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QUARTERLY ACTIVITY REPORT AND APPENDIX 4C
(ASX: VIP)

30 October 2020

VIP Gloves Limited ('**VIP**' or the '**Company**') is pleased to provide its Appendix 4C cash flow statement for the quarter ended 30 September 2020, along with the following operational update.

Background

VIP's principal activities comprise the production of nitrile gloves in Malaysia under its wholly owned Malaysian subsidiaries, VIP Glove Sdn Bhd ("VIP Glove") and KLE Products Sdn Bhd ("KLE Products"). Its products are sold predominately on OEM basis to distributors and wholesales who in-turn sells to retailers and/or other distributors in Malaysia as well as for the export markets in Asia and the Middle East. VIP's products catered to a wide range of industries such as medical, pharmaceutical, agriculture, hospitality, food and beverages, and electronics industries.

Highlights during the Quarter under review

- **21% increase** *(Q-o-Q)* in Nitrile Glove Production
- **70% increase** *(Q-o-Q)* in Average Selling Prices (ASP)
- **340% increase** *(Q-o-Q)* in EBITDA
- **129% increase** *(Q-o-Q)* in Cash & Cash Equivalents
- Plants are operating at **over 90% capacity utilisation**
- **Fast-tracking** the installation work of 4 additional production Lines

Production capacity during the July to September 2020 quarter ("Q1 2021")

There was no material change in the activities of the Company during the September quarter.

Two new production lines were fully commissioned in July 2020, thus added VIP's total production capacity by approximately 40% to 620 million pieces per annum. The Company is pleased to announce that nitrile glove manufacturing operations were running at over 90% of capacity utilisation during the quarter, thanks to strong demand for product.

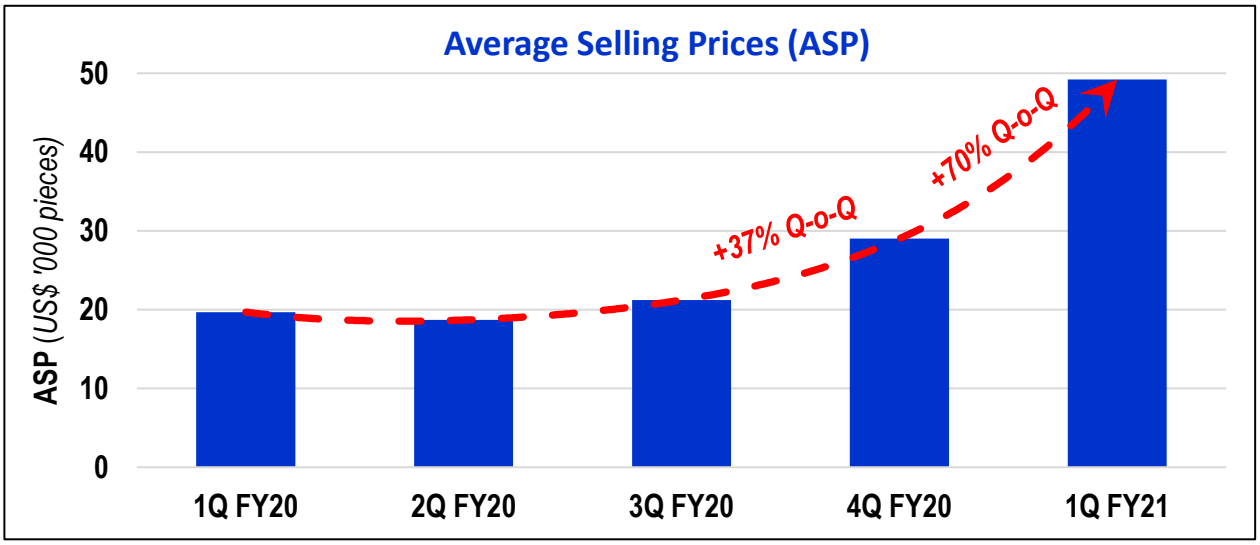
As such, production increased from 111 million pieces in Q4 2020 to 134 million pieces in Q1 2021. The company has committed sales out to Q4 2021 from existing production operations.

VIP has brought forward its capacity expansion plan and commenced preliminary works for the installation of an additional four (4) new nitrile glove production lines over the next twelve (12) months at its current factory premises. Once completed, VIP will boast a further 60% increase in its total production capacity to in excess of 1 billion pieces of nitrile gloves per annum. The total capital expenditure budget for this expansion is approximately A$6.5million, which will be financed through existing cash reserves and from operational cashflow.

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Average Selling Prices (ASP)

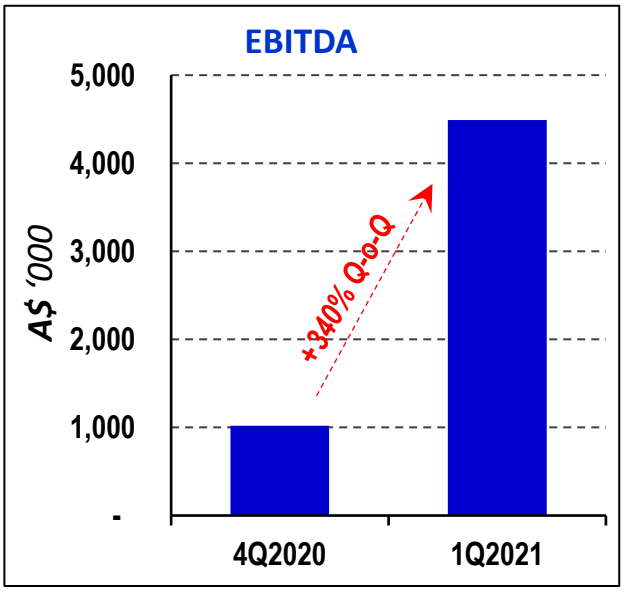
VIP has experienced a significant increase in its average selling prices (ASP) for its products over the September 2020 quarter by an average Quarter-on-Quarter (Q-o-Q) increase of 70%.

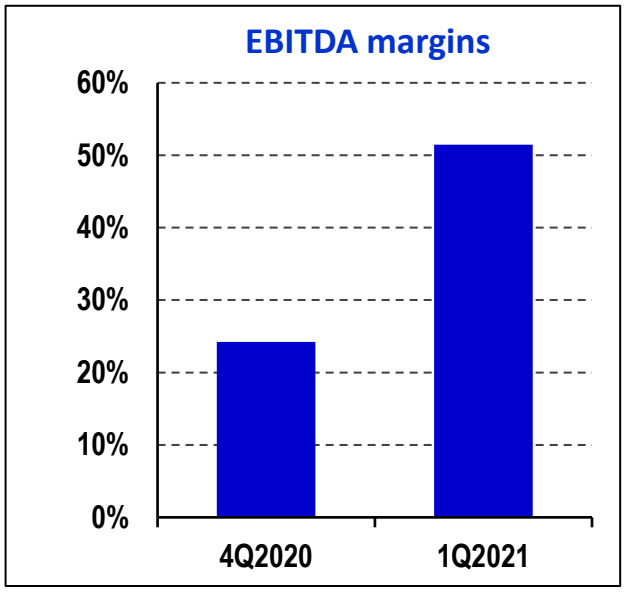


Margin improvement

VIP, together with other nitrile glovemakers, have experienced upward pressure for nitrile latex ("NBR") raw material prices. NBR is the major raw material component for the production of nitrile gloves, accounting for over 50% of total cost of goods sold. The Company remains upbeat that profit margins will continue to rise as the increase in raw material costs are passed onto customers.

As such, VIP achieved a significant Q-o-Q improvement in EBITDA and EBITDA margins during Q1 2021.





Note : The figures above are derived from Unaudited Management Accounts

Business activities during Q1

A$ mil	Q1 2021	Q4 2020	Q-o-Q
Operating Activities			
Receipts from Customers	6.7	7.0	*-4%*
Less Payment to:			
Manufacturing & Operating Costs	-4.6	-4.6	*n/a*
Other Costs [1]	-0.7	-1.4	*-49%*
Net Cash	**1.4**	**1.0**	*+37%*
Investing Activities			
Acquisition of Plant & Machinery	-1.3	-1.1	*+18%*
Disposal of Land & Bldg	2.3	-	*n/a*
Net Cash	**1.0**	**-1.1**	*n/a*
Financing Activities			
Proceeds from Equity Issuance	-	2.3	*n/a*
Equity Issuance Cost	-0.2	-	*n/a*
Repayment of Borrowings	-1.0	-0.2	*-525%*
Net Cash	**-1.2**	**2.1**	*n/a*
Cash & Cash Equivalent	**2.2**	**1.0**	*+129%*

Note :[1] Other Costs comprises A&P, leased assets, staff cost, administration and corporate costs, interest & finance charges.
The figures above are derived from Unaudited Management Accounts.

- **Receipts from Customers** reduced by 4.3% to A$6.7m (RM20.1m) Q-o-Q as VIP fulfilled the backlog orders committed during the previous quarter (April – June 2020 period), which were mostly pre-paid for that period. Hence, receipts from Customers for Q4 2020 (in the form of pre-payments) were higher that Q1 2021.
- **Net Cash from Operations** rose by 36.6% to A$1.4m (RM4.2m) as a result of the Company's continued cost savings efforts which saw a 48.9% decrease in key operating expenses such as administrative and staff cost. Interest cost was also lower during the quarter as VIP paid down debt during the period.
- **Net Cash from Investing position** from additional disposal proceeds of Land & Building of A$2.3m (RM6.9m).
- **Net Cash used in Financing position** from repayment of borrowings and equity issuance costs:
  - Repayment of approx. $995,000 (RM3.0m) to reduce its bank overdraft facilities; and
  - Partial redemption of approx. A$490,000 (RM1.5m) on outstanding Convertible Notes.
- **Cash & Cash Equivalent** improved by 129% (Q-o-Q) to A$2.2m as at 30 September 2020, against total outstanding term loans of A$1.9m (RM5.7m).

Payments to related parties and their associates

The aggregate amount of payments made to related parties, such as directors' salaries and fees in Q1 amounting to A$157,000 (RM471,000).

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This announcement has been approved by the Board of VIP Gloves Limited.
For further information:

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About VIP Gloves Limited

VIP Gloves Ltd (VIP) is an Australian public company whose securities are listed for quotation on the Australian Securities Exchange (ASX code: VIP). VIP's Malaysian subsidiary companies manufacture nitrile disposable gloves from a plant located in Selangor, Malaysia. Nitrile gloves can be used in the medical, health, dental and numerous other industrial and commercial sectors.

VIP currently produces and supplies gloves on an original equipment manufacturer (OEM) basis. VIP's products:

- comply with International AQL Standards
- conforms to ASTM D6319 and EN455 Standards
- meet ISO 11193 Standar

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