interested Persons to the Medi-Flex Group shall not be higher than that offered by the Interested Persons to its unrelated third party customers.

In this regard, prior to the entry of the transaction with the Interested Persons, competitive quotations obtained (wherever possible or available) from at least two other unrelated third party suppliers for similar products and/or quantities, contemporaneous in time, will be used as comparison, taking into account all pertinent factors such as, but not limited to, delivery schedules, quality of products and track record of the counter-parties and, where applicable, preferential rates, rebates or discounts accorded for bulk purchases.

In the event that competitive quotations cannot be obtained, the price and terms offered by the Interested Persons may be compared with similar transactions contracted by the Interested Persons with unrelated third party customers, taking into account factors such as, but not limited to, the nature of the product, delivery schedules, order quantity, customer requirements and specifications, duration of contract, preferential rates, discounts or rebates for bulk purchases, and cost for freight.

(vi) Provision and obtaining of Management and Support Services

In relation to the provision and obtaining of Management and Support Services by the Medi-Flex Group to/from the Interested Persons, the management fees charged should be at cost of the party providing the Management and Support Services without any mark up. The cost will be computed based on the salary and other staff-related costs of the specific personnel providing the Management and Support Services, apportioned based on the time spent by such personnel in the Interested Persons or the Medi-Flex Group, as the case may be.

**(b) Threshold for Transaction Approval**

A threshold limit equivalent to 5% of the latest audited NTA of the Medi-Flex Group for each Interested Person Transaction (the **Threshold Limit**) will be applied. The Threshold Limit has been set based on the Directors' view on the value of potential Interested Party Transactions that the Medi-Flex Group may enter into with the Top Glove Group going forward.

- (i) Where an Interested Party Transaction exceeds the Threshold Limit, such transaction must be reviewed and approved by the Audit Committee prior to the Medi-Flex Group entering into such a transaction.
- (ii) Where an Interested Party Transaction does not exceed the Threshold Limit, such transaction does not require the Audit Committee's prior approval. However, these transactions with a value equivalent to or greater than S\$100,000 will continued to be reviewed on at least a semi-annual basis by the Audit Committee.

**3.5.3 Control and Verification Procedures to be undertaken by the Audit Committee**

The General Mandate requires the Audit Committee to review all Interested Person Transactions to ensure that they are made on normal commercial terms and are not prejudicial to the Company and its minority Shareholders. The following control and verification procedures will be adopted:-

- (i) The Company shall maintain a register of transactions carried out with Interested Persons ("**IPT Register**") pursuant to the General Mandate, with details on the nature of the transaction, the amount of and basis for the fees and charges, and those transactions that are below S\$100,000;
- (ii) The Audit Committee shall be provided with the IPT Register and such other relevant information which it may reasonably require, and it shall review the information at least on a semi-annual basis to ensure that they are carried out at arm's length and on normal commercial terms and in accordance with the review procedures outlined in paragraph 3.4 of the Circular. All relevant non-quantitative factors such as (but not limited to) the nature of the products and prevailing market conditions will also be taken into consideration;
- (iii) The Top Glove Group undertakes to give its full co-operation to provide the Audit Committee with any further information which it requires to discharge its responsibilities, including providing the Audit Committee access to its books and records for the purpose of the review of the Interested Person Transactions;
- (iv) The Medi-Flex Group's annual internal audit plan shall incorporate a review of all Interested Person Transactions entered into pursuant to the General Mandate;
- (v) If during its periodic reviews, the Audit Committee believes that the guidelines and review procedures as outlined in paragraph 3.4 of the Circular have become inappropriate and are no longer sufficient to ensure that the interests of the Company and its minority Shareholders are not prejudiced and that the Interested Person Transactions are on normal commercial terms, in view of changes to the nature of, or the manner in which, the business activities of the Medi-Flex Group are conducted, the Company will revert to Shareholders for a fresh mandate based on new guidelines and review procedures to ensure that the Interested Person Transactions will be conducted on an arm's length and normal commercial basis; and
- (vi) If any member of the Audit Committee has an interest in an Interested Person Transaction to be reviewed by the Audit Committee, he will abstain from making any recommendation and any decision-making in respect of that transaction and the review and approval of that transaction will be undertaken by the remaining members of the Audit Committee.

#### **4. RECOMMENDATION FOR THE GENERAL MANDATE**

In arriving at our recommendation as to whether the methods and procedures for determining transaction prices under the General Mandate are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, we have reviewed and evaluated all the factors which we deem to have significant relevance to our assessment of the terms and conditions of the Interested Person Transactions, including the views and representations of the Directors.

We have made our recommendation in the context of the following considerations:-

- (a) the Directors believe that the Medi-Flex Group would benefit by having the flexibility to enter into transactions with the parties which offers the best terms, including but not limited to, factors such as, price, quality, quantity, delivery time, reliability and service, be it an Interested Person or otherwise;

- (b) the transaction prices and terms with the Interested Persons shall be no more favourable to the Interested Persons than the prices and terms which could be obtained in transactions with unrelated third parties. The transaction prices and terms for the Interested Person Transactions shall be on prices and terms being no more favourable to the Interested Persons compared with, where applicable, at least two comparable quotations available from unrelated third parties, contemporaneous in time;
- (c) there are internal control and verification procedures in place, as detailed in Section 3.5.3 of this letter, to ensure that the terms and conditions of the Interested Person Transactions are adhered to; and
- (d) the terms and conditions of the Interested Person Transactions will be reviewed at least on a semi-annual basis by the Audit Committee, and if these become inappropriate and are no longer sufficient to ensure that the interests of the Company and its minority Shareholders are not prejudiced, a fresh mandate based on new guidelines and procedures will be sought from Shareholders.

Having regard to the foregoing, **we are of the view that the methods and procedures for determining transaction prices under the General Mandate, if adhered to, are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.**

In arriving at these conclusions, we wish to emphasise that the Directors have not provided us with any profit projections of the Medi-Flex Group and that we have, *inter alia*, relied on relevant statements contained in the Circular relating to General Mandate. In addition, Independent Directors should note that we have arrived at these conclusions based on information made available to us as at the Latest Practicable Date.

The opinions set forth herein are based solely on publicly available information and information provided to us by the Directors and management of the Company and do not reflect any projection or estimate of the future financial performance of the Group for the financial year ending 31 August 2008.

We wish to highlight that we do not express any opinion on the commercial merits of the General Mandate, which remains the sole responsibility of the Directors of the Company. Furthermore, we also wish to emphasise that the advice of Phillip Securities as contained herein is addressed to the Independent Directors who in turn will make recommendation to the minority Shareholders of the Company in respect of the General Mandate.

Yours truly  
For and on behalf of  
**PHILLIP SECURITIES PTE LTD**

ALEX TAN  
MANAGING DIRECTOR  
CAPITAL MARKET GROUP

**MEDI-FLEX LIMITED**

(Incorporated in the Republic of Singapore)  
(Registration No. 200312754H)

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Medi-Flex Limited (“Company”) will be held at the Singapore Exchange Ltd, SGX Auditorium, 2 Shenton Way #02-02, Podium SGX Centre 1, Singapore 068804 on 7 December 2007 at 12.00 noon for the following purposes :

**AS ORDINARY BUSINESS**

1. To receive and, if approved, to adopt the Audited Accounts of the Company for the period from 1 January 2007 to 31 August 2007 together with the Directors’ Report and Auditors’ Report thereon. Resolution 1
2. To approve Directors’ Fee of S\$45,896.00 for the financial year ended 31 August 2007. Resolution 2
3. To re-elect Mr Foong Daw Ching who is retiring under Article 107 of the Articles of Association. Resolution 3
4. To re-elect Mr Wong Hung Khim who is retiring under Article 107 of the Articles of Association. Resolution 4
5. To re-appoint Messrs Ernst & Young, Certified of Public Accountants as auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 5
6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:-

7. **AUTHORISATION TO ISSUE SHARES AND CONVERTIBLE SECURITIES** Resolution 6

THAT pursuant to Section 161 of the Companies Act, Cap. 50 (the “Act”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit PROVIDED ALWAYS THAT the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed fifty percent (50%) of the issued share capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty percent (20%) of the issued share capital of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting. For the purposes of this resolution, the percentage of issued share capital shall be based on the Company’s issued share capital at the time of the passing of this resolution after adjusting for:-

- (a) new shares arising from the conversion or exercise of convertible securities or from exercising share options for vesting of share awards outstanding or subsisting at the time of the passing of this resolution provided the options or awards were granted in compliance with the rules of the Listing Manual; and
- (b) any subsequent consolidation or subdivision of shares.

## MEDI-FLEX LIMITED

(Incorporated in the Republic of Singapore)  
(Registration No. 200312754H)

### 8. THE MEDI-FLEX EMPLOYEE SHARE OPTION SCHEME

Resolution 7

THAT approval be and is hereby given to the Directors to offer and grant options under the Medi-Flex Employee Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of options under the Scheme, provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen percent (15%) of the total issued capital of the Company from time to time.

### 9. APPROVAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS Resolution 8

THAT approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the types of interested person transactions (the "Recurrent Transactions") set out in the Company's Circular to Shareholders dated 21 November 2007 (the "Circular"), with any party who is of the classes of Interested Persons described in the Circular, provided that such interested person transactions are carried out on normal commercial terms and in accordance with the review procedures for Recurrent Transactions as set out in the Circular (the "General Mandate");

THAT the General Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

THAT the Audit Committee of the Company be and is hereby authorized to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time; and

THAT the Directors of the Company and each of them be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the General Mandate and/or this Resolution.

By Order of the Board

Tan Min-Li  
Company Secretary

Date : 21 November 2007

Notes :

- a) A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- b) Where a member of the Company appoint two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
- c) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorized officer. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 36 Carpenter Street Singapore 059915 at least 48 hours before the time of the Meeting.
- d) If re-elected under Resolution 3, Mr Foong Daw Ching will remain as an Independent Director of the Company
- e) If re-elected under Resolution 4, Mr Wong Hung Khim will remain as an Independent Director of the Company
- f) Resolution 6, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of fifty percent (50%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty percent (20%) of the issued share capital of the Company) for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.