

MEDI-FLEX LIMITED

Incorporated in Singapore

Company Registration Number 200312754H

Shah Alam High Court Civil Suit No.: MT2 – 22 – 1015 - 2009

Flexitech Sdn Bhd vs Tu Ah Kim

Flexitech Sdn Bhd (Flexitech), a Malaysian subsidiary of Medi-Flex Limited, had on 13 May 2009, engaged Ernst & Young Advisory Services Sdn. Bhd. (“EYAS”) to perform certain agreed upon procedures in connection with the acquisition of factory equipment of Flexitech during 2005. Flexitech also engaged Messrs. Henry Butcher Malaysia Sdn Bhd (“Henry Butcher”) to conduct a valuation of the factory equipment acquired in connection with this exercise. Both EYAS and Henry Butcher have recently submitted their reports to Flexitech.

Based on the agreed upon procedures and valuation conducted, Flexitech had on 1 July 2009 filed a claim against Mr. Tu Ah Kim, the former Managing Director of Flexitech and Medi-Flex Limited for the amount of RM8,324,026 in connection with inter alia, the acquisition of certain factory equipment by Flexitech during the period from June 2005 to October 2005. Following the filing of the abovementioned legal suit, Flexitech has also proceeded with and had obtained an ex-parte Mareva Injunction order against Mr. Tu Ah Kim on 2 July 2009.

The amount recorded as property, plant and equipment by Flexitech in excess of the estimated value of the related factory equipment during the period from June 2005 to October 2005 is approximately RM8.3million. Subject to final determination, this amount will be written-off from property, plant and equipment and taken against reserves (or accumulated losses) as a prior year adjustment, net of the related depreciation and tax effects. As a result, the net book value of property, plant and equipment will be reduced by RM6.52million with the corresponding increase to opening accumulated losses as at 1 September 2008. Other than an amount of RM0.42 million relating to current year depreciation overcharged to the profit and loss statement that will be written back accordingly, there will not be any other impact on the financial results of the Group for the financial year ending 31 August 2009. In addition, given that the costs of the factory equipment have been fully paid, there will not be any cash outflow arising from these adjustments. Any amounts that may be recovered pursuant to the claim will be recognized in the financial statements as other income, as and when determined.

By Order of the Board

Lee Kim Meow
Managing Director
Date: 8 July 2009