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Corporate Governance

Introduction

The Company was listed on Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System ("SGX-SESDAQ") on 10 November 2004. The Board of Directors of Medi-Flex Limited (the "Board") recognises the importance of sound corporate governance in ensuring greater transparency, protecting the interests of its shareholders as well as strengthening investors' confidence in its management. It is committed to maintaining a high standard of corporate governance, in compliance with the Code of Corporate Governance (the "Code"), within the Group based on which its operations, businesses and strategies are directed and controlled.

Board Matters

(1) Board's Conduct of its Affairs

The Board's primary role is to protect and enhance long-term shareholders' value. It assumes responsibility for the Group's overall strategic plans and performance, financial plans, key operational initiatives, major funding and investment proposals, financial performance reviews, compliance and accountability systems as well as corporate governance practices.

The Board conducts regular meetings. Ad-hoc meetings are also arranged when the need arises. The Board is supported by its various committees such as the Audit Committee, the Nominating Committee and the Remuneration Committee. These committees were formed at the time of our listing on the SGX-SESDAQ and are chaired by our independent Directors. Since our listing on the SGX-SESDAQ, we had one meeting each for the Audit Committee, the Nominating Committee and the Remuneration Committee, which were held on 22 February 2005.

During the financial year in review, four meetings of the Board were held and the attendance of the Directors at these meetings is as follows:-

Attendance at Meetings Board

Name	No. of meetings held during appointment	No. of meetings attended
Tu Ah Kim	4	4
Hew Yew Fook	3	3
Tu Kwang Yam	3	3
Lim Kwee Gee	4	4
Wong Hung Khim	2	2
Foong Daw Ching	3	3

All the Directors are updated regularly on changes in company policies, board processes, corporate governance and best practices in compliance with the relevant legislation and regulations including the Listing Manual of the SGX-ST.

(2) Board Composition and Balance

As at the date of this report, the Board comprises six directors of which two are independent Directors. Key information regarding the Directors can be found under the "Corporate Information" section of this annual report. The Board considers an "independent" director as one who has no relationship with the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment of the conduct of the Group's affairs. The Nominating Committee reviews the independence of each Director annually and adopts the Code's definition of what constitutes an independent director in its review.

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The Nominating Committee is of the view that the current Board, with independent Directors making up one-third of the Board, has an independent element that sufficiently enables the Board to exercise objective judgment on corporate affairs independently from the management. The Nominating Committee is also of the view that no individual or small groups of individuals dominate the Board's decision-making processes.

The Board is of the view that the size of the current board, comprising six Directors, is appropriate with reference to the scope and extent of the Group's operations. The Board will constantly examine its size with a view to determine its impact upon its effectiveness. The Board also considers that its composition of non-executive and independent Directors provide an effective Board with a combination of knowledge, business contacts and extensive business and commercial experience. This balance is vital in ensuring that the strategies proposed by the executive management are fully discussed and examined, taking into account the long term interests of the Group.

(3) Role of Chairman and Managing Director

Mr Tu Ah Kim is our Managing Director. As our Managing Director, Mr Tu Ah Kim oversees the business operations of the Group and is responsible for the day-to-day management of our Group. He is also in-charge of establishing our Group's growth strategies and objectives and regularly reviews our Group's performances.

We do not have an appointed Chairman. The Chairman of our Board is nominated at each Board meeting or shareholders' meeting of the Company in accordance with our Articles of Association.

(4) Board Membership

We believe that Board renewal must be an on-going process, to ensure good corporate governance and to maintain relevance to the business as well as the changing needs of the Company. Our Articles of Association require at least one-third of our Directors to retire by rotation and subject themselves to re-election by shareholders at every Annual General Meeting ("AGM") such that no director stays in office for more than three years without being re-elected by shareholders.

The Nominating Committee comprises our independent Directors, Messrs Wong Hung Khim and Foong Daw Ching, and our Managing Director Tu Ah Kim. The chairman of our Nominating Committee is Mr Wong Hung Khim. The Nominating Committee is responsible for, inter alia, (i) re-nomination of the Directors having regard to the Directors' contribution and performance, (ii) determining annually whether or not a Director is independent, (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director and (iv) identifying any inadequacies in the mix of skills, experience and other qualities required in an effective board so as to better nominate or recommend suitable candidates to fill the gaps.

(5) Board Performance

The Nominating Committee uses its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge and that each Director brings to the Board an independent and objective perspective to enable sound and well-considered decisions to be made.

The Board and the Nominating Committee will review and evaluate the performance of the Board as a whole, as well as assess the performance of individual directors, taking into consideration attendance at meetings of the Board and Board committees and the contribution of each individual Director to the effectiveness of the Board.

(6) Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, management is required to provide adequate and timely information to the Board on Board affairs, issues that require the Board's decision and ongoing reports relating to operational and financial performance of the Company.

Corporate Governance

The Board has separate and independent access to the senior management of the Company and the Company Secretary at all times in carrying out their duties. Requests for information from the Board are dealt with promptly by the management. Where necessary, the Directors (whether as a group or individually), will seek independent professional advice to enable them to discharge their duties. The costs of such professional advice will be borne by the Company.

Remuneration Matters

- (7) Procedures for Developing Remuneration Policies**
- (8) Level and Mix of Remuneration**
- (9) Disclosure on Remuneration**

The function of the Remuneration Committee is to review the remuneration of the executive Directors of the Company, the Directors' fees and to provide a greater degree of objectivity and transparency in the setting of remuneration.

The Remuneration Committee comprises our independent Directors, Messrs Wong Hung Khim and Foong Daw Ching, and our Managing Director Tu Ah Kim. The chairman of the Remuneration Committee is Mr Wong Hung Khim.

The Remuneration Committee reviews and recommends to the Board, in consultation with the management, a framework of remuneration for the Directors, and determines the specific remuneration packages for each executive Director and our Managing Director. The recommendations of the Remuneration Committee are then submitted for endorsement by the entire Board. The review will cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind.

The Remuneration Committee has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the Remuneration Committee takes into consideration industry practices and norms in compensation, in addition to the Company's relative performance to the industry and the performance of the individual Directors. Each Director will be excluded from deciding his own remuneration.

Our executive Directors have entered into service agreements with the Company. The service agreement covers the terms of employment such as salary and other benefits. The remuneration of non-executive and independent Directors will be determined by the Board based on his contribution to the Company and taking into account other factors such as effort and time spent as well as his responsibilities on the Board and Board committees.

Directors' Remuneration

The Remuneration Committee ensures the level of remuneration is appropriate to attract, retain and motivate the Directors to run the Company successfully. Our executive Director's remuneration consists of a salary, allowances and bonuses. A proportion of the remuneration for the executive Directors is linked to performance in the form of performance bonus. Directors' fees for our Directors are subject to approval of shareholders at the AGM of the Company.

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The components of the Directors' Remuneration for financial year ended 31 December 2004, all of which are within the \$250,000 and below band, is given below: -

Name of Director	Salary, Fixed Bonus and Allowances %	Performance Bonus %	Directors' Fees %	Total %
Tu Ah Kim	93	7	-	100
Hew Yew Fook	97	3	-	100
Tu Kwang Yam	-	-	-	-
Lim Kwee Gee	-	-	-	-
Wong Hung Khim	-	-	100	100
Foong Daw Ching	-	-	100	100

Remuneration of Key Employees

Details of remuneration paid to the top executives, in terms of remuneration (who are not Directors of the Company) for the financial year ended 31 December 2004, all of which are within the \$250,000 and below band, is given below:-

Name of Executive	Salary and Allowances %	Bonus %	Total %
Yong Kok Fong	93	7	100
Ngan Boon Seng	100	-	100
Liew Hock Nean	100	-	100
Pang Wei Pin	94	6	100

There are no employees in the Group who are immediate family members of a Director or the Managing Director.

Accountability and Audit

(10) Accountability

The Board continues to be accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and SGX-ST Listing Manual. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within legally prescribed periods.

(11) Audit Committee

The Audit Committee is made up of our independent Directors Messrs Wong Hung Khim and Foong Daw Ching, and our non-executive Director Lim Kwee Gee, the majority of whom possess the appropriate accounting experience and/or related financial management expertise. Mr Foong Daw Ching chairs the Audit Committee.

The Audit Committee meets periodically to perform the following functions: -

- (a) review the audit plans of our Company's external and internal auditors, where applicable;
- (b) review external auditors' reports;

Corporate Governance

- (c) review, where applicable, the scope and results of the internal audit procedures;
- (d) review the financial statements of our Company and the Group before their recommendation to the Board of Directors;
- (e) nominate external auditors for appointment;
- (f) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, and by such amendments made thereto from time to time;
- (g) review interested person transactions; and
- (h) consider other matters as requested by the Board.

Apart from the duties listed above, the Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

The Audit Committee has full access to and full co-operation of the management and external auditors. It also has the discretion to invite any executive Director or executive management to attend its meetings. The Audit Committee also has the power to conduct or authorise investigations into any matters within its terms of reference.

The Audit Committee has reviewed the external auditors' non-audit services and is satisfied that the nature and extent of such services has not prejudiced the independence and objectivity of the external auditors. The Audit Committee recognises the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration.

(12) Internal Controls

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board will regularly review the effectiveness of all internal controls, including operational controls.

(13) Internal Audits

The size of the operations of the Group does not warrant the Group to have an internal audit function. The Company intends to appoint a professional firm to undertake the functions of an internal auditor and is in the process of procuring and allocating resources for the discharge and performance of this role. The AC will review the internal audit procedures and ensure that the internal audit function has appropriate standing within the Group.

Corporate Governance

Communication with Shareholders

(14) Communication with Shareholders

(15) Greater Shareholder Participation

We believe in regular and timely communication with shareholders as part of our organisation's development to build systems and procedures that will enable us to compete internationally. The Company places great emphasis on investor relations and strives to maintain a high standard of transparency and to promote better investor communications. It aims to provide investors with clear, balanced and useful information, on a timely basis, about the Company's performance, financial position and prospects.

The Company does not practice selective disclosure. In line with continuous obligations of the Company, pursuant to the SGX-ST Listing Manual and the Companies Act (Cap 50) of Singapore, the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Company or the Group. Information is communicated to shareholders on a timely basis through the SGXNET and the press, if applicable.

We support the Code's principle to encourage shareholder participation. Shareholders are encouraged to attend the AGM of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Notice of the AGM is despatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 working days before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM. The Chairman of the Audit, Remuneration and Nominating Committees will be available at the meeting to respond to those questions relating to the work of these committees.

Dealings in Securities

The Company has adopted internal codes in relation to dealings in the Company's securities pursuant to the SGX-ST Best Practices Guide that are applicable to all its officers. The Company and its officers are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Company's half year or full financial year financial results and ending on the date of the announcements of the relevant results.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

Risk Management

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and Audit Committee.

Material Contracts

There were no material contracts including contracts relating to a loan entered into by the Company and its subsidiaries involving Directors' and controlling shareholders' interest save as disclosed in page 124 of the prospectus of the Company dated 1 November 2004 and in the financial statements in this annual report.

Corporate Governance

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the Audit Committee and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The aggregate value of interested person transactions entered into the financial year under review is as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) RM	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) RM
Success Way Development Sdn Bhd ("Success Way")	698,000	-

Success Way is a company incorporated in Malaysia and is principally engaged in the business of sale and distribution of engineering products and services. Our Managing Director and Controlling Shareholder, Tu Ah Kim, is a director of Success Way. Tu Ah Kim and Wong Kim Chen, our Controlling Shareholders, collectively own the entire issued and paid-up share capital of Success Way. Success Way supplied equipment such as drier machines and ovens to our subsidiary, Flexitech.

Best Practices Guide

The Company has complied materially with the Best Practices Guide issued by SGX-ST.

Report of the Directors

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Medi-Flex Limited (the Company) and its subsidiary companies (the Group) for the financial year from 12 December 2003 (date of incorporation) to 31 December 2004 and balance sheet of the Company as at 31 December 2004.

Directors

Tu Ah Kim	(Managing Director)	(Appointed on 12 December 2003)
Hew Yew Fook	(Executive Director)	(Appointed on 15 September 2004)
Tu Kwang Yam		(Appointed on 15 September 2004)
Lim Kwee Gee		(Appointed on 12 December 2003)
Wong Hung Khim		(Appointed on 15 September 2004)
Foong Daw Ching		(Appointed on 15 September 2004)

In accordance with Article 117 of the Company's Articles of Association, all directors will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interest in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Companies Act, an interest in shares of the company and related corporations as stated below:-

Name of directors	Direct interest		Deemed interest	
	At 12.12.2003 or date of appointment (a)	At the end of financial year (b)	At 12.12.2003 or date of appointment (a)	At the end of financial year (b)
Tu Ah Kim	1	31,800,096	–	1,935,102
Hew Yew Fook	1,635,607	1,635,607	–	–
Tu Kwang Yam	2,451,708	2,451,708	–	–
Lim Kwee Gee	1	–	–	8,377,073
Wong Hung Khim	–	200,000	–	–
Foong Daw Ching	–	200,000	–	–

Subsidiary company Flexitech Sdn. Bhd.

	(c)	(c)	(c)	(c)
Tu Ah Kim	6,375,703	–	388,200	–
Hew Yew Fook	161,750	–	–	–
Tu Kwang Yam	491,750	–	–	–

- (a) Ordinary shares of S\$1.00 each
 (b) Ordinary shares of S\$0.10 each
 (c) Ordinary shares of RM1.00 each

Report of the Directors

Directors' interest in shares and debentures (cont'd)

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2005.

By virtue of Section 7 of the Companies Act, Cap. 50, Tu Ah Kim and Hew Yew Fook who have interest in the Company are deemed to have an interest in shares of the subsidiary companies of the Company.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or debentures of the Company or related corporations, either at the date of incorporation, or date of appointment if later, or at the end of the financial year.

Directors' contractual benefit

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a Company in which the director has a substantial financial interest.

Options

The Company has adopted an employee share option scheme, Medi-Flex Employee Share Option Scheme (the "Medi-Flex ESOS") on 15 September 2004 for the granting of non-transferable options to Executive Directors and employees of the Group. Options may be granted from time to time at the discretion of the Remuneration Committee to subscribe for the Company's ordinary shares.

The Company has not granted any options pursuant to the Medi-Flex ESOS.

Audit Committee

The Audit Committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

Report of the Directors

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the directors,

Tu Ah Kim
Director

Hew Yew Fook
Director

18 March 2005

Statement by Directors

Pursuant to Section 201(15)

We, Tu Ah Kim and Hew Yew Fook, being two of the directors of Medi-Flex Limited, do hereby state that, in the opinion of the directors:-

- (a) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

Tu Ah Kim
Director

Hew Yew Fook
Director

18 March 2005

Auditors' Report

To the Members of Medi-Flex Limited

We have audited the accompanying financial statements of Medi-Flex Limited (the Company) and its subsidiary companies (the Group) as set out on pages 26 to 48 for the financial year ended 31 December 2004. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
18 March 2005

Consolidated Profit and Loss Account

for the financial year ended 31 December 2004

	Note	Group	
		2004 RM'000	2003 RM'000
Revenue	3	46,863	40,499
Cost of sales		(38,365)	(33,394)
Gross profit		8,498	7,105
Other income	4	213	3
Selling and distribution expenses		(1,013)	(835)
General and administrative expenses		(2,331)	(1,687)
Profit from operations	5	5,367	4,586
Finance costs	6	(192)	(163)
Profit before taxation		5,175	4,423
Taxation	7	(799)	(503)
Profit after taxation attributable to shareholders		4,376	3,920
Earnings per share, in sen	8		
- basic		5.92	11.72
- diluted		5.92	11.72

The accounting policies and explanatory notes on pages 30 to 48 form an integral part of the financial statements.

Balance Sheets

as at 31 December 2004

	Note	Group		Company
		2004 RM'000	2003 RM'000	2004 RM'000
Fixed assets	9	20,195	7,826	–
Investments in subsidiary companies	10	–	–	14,036
Current assets				
Inventories	11	7,946	3,812	–
Trade debtors	12	6,226	5,428	–
Other debtors, deposits and prepayment	13	2,039	905	126
Amount due from subsidiary company	14	–	–	7,222
Cash and bank balances		13,900	2,460	9,827
		30,111	12,605	17,175
Current liabilities				
Trade creditors	15	6,384	2,906	–
Other creditors and accruals	16	2,057	2,077	115
Hire purchase creditors	17	–	102	–
Bank borrowings	18	2,444	1,289	–
Provision for taxation		–	21	–
		10,885	6,395	115
Net current assets		19,226	6,210	17,060
Deferred taxation	19	(1,280)	(471)	–
Bank borrowings	18	(3,248)	–	–
		34,893	13,565	31,096
Share capital and reserves				
Share capital	20	26,439	10,838	26,439
Share premium	21	4,549	919	4,549
Merger deficit	22	(471)	(471)	–
Revenue reserve		4,376	2,279	108
		34,893	13,565	31,096

The accounting policies and explanatory notes on pages 30 to 48 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2004

	Note	Group	
		2004 RM'000	2003 RM'000
Share capital	20		
Balance at beginning of year		10,838	3,125
Issued by subsidiary during the year		–	7,713
Conversion of convertible bonds		4,630	–
Allotment of bonus shares		3,198	–
Issued pursuant to the initial public offering		7,773	–
Balance at end of year		26,439	10,838
Share premium	21		
Balance at beginning of year		919	919
Allotment of bonus shares		(919)	–
Issued pursuant to the initial public offering		7,773	–
Expenses for the initial public offering		(3,224)	–
Balance at end of year		4,549	919
Merger deficit	22		
Balance at beginning and end of year		(471)	(471)
Revenue reserve			
Balance at beginning of year		2,279	(1,641)
Allotment of bonus shares		(2,279)	–
Profit after taxation attributable to shareholders		4,376	3,920
Balance at end of year		4,376	2,279
Total equity		34,893	13,565
Net change in equity from non-owner sources excluding net profits		–	–

The accounting policies and explanatory notes on pages 30 to 48 form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2004

	Group	
	2004	2003
	RM'000	RM'000
Cash flow from operating activities		
Profit before taxation	5,175	4,423
Adjustments for:		
Depreciation	2,214	1,786
Interest income	(5)	-
Interest expense	192	163
Gain on disposal of fixed assets	(2)	(1)
Provision for doubtful debts	3	5
	<hr/>	<hr/>
Operating cash flow before working capital changes	7,577	6,376
Increase in debtors	(1,905)	(2,073)
(Increase)/decrease in inventory	(4,134)	868
Increase/(decrease) in creditors	3,458	(1,287)
	<hr/>	<hr/>
Cash flow generated from operations	4,996	3,884
Interest paid	(192)	(163)
Interest received	5	-
Tax paid	(41)	(23)
	<hr/>	<hr/>
Net cash generated from operating activities	4,768	3,698
	<hr/>	<hr/>
Cash flow from investing activities		
Purchase of fixed assets	(14,584)	(1,395)
Proceed from disposal of fixed assets	3	4
	<hr/>	<hr/>
Net cash used in investing activities	(14,581)	(1,391)
	<hr/>	<hr/>
Cash flow from financing activities		
Proceeds from issuance of convertible bonds ⁽¹⁾	4,630	-
Net proceeds from term loan	4,987	-
Repayment of bank borrowings	(584)	(312)
Repayment of hire purchase creditors	(102)	(186)
Proceeds from issuance of ordinary shares	12,322	679
	<hr/>	<hr/>
Net cash generated from financing activities	21,253	181
	<hr/>	<hr/>
Net increase in cash and cash equivalents	11,440	2,488
Cash and cash equivalents at beginning of financial year	2,460	(28)
	<hr/>	<hr/>
Cash and cash equivalents at end of financial year	13,900	2,460
	<hr/>	<hr/>

⁽¹⁾ Convertible bonds were converted to 2,082,834 ordinary shares of \$1 each on 15 September 2004.

The accounting policies and explanatory notes on pages 30 to 48 form an integral part of the financial statements.

Notes to the Financial Statements

– 31 December 2004

1. Corporate information

The Company was incorporated on 12 December 2003 as a private limited company and changed its status to a public limited company on 27 September 2004. The Company was admitted to the Official List of the Singapore Exchange Dealing and Automated Quotation System (SGX-SESDAQ) on 10 November 2004.

The registered office of the Company is located at 50 Raffles Place, #29-00, Singapore Land Tower, Singapore 048623 and principal place of business is Lot 5071, Batu 5½, Jalan Meru, 41050 Klang, Selangor, Malaysia.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are the manufacturing and trading of rubber gloves.

The Group operates in Singapore and Malaysia. The number of employees in the Group as at 31 December 2004 were 589 (2003: 429). The Company did not employ any employee as at 31 December 2004.

In connection with the initial public offering and listing of the Company's shares on 10 November 2004, the Group embarked upon a reorganisation of companies under common control ("Restructuring Exercise") during the financial year as detailed on page 57 of the Company's Prospectus dated 1 November 2004. As a result of the Restructuring Exercise, the Company became the investment holding company of the Group comprising the Company and its subsidiary companies as disclosed in Note 10 to the financial statements.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by Companies Act. The financial statements have been prepared on a historical cost basis. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial year.

The Group's principal operations are conducted in Malaysia. Accordingly, the financial statements are presented in Ringgit Malaysia (RM), since this is the currency in which the majority of the transactions are denominated and best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency").

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiary companies. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

The formation of the Group has been accounted for as a reorganisation of companies under common control using merger accounting. Such manner of reorganization reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidary relationships were not established until after the date of acquisition of subsidiary companies. The consolidated financial statements therefore reflect the combined financial statements of all companies that form the Group as if they were a consolidated group since date of incorporation.

Notes to the Financial Statements

– 31 December 2004

2. Significant accounting policies (cont'd)

(b) Basis of consolidation (cont'd)

Other than the above, acquisition of subsidiary companies are accounted for using acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss accounts from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in net consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

In the preparation of the consolidated financial statements, the financial statements of the foreign subsidiary companies are translated into RM on the basis outlined in Note 2 (g) below.

(c) Investment in subsidiary companies

The Company's investment in subsidiary companies is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(h).

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the profit and loss account.

(d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss accounts. The policy for the recognition of impairment losses is in accordance with Note 2(h).

Depreciation of fixed assets is provided on the straight line basis to write off the cost of each fixed assets to its residual value over their estimated useful lives at the following annual rates:-

Tools and equipment	- 10% - 15%
Plant and machinery	- 10% - 15%
Moulds	- 25%
Furniture, fittings and office equipment	- 15% - 25%
Renovation	- 10%

Capital work-in-progress relates to machinery currently being installed and renovation work undertaken and on completion will be designated to the respective category of the fixed assets. This is stated at cost less any identified impairment loss in accordance with Note 2(h). No depreciation is provided for assets under capital work-in-progress.

Fully depreciated fixed assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Notes to the Financial Statements

– 31 December 2004

2. Significant accounting policies (cont'd)

(e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash and bank balances, and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(f) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon passage of title to the customer which generally coincides with their delivery and acceptance.

(g) Foreign currency translations

Transactions in currencies other than the functional currency, RM, are treated as transactions in foreign currencies and are recorded at exchange rates approximating those ruling at the transaction dates. At each balance sheet date, foreign currency monetary assets and liabilities are measured using exchange rates ruling at that date. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates or, in the case of items carried at fair value, the exchange rates that existed when the values were determined. All resultant exchange differences are recognised in the profit and loss account.

Assets and liabilities of foreign entities are translated into RM equivalents at exchange rates ruling at balance sheet dates. Share capital and reserves are translated at historical exchange rates. Revenue and expenses are translated at average monthly exchange rates for the financial year. All resultant translation differences are taken directly to foreign currency translation reserve.

(h) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements

– 31 December 2004

2. Significant accounting policies (cont'd)

(i) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value after due allowance for any obsolete or slow moving items. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Cost of raw materials is determined on the first-in, first-out basis. Net realisable value represents the estimated selling price less estimated cost to completion and estimated costs to be incurred in marketing, selling and distribution.

(j) Taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary company, except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different year, directly to equity.

(k) Trade and other debtors

Trade debtors, which generally have been granted on credit terms of between 30 to 60 days, are recognised and carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

Other debtors are recognised and carried at cost less an allowance for any uncollectible amounts.

(l) Trade and other creditors

Trade creditors which are normally settled on 30 to 60 days day term, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Other creditors are carried at cost.

Notes to the Financial Statements

– 31 December 2004

2. Significant accounting policies (cont'd)

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(n) Finance lease

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at amounts equal, at the inception of the lease, to the fair value of the leased item or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the incremental borrowing rate is used.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged directly to the profit and loss account over the term of the relevant lease.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(o) Interest bearing borrowings

Interest bearing bank loans and overdrafts are recorded at the amount of proceeds, net of transaction costs. Borrowing costs are charged to profit and loss account recognised as an expense in the year in which they are incurred.

(p) Employee benefits

As required by law, the Company and its subsidiary companies make contribution to the state pension schemes in the countries that they operate. The state pension schemes for Singapore and Malaysia are Central Provident Fund (CPF) and Employee Provident Fund (EPF) respectively. The contributions to these schemes are recognised as compensation expense in the same year as the employment that give rise to the contributions.

(q) Related parties

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are also considered to be related if they are subject to common control or common significant influence.

(r) Segments

The Group's primary format for reporting segment information is business segments, with each segment representing a strategic business segment that offers different types of gloves.

The Group's main geographical segments, based on the location of customers, are in North America, Asia and Europe.

Notes to the Financial Statements

– 31 December 2004

3. Revenue

Revenue represents the invoiced value of goods, less returns inward and discounts allowed.

4. Other income

	Group	
	2004 RM'000	2003 RM'000
Gain on disposal of fixed assets	2	1
Gain on foreign exchange	206	–
Interest income	5	–
Sundry income	–	2
	213	3

5. Profit from operations

	Group	
	2004 RM'000	2003 RM'000
Profit from operations is stated after (charging)/crediting:-		
Bad debts written off	–	(16)
Depreciation of fixed assets	(2,214)	(1,786)
Loss on foreign exchange	–	(2)
Provision for doubtful debts	(3)	(5)
Rental expense	(942)	(637)
Staff costs -		
Salaries, bonus and allowances	(6,829)	(5,296)
Pension contributions	(253)	(224)
Other employees benefits	(61)	(53)
	(6,829)	(5,296)

Other than disclosed in Note 21, there were no other non-audit fees paid to auditors of the Company.

6. Finance costs

	Group	
	2004 RM'000	2003 RM'000
Banker acceptance interest	(58)	(79)
Term loan interest	(90)	–
Letter of credit interest	(36)	(57)
Bank overdraft interest	–	(17)
Hire purchase interest	(8)	(10)
	(192)	(163)

Notes to the Financial Statements

– 31 December 2004

7. Taxation

Major components of income tax expense for the years ended 31 December are :-

	Group	
	2004 RM'000	2003 RM'000
Tax charge in respect of profit for the year :-		
Current tax	–	(32)
Deferred tax (Note 19)	(809)	(471)
	(809)	(503)
Overprovision in respect of prior years	10	–
Tax expense	(799)	(503)

The reconciliation of the tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :-

	Group	
	2004 RM'000	2003 RM'000
Profit before taxation	5,175	4,423
Tax at Singapore statutory rate of 20% (2003 : 22%)	(1,035)	(973)
Effect of different tax rate in Malaysia	(406)	(265)
Effect of (expenses)/income not deductible for tax purposes	(60)	15
Effect of utilisation of reinvestment allowances	705	187
Effect of utilisation of unrecognised deferred tax assets	–	533
Effect of deferred tax assets not recognised	(13)	–
Overprovision in respect of prior years	10	–
	(799)	(503)

During the financial year, the Group utilised unabsorbed tax losses and unutilised capital allowances of approximately RM1,096,000 (2003: RM314,000) and RM Nil (2003: RM2,059,000), respectively, subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of Malaysia.

As at 31 December 2004, the Group have unabsorbed tax losses of approximately RM570,000 (2003: RM1,666,000), available for offset against future taxable profits subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of Malaysia.

During the financial year, the Group utilised reinvestment allowances of approximately RM2,558,000 (2003 : RM667,000), subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of Malaysia. As at 31 December 2004, the Group have unutilised reinvestment allowances of approximately RM4,873,000 (2003: RM2,930,000). Deferred tax asset is not recognised on the unutilised reinvestment allowances as the reinvestment allowances arise on initial recognition of the asset and the benefit will only be recognised as and when it is utilised, subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of Malaysia.

Notes to the Financial Statements

– 31 December 2004

8. Earnings per share (sen)

Earnings per share for the Group is based on the profit after taxation attributable to shareholders of RM4,376,000 (2003 : RM3,920,000) divided by the weighted average 73,919,079 (2003: 33,449,557) ordinary shares of S\$0.10 each. The calculation of weighted average ordinary shares has been adjusted retrospectively to take into account for the bonus issue and sub-division of ordinary shares during the financial year. The weighted average ordinary shares for 2003 represents the aggregate amount of paid up capital of the Company's subsidiary companies under common control.

As there were no share options and other potential issuance granted during the financial year, the basic and diluted earnings per share are the same.

9. Fixed assets

Group	Tools and equipment RM'000	Plant and machinery RM'000	Moulds RM'000	Furniture, fitting and office equipment RM'000	Renovation RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
As at 1 January 2004	6,194	5,503	1,756	522	–	–	13,975
Additions	1,595	4,363	334	131	350	7,811	14,584
Disposal	–	–	–	(8)	–	–	(8)
As at 31 December 2004	7,789	9,866	2,090	645	350	7,811	28,551
Accumulated depreciation							
As at 1 January 2004	2,218	2,634	896	401	–	–	6,149
Charge for the year	929	844	372	66	3	–	2,214
Disposal	–	–	–	(7)	–	–	(7)
As at 31 December 2004	3,147	3,478	1,268	460	3	–	8,356
Charge for 2003	759	615	340	72	–	–	1,786
Net book value							
As at 31 December 2004	4,642	6,388	822	185	347	7,811	20,195
As at 31 December 2003	3,976	2,869	860	121	–	–	7,826

Included in the fixed assets of the Group are moulds with net book value of RM Nil (2003: RM208,125) acquired under hire purchase.

Plant and machinery with net book value of approximately RM6,658,000 (2003: RM Nil) were pledged to financial institutions for term loan facility (Note 18).

Notes to the Financial Statements

– 31 December 2004

10. Investment in subsidiary companies

	Company 2004 RM'000
Unquoted ordinary shares at cost	14,036

Details of the subsidiary companies as at 31 December 2004 are as follows :-

Name of subsidiary company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group 2004 %	Cost of investment 2004 RM'000
** Flexitech Sdn. Bhd. (Malaysia)	Carry on the business of manufacturing of rubber gloves (Malaysia)	100	14,036
** Techniglove Asia Sdn. Bhd. (Malaysia)	Carry on the business of trading of rubber gloves (Malaysia)	100	#
* Hiclean International Pte Ltd (Singapore)	Carry on the business of trading of rubber gloves (Singapore)	100	#
			14,036

* Audited by Ernst & Young, Singapore

** Audited by Ernst & Young, Kuala Lumpur, Malaysia

Investment cost is less than RM1,000

11. Inventories

	Group 2004 RM'000	2003 RM'000	Company 2004 RM'000
At Cost:-			
Raw material	788	365	–
Work-in-progress	377	208	–
Finished goods	6,484	3,007	–
Packing materials	297	232	–
	7,946	3,812	–

Notes to the Financial Statements

– 31 December 2004

12. Trade debtors

	Group		Company
	2004 RM'000	2003 RM'000	2004 RM'000
Third parties	4,610	4,320	–
Related party	1,624	1,113	–
	6,234	5,433	–
Less: Provision for doubtful debts	(8)	(5)	–
	6,226	5,428	–
Bad debts written off directly to profit and loss account	–	16	–

Amount due from a related party is unsecured, interest-free and repayable based on normal trade terms.

13. Other debtors, deposits and prepayment

	Group		Company
	2004 RM'000	2003 RM'000	2004 RM'000
Deposits	1,204	268	112
Prepayment	735	566	14
Sundry debtors	70	71	–
Tax recoverable	30	–	–
	2,039	905	126

14. Amount due from subsidiary company

Amount due from subsidiary company is non-trade in nature, unsecured, interest-free and repayable on demand.

15. Trade creditors

	Group		Company
	2004 RM'000	2003 RM'000	2004 RM'000
Third parties	6,384	2,829	–
Related party	–	77	–
	6,384	2,906	–

Amount due to a related party is unsecured, interest-free and repayable based on normal trade terms.

Notes to the Financial Statements

– 31 December 2004

16. Other creditors and accruals

	Group		Company
	2004 RM'000	2003 RM'000	2004 RM'000
Accrued operating expenses	2,005	2,074	115
Amounts due to directors	52	3	–
	<u>2,057</u>	<u>2,077</u>	<u>115</u>

Amounts due to directors are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

17. Hire purchase creditors

The Group leased glove moulds for operations which are classified as finance leases and expired in 2004. The discount rate implicit in the lease was approximately 9% per annum. Future lease payments under finance lease together with the present value of the net minimum lease payments are as follows: -

	Minimum payments 2004 RM'000	Present value of payments 2004 RM'000	Minimum payments 2003 RM'000	Present value of payments 2003 RM'000
Within 1 year	–	–	112	102
Less : Amounts representing finance charges	–	–	(10)	–
	<u>–</u>	<u>–</u>	<u>102</u>	<u>102</u>
Present value of minimum lease payments				
	<u>–</u>	<u>–</u>	<u>–</u>	<u>102</u>
Disclosed as :-				
Due within 12 months				
	<u>–</u>	<u>–</u>	<u>–</u>	<u>102</u>

Notes to the Financial Statements

– 31 December 2004

18. Bank borrowings

	Group		Company
	2004 RM'000	2003 RM'000	2004 RM'000
Term loans	4,987	–	–
Less: Amount due after 1 year but not later than five years	(3,248)	–	–
Amount due within 12 months	1,739	–	–
Bankers' acceptance	705	1,289	–
	2,444	1,289	–
Disclosed as :-			
Due within 12 months	2,444	1,289	–
Due after 12 months	3,248	–	–

Term loans bear interest ranging from 5% to 7.5% (2003: RM Nil) per annum and are secured by :-

- First fixed charge over certain plant and machinery of the Group (Note 9); and
- Joint and several guarantee of RM5.27 million by certain directors of the Company.

Bankers' acceptance bears interest ranging from 3.0% to 3.4% (2003: 3.0% to 3.4%) per annum. The bankers' acceptance are covered by :-

- Pledge of director's fixed deposits of RM1.7 million plus interest thereon; and
- Joint and several guarantee of RM2.65 million by certain directors of the Company.

19. Deferred taxation

Deferred tax liabilities

	Group		Company
	2004 RM'000	2003 RM'000	2004 RM'000
Balance at 1 January	471	–	–
Movement during the year (Note 7)	809	471	–
Balance at 31 December	1,280	471	–

Deferred tax (liabilities) and assets recognised as at 31 December relate to the following :-

Deferred tax liabilities			
Excess of net book value over tax written down value	(1,448)	(946)	–
Gross deferred tax liabilities	(1,448)	(946)	–
Deferred tax assets			
Unutilised tax losses	160	475	–
Others	8	–	–
Gross deferred tax assets	168	475	–
Net deferred tax liabilities	(1,280)	(471)	–

Notes to the Financial Statements

– 31 December 2004

20. Share capital

	Group and Company 2004 RM'000
Authorised :-	
On date of incorporation - 10,000,000 ordinary shares of \$1 each	22,166
Creation of ordinary shares – 40,000,000 ordinary shares of \$1 each	89,286
Sub-division of 50,000,000 ordinary shares of \$1 each into 500,000,000 ordinary shares of \$0.10 each	–
Balance at end of year – 500,000,000 ordinary shares of \$0.10 each	111,452

	Group	Company	
	2004 RM'000	2003 RM'000	2004 RM'000
Issued and fully paid :-			
At beginning of year -			
Group – 10,838,498 (2003 : 3,125,000) ordinary shares of RM1 each*			
At date of incorporation -			
Company - 2 ordinary shares of \$1 each	10,838	3,125	–
Issue during the year -			
Group - Nil (2003 : 7,713,498) ordinary shares of RM1 each*	–	7,713	–
Company - 4,859,946 ordinary shares of \$1 each, issued for acquisition of subsidiary companies *	–	–	10,838
	10,838	10,838	10,838
Conversion of convertible bonds to 2,082,834 (2003 : Nil) ordinary shares of \$1 each	4,630	–	4,630
Sub-division of 6,942,782 ordinary shares of \$1 each into 69,427,820 ordinary shares of \$0.10 each (2003 : Nil)	–	–	–
Bonus issue of 14,342,930 (2003 : Nil) ordinary shares of \$0.10 each 34,000,000 ordinary shares of \$0.10 each, issued pursuant to the initial public offering at a premium of \$0.10 each	3,198	–	3,198
	7,773	–	7,773
Balance at end of year -			
117,770,750 ordinary shares of \$0.10 each (2003 : 10,838,498 ordinary shares of RM1 each)	26,439	10,838	26,439

- * During the financial year, the Company issued 4,859,946 ordinary shares of \$1 each for acquisition of subsidiary companies under common control pursuant to the Restructuring Exercise in Note 1. At Group level, the beginning share capital as at 1 January 2003 and 2004 and the shares issuance during 2003 represent the aggregate amount of paid up capital of the Company's subsidiary companies under common control. At Company level, this entry has been recorded based on the issuance of shares during the year and at the Group level, this issuance of shares was adjusted using merger accounting [Note 2(b)].

The holders of ordinary shares of the Company are entitled to receive dividend as and when declared by the Company. All ordinary shares of the Company carry one vote per share without restriction.

Notes to the Financial Statements

– 31 December 2004

21. Share premium

	Group		Company
	2004 RM'000	2003 RM'000	2004 RM'000
Balance at beginning of year/ date of incorporation	919	919	–
Premium from issue of shares pursuant to restructuring exercise	–	–	3,198
Allotment of bonus issue	(919)	–	(3,198)
	–	919	–
Premium from issue of shares pursuant to the initial public offering	7,773	–	7,773
Expenses for the initial public offering ⁽¹⁾	(3,224)	–	(3,224)
Balance at end of year	4,549	919	4,549

⁽¹⁾ Included non-audit fees of approximately RM366,000 paid to auditors of the Company.

22. Merger deficit

The merger deficit represents the excess of the par value of the Company shares issued over the par value of the shares of subsidiary companies acquired in the restructuring exercise. The formation of the Group under the restructuring exercise has been accounted for as a reorganisation of companies under common control using merger accounting.

23. Related party transactions

Related parties are those companies in which directors or shareholders of the Group have significant financial interest or those companies which have common directors with Group. In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between Group and related parties took place on terms agreed between the parties.

	Group	
	2004 RM'000	2003 RM'000
Sales to a substantial shareholder	7,049	3,801
Factory rental paid to related party	180	–
Purchase of fixed assets from related party	698	77
Directors' fees	29	–
Directors' remuneration	391	364
Executive officers' remuneration	323	108

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Notes to the Financial Statements

– 31 December 2004

24. Commitments

Operating leases commitments

The Group entered into operating lease agreements for office and factory buildings. These non-cancellable leases have remaining non-cancellable lease terms of 1 to 2 years. Future minimum lease payments payable to third parties under non-cancellable operating leases are as follows as of 31 December :-

	Group	Company
	2004	2003
	RM'000	RM'000
	2004	2004
	RM'000	RM'000
Not later than one year	671	480
Later than one year but not later than five years	821	80
	1,492	560
	294	294

Future minimum lease payments payable to a related party under non-cancellable operating leases are as follows as of 31 December :-

	Group	Company
	2004	2003
	RM'000	RM'000
	2004	2004
	RM'000	RM'000
Not later than one year	480	–
Later than one year but not later than five years	240	–
	720	–

Capital commitments

Capital expenditure contracted but not provided in the financial statements in respect of purchase of fixed assets

6,250	–	–
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25. Contingent liabilities

During the financial year, a claim was filed against a subsidiary company, Flexitech Sdn. Bhd. (“FSB”) in the Sessions Court for the alleged offence of disposing scheduled wastes without the prior approval of the Director-General of Environmental Quality. The Directors, having considered legal advices, are confident on the possible favourable outcome of the case in view of the circumstances and has not made any provision for the quantum of the penalty that may be imposed on FSB in the financial statements.

Notes to the Financial Statements

– 31 December 2004

26. Financial instruments

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not engage in speculative transactions. The policies for managing each of these risks are summarised below: -

Interest rate risk

The Group's primary interest rate risk relates to hire purchase liabilities and bank borrowings liabilities as at 31 December 2004. The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rate.

Foreign currency risk

The Group incurs foreign currency risk on revenue, purchases and borrowings that are denominated in foreign currency, primarily in Singapore Dollars and United States Dollar.

The Group relies on natural hedging as a risk management tool and does not enter into derivative foreign exchange contracts to hedge its foreign currency risk.

Liquidity risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debts position.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored through strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis through Group management reporting procedures. The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

Commodity price risk

The Group's raw materials are mainly latex and nitrile. Latex is a traded commodity and its price is subject to the fluctuations of the world commodity markets. Any significant increases in the prices for latex and nitrile will have a material adverse impact on the financial position and results of operation. The Group's profitability will be adversely affected if the Group is unable to pass on any increase in raw material prices to its customers on a timely basis or find cheaper alternative sources of supply.

The Group monitors the material price fluctuation closely and constantly study other ways to reduce material wastage in order to reduce the impact of material price risk.

Notes to the Financial Statements

– 31 December 2004

26. Financial instruments (cont'd)

Fair value

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and cash equivalents, receivables and amount due from subsidiary company, payables and amount due to a director

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Hire purchase creditors

The fair value of hire purchase creditors is determined by their present value of minimum lease payments (Note 17).

(iii) Term loans and bank borrowings

The carrying amount of term loans and bank borrowings approximate their fair value as their interest vary with the prevailing market interest rates for the Group.

27. Segment information

The Group's primary format for reporting segment information is business segments, with each segment representing a strategic business segment that offers different products/ services.

Business segments

Segment revenue and result

Cleanroom Gloves : Cleanroom gloves are used in cleanroom environment for industries like semiconductor, electronic, aerospace and bio-technology. Cleanroom gloves are used to reduce the contamination of dust, chemical residue, impurities or particles to the cleanroom environment and to the products being processed.

Medical Gloves : Medical Gloves are used in medical examination, dental examination, laboratory testing and analysis, and to protect the user against virus, diseases, germs and harmful chemicals or substances.

Industrial Gloves : Industrial Gloves are used in the food and beverage industry to maintain a high level of hygiene and cleanliness, and the assembly work at manufacturing plants to protect users from dirt, harmful substances or chemicals.

Notes to the Financial Statements

– 31 December 2004

27. Segment information (cont'd)

	Cleanroom		Medical		Industrial		Total	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Segment revenue								
Sales to external customers	22,141	12,906	18,693	21,432	6,029	6,161	46,863	40,499
Segment result	3,244	1,871	1,740	2,307	170	405	5,154	4,583
Other income							213	3
Profit from operations							5,367	4,586
Finance costs							(192)	(163)
Profit before taxation							5,175	4,423
Taxation							(799)	(503)
Profit after taxation attributable to shareholders							4,376	3,920
Other segment information								
Depreciation	1,046	569	883	945	285	272	2,214	1,786

Common costs between Cleanroom, Medical and Industrial segments are allocated primarily based on segment revenue.

As the Group is principally involved in gloves manufacturing industry, the assets and liabilities are generally shared and not identifiable by individual business segment. In this connection, no analysis of segment assets, liabilities, capital expenditure are made.

Geographical segments

Revenue is based on the location of customers. Assets and capital expenditure are based on the location of those assets.

	North America		Asia		Europe		Total	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Segment revenue	19,703	21,697	18,016	10,782	9,144	8,020	46,863	40,499
Segment assets	–	–	50,306	20,431	–	–	50,306	20,431
Capital expenditure	–	–	14,584	1,665	–	–	14,584	1,665

The Group operates predominantly in Malaysia and accordingly, the segment assets and capital expenditure are located in Malaysia.

Notes to the Financial Statements

– 31 December 2004

28. Comparative figures

Company

The financial statements of the Company cover the financial year from 12 December 2003 (date of incorporation) to 31 December 2004. These being the first set of financial statements, there are no comparative figures.

Group

Comparatives figures for the Group have been presented as disclosed in Note 2(b) to the financial statements.

29. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2004 were authorised for issue in accordance with a resolution of the directors on 18 March 2005.

Statistics of Shareholdings

as at 14 March 2005

AUTHORISED SHARE CAPITAL	:	\$50,000,000
ISSUED AND FULLY PAID-UP CAPITAL	:	\$11,777,075
CLASS OF SHARES	:	Ordinary Shares of S\$0.10 each of equal voting rights

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1,000 - 10,000	58	31.87	372,000	0.32
10,001 - 1,000,000	105	57.69	17,186,076	14.59
1,000,001 & ABOVE	19	10.44	100,212,674	85.09
TOTAL	182	100.00	117,770,750	100.00

TOP TWENTY SHAREHOLDERS	NO. OF SHARES	%
TU AH KIM	31,800,096	27.00
MAYBAN NOMINEES (S) PTE LTD	10,707,122	9.09
TECHNIGLOVE INTERNATIONAL INC	9,710,416	8.25
I-INVEST PRIVATE LIMITED	8,377,073	7.11
UOB KAY HIAN PTE LTD	5,499,122	4.67
DBS VICKERS SECURITIES (S) PTE LTD	5,072,536	4.31
PATRICK WILLIAM SUWARNA ZECHA	3,856,244	3.27
DB NOMINEES (S) PTE LTD	3,351,000	2.85
KIM ENG SECURITIES PTE LTD	2,953,000	2.51
EASSETMANAGEMENT SDN BHD	2,513,122	2.13
TU KWANG YAM	2,451,708	2.08
NG CHEE YEW	2,033,573	1.73
HO PEI THEEN	1,987,485	1.69
WONG KIM CHEN	1,935,102	1.64
SABA ASSET MANAGEMENT PTE LTD	1,900,000	1.61
HSBC (SINGAPORE) NOMINEES PTE LTD	1,873,000	1.59
HEW YEW FOOK	1,635,607	1.39
DAIWA SECURITIES SMBC S'PORE	1,295,000	1.10
LIEW HOCK NEAN	1,261,468	1.07
CHUAH POH TIN	1,000,000	0.85
TOTAL	101,212,674	85.94

Statistics of Shareholdings

as at 14 March 2005

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 14 March 2005.

No. of Ordinary shares of S\$0.10 each

Name	Direct Interest	%	Indirect Interest	%
TU AH KIM	31,800,096	27.00	1,935,102	1.64
TECHNIGLOVE INTERNATIONAL, INC.	9,710,416	8.25	-	-
I-INVEST PRIVATE LIMITED ⁽¹⁾	8,377,073	7.11	-	-
LIM KWEE GEE ⁽¹⁾	-	-	8,377,073	7.11
LIM LI PING ⁽¹⁾	-	-	8,377,073	7.11
CHONG HOI ING ⁽¹⁾	-	-	8,377,073	7.11

Note:

- (1) Mr Lim Kwee Gee, Mdm Lim Li Ping and Mr Chong Hoi Ing, own 30%, 20% and 50% in the issued and paid-up share capital of i-Invest Private Limited respectively and are deemed to be interested in the shares held by i-Invest Private Limited by virtue of Section 7 of the Singapore Companies Act.

FREE FLOAT

As at 14 March 2005, approximately 52.19% of the issued ordinary shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the First Annual General Meeting of MEDI-FLEX LIMITED will be held at SGX Auditorium, 2 Shenton Way, #02-00 SGX Centre I, Singapore 068840 on Tuesday, 19 April 2005 at 2.30 p.m. for the following purposes:-

AS ORDINARY BUSINESS

- | | | |
|-----|--|---------------------|
| 1. | To receive and, if approved, to adopt the Audited Accounts for the financial year ended 31 December 2004 together with the Directors' Report and Auditors' Report thereon. | Resolution 1 |
| 2. | To approve Directors' fees of S\$12,500 for the financial year ended 31 December 2004. | Resolution 2 |
| 3. | To re-elect Mr Tu Ah Kim who is retiring under Article 117 of the Articles of Association. | Resolution 3 |
| 4. | To re-elect Mr Hew Yew Fook who is retiring under Article 117 of the Articles of Association. | Resolution 4 |
| 5. | To re-elect Mr Lim Kwee Gee who is retiring under Article 117 of the Articles of Association. | Resolution 5 |
| 6. | To re-elect Mr Tu Kwang Yam who is retiring under Article 117 of the Articles of Association. | Resolution 6 |
| 7. | To re-elect Mr Wong Hung Khim who is retiring under Article 117 of the Articles of Association. | Resolution 7 |
| 8. | To re-elect Mr Foong Daw Ching who is retiring under Article 117 of the Articles of Association. | Resolution 8 |
| 9. | To re-appoint Messrs Ernst & Young, Certified Public Accountants as auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 9 |
| 10. | 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 resolution (with or without amendments) as an Ordinary Resolution:-

11. IT WAS RESOLVED THAT pursuant to Section 161 of the Companies Act, Cap. 50 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 per cent (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 per cent (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: -

Notice of Annual General Meeting

(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.

Resolution 10

12. IT WAS RESOLVED 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 per cent. (15%) of the total issue share capital of the Company from time to time.

Resolution 11

By Order of the Board

Tan Min-Li
Chua Kern
Joint Company Secretaries

Singapore, 4 April 2005

Notice of Annual General Meeting

Notes :-

- (i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.

A proxy need not be a member of the Company.

The instrument appointing a proxy must be deposited at the Company's registered office at 50 Raffles Place #29-00, Singapore Land Tower, Singapore 048623 at least 48 hours before the time of the Meeting.

- (ii) If re-elected under Resolution 3, Mr Tu Ah Kim will remain as the Managing Director of the Company and member of the Nominating Committee and the Remuneration Committee.
- (iii) If re-elected under Resolution 4, Mr Hew Yew Fook will remain as an Executive Director of the Company.
- (iv) If re-elected under Resolution 5, Mr Lim Kwee Gee will remain as a Non-Executive Director of the Company and member of the Audit Committee.
- (v) If re-elected under Resolution 6, Mr Tu Kwang Yam will remain as a Non-Executive Director of the Company.
- (vi) If re-elected under Resolution 7, Mr Wong Hung Khim will remain as the Chairman of the Remuneration Committee and of the Nominating Committee and a member of the Audit Committee, and will be considered an Independent Director of the Company.
- (vii) If re-elected under Resolution 8, Mr Foong Daw Ching will remain as the Chairman of the Audit Committee and a member of the Nominating Committee and of the Remuneration Committee, and will be considered an Independent Director of the Company.
- (viii) Resolution 10, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of fifty per cent (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 per cent (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.
- (ix) Resolution 11 above, if passed, will empower the Directors to issue shares pursuant to the Medi-Flex Employee Share Option Scheme (the "Scheme"), which was approved at the Extraordinary General Meeting of the Company held on 15 September 2004 of up to an amount not exceeding in total fifteen per cent. (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme. This authority will, unless revoked or varied at a general meeting, expired at the next Annual General Meeting of the Company.

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PROXY FORM

MEDI-FLEX LIMITED

(Incorporated in the Republic of Singapore)

I/We _____

of _____

being a member/members of the above-mentioned Company, hereby appoint:-

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at SGX Auditorium, 2 Shenton Way, #02-00 SGX Centre I, Singapore 068840 on Tuesday, 19 April 2005 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as hereunder indicated.

No.	Ordinary Resolutions	For	Against
	Ordinary Business		
1.	To adopt the Audited Accounts, Directors' Report and Auditors' Report		
2.	To approve the payment of Directors' Fees		
3.	To re-elect Mr Tu Ah Kim as a Director under Article 117		
4.	To re-elect Mr Hew Yew Fook as a Director under Article 117		
5.	To re-elect Mr Lim Kwee Gee as a Director under Article 117		
6.	To re-elect Mr Tu Kwang Yam as a Director under Article 117		
7.	To re-elect Mr Wong Hung Khim as a Director under Article 117		
8.	To re-elect Mr Foong Daw Ching as a Director under Article 117		
9.	To re-appoint Auditors and authorise Directors to fix their remuneration		
	Special Business		
10.	To authorise Directors to allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
11.	To authorise Director to allot and issue shares in connection with the exercise of options granted pursuant to Medi-Flex Employee Share Option Scheme		

Dated this _____ day of _____ 2005.

Signature(s) of member(s) or Common Seal

No. of Shares Held

IMPORTANT: PLEASE READ NOTES OVERLEAF

Medi-Flex Limited
Notes to the Proxy Form

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his stead.
3. Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 50 Raffles Place #29-00, Singapore Land Tower, Singapore 048623 at least 48 hours before the time appointed for the Annual General Meeting.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such a person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
7. Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
9. In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.