VIP GLOVES LIMITED
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JUNE 2021 - QUARTERLY REPORT

ASX: VIP

29 July 2021

HIGHLIGHTS:

- **164% Y-o-Y increase in Q4 revenue**
- **11% Q-o-Q decrease in nitrile latex cost in Q4**
- **Obtained US FDA accreditation; in process of applying for Australian TGA certification**
- **Lines 7 & 8 targeted for commissioning in Q1 FY2022, adding 24% to current capacity**

VIP Gloves Limited ('**VIP**' or the '**Company**') presents its operational and activities update along with the attached Appendix 4C cash flow statement for the quarter ended 30 June 2021.

Production output during the June quarter ("Q4 FY2021")

VIP is currently operating six production lines with a monthly rated production capacity of approximately 65 million piece of nitrile gloves. Lines 5 and 6 came into full operation in March 2021.

Total nitrile glove production during Q4 FY2021 was 169 million pieces, representing a 4% Q-o-Q increase compared to Q3 FY2021 (Jan - March 2021 period); and a 46% Y-o-Y total glove production increase compared to the corresponding period in FY2020.

Sales during Q4 FY2021

During Q4 FY2021, VIP achieved total sales revenue of RM37.3 million (approx. A$12 million), a 22% Q-o-Q decrease due to a slow-down in delivery activities during June 2021 as the Movement Control Order imposed by the Malaysian Government restricted certain logistics activities (refer to ASX Announcement dated 16 July 2021). This resulted in a corresponding increase in VIP's closing stock level on 30 June 2021 of approximately 60 million pieces, equivalent to about one-month production volume, compared to closing stock of only 21 million pieces on 31 March 2021. However, on a Y-o-Y comparison, the total sales revenue achieved during Q4 FY2021 was a 164% improvement over RM14 million sales revenue recorded during Q4 FY2020.

VIP's total revenue for FY2021 is RM148.3 million (approx. A$49 million), almost 4 times higher than RM38.2 million revenue recorded for FY2020.

Total gloves sold in FY2021 was 551.5 million pieces, a 30% increase over FY2020.

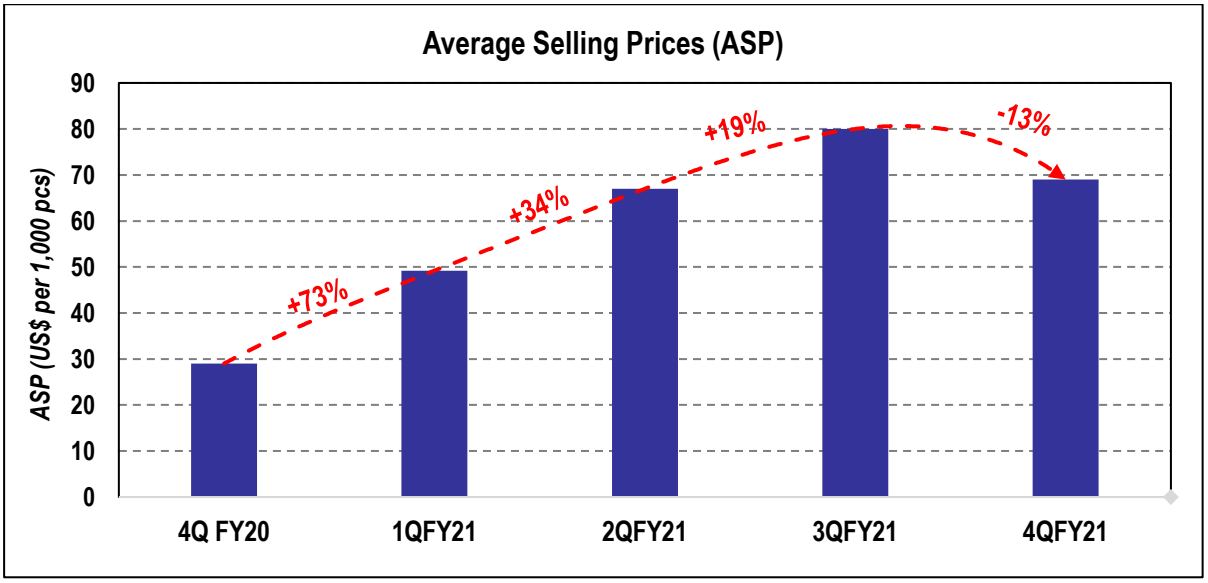
Average Selling Prices (ASP)

Average Selling Prices (ASP) for Q4 FY2021 has decreased by approximately 13% from the previous quarter, largely due to a sudden increase of product into the local and regional Asian markets following a major

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Malaysian glove producer's temporary cessation of its US export market. Correspondingly, there was an 11% Q-o-Q decrease in nitrile latex ("NBR") cost. NBR accounts for almost 80% of total COGS during the period.

The Malaysia Rubber Council (MRC) in its Quarter 1, 2021 Review published on 31 May 2021, estimated that global demand for gloves is expected to growth by 12 - 15% this calendar year as the global consumption of gloves will rise to 25 pairs per capita. The Malaysian Rubber Gloves Manufacturers Association (MARGMA) has also echoed similar views, that higher demand will also come from the non-healthcare sectors due to rising hygiene awareness. Looking forward, glove consumption from emerging countries is also expected to surge due to emergence of new COVID-19 variants. As such, the Company opines that the current ASP levels is expected to sustain throughout the forthcoming financial year.



Business activities during the June quarter ("Q4 FY2021")

A$ million	Q4 FY2021	Q3 FY2021	Q-o-Q
Operating Activities			
Receipts from Customers	9.7	17.1	*-43%*
Less Payment to:			
Manufacturing & Operating Costs	-9.2	-9.1	*+1%*
Other Costs [1]	-1.9	-2.2	*-14%*
Net Cash	-1.4	5.8	*-124%*
Investing Activities			
Acquisition of Plant & Machinery	-0.1	-1.2	*-92%*
Other (refund of Land & Bldg disposal)	-0.6	-1.0	*-40%*
Net Cash	-0.7	-2.2	*+68%*
Financing Activities			
Dividends paid	-	-1.2	*n/m*
Net Cash	-	-1.2	*n/m*
Cash & Cash Equivalent	**-2.1**	**2.4**	*-188%*

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

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- **Receipts from Customers** decreased by 43% Q-o-Q to A$9.7 million in Q4 FY2021 following a 13% drop in ASP during the same period, coupled with a reduction in glove deliveries because of the Malaysian Government's Movement Control Orders.

- **Net Cash from Operations** was a deficit of A$1.4 million from a surplus of A$5.8 million in Q3 FY 2021. Despite the diminishing nitrile latex ("NBR") cost during the June quarter, the deficit in operating cash flow was also due to the lower ASP of gloves and lower customers' advanced deposit during the quarter. A 21% increase in natural gas cost in Q4 FY2021 also incurred additional cost pressure.

- **Net Cash from Investing position** was A$0.1 million in payment to machinery suppliers during the period as part of the Line 7 & 8 capacity expansion project. The Company also made a A$0.6 million cash refund for the revocation of the sale & leaseback of Land and Building.

- **Payments to related parties and their associates** comprise payment for directors' salaries and fees amounting to A$0.2 million (RM0.6 million) during Q4 FY2021.

Material Developments

a) Capacity Expansion

Commissioning of glove production lines 7 and 8 is expected in August and September respectively. This represents a one-month delay from the original schedule due to several Movement Control Orders imposed by the Malaysian Government which delayed fabrication and installation works.

Once commissioned, these new production lines will increase VIP's nitrile gloves production capacity to 78 million pieces per month, or 936 million pieces p.a. The Company's capex initiative for six lines (lines 3 to 8) commenced in 2020 at a total budget of about RM33 million (A$11 million), all funded from internal working capital. The unpaid balance of approximately RM5 million (A$1.6 million) will be payable upon full installation of the remaining two lines.

Construction of the second factory and production lines on adjacent land owned by VIP is still waiting regulatory approval from the local municipal council and fire department. This new factory, costing an estimated A$30 million, will accommodate an additional eight (8) double former production lines with an annual production capacity of about 1.6 billion pieces of gloves, bringing the company's total capacity to 2.6 billion pieces p.a., 2.5 times increase over the current production capacity. Whilst the pandemic lockdown has caused some delays in the schedule, management projects rolling-in of new capacity in stages commencing early-2022, reaching full completion by early 2023; with a positive impact to profitability reflected in FY2022 to FY2024.

b) Pandemic Alert

For the majority of FY2021, glove production operations were only mildly impacted by the pandemic lockdown as the Malaysian Government has recognised nitrile gloves as personal protective equipment and deemed as essential health sector.

In early July 2021, the Government imposed an Enhanced Movement Control Order" (EMCO) as the outbreak of COVID-19 cases escalated further. In compliance with the ruling, VIP's manufacturing facility were temporarily halted for two weeks and resumed operations on 19 July 2021, with 60% workforce. Whilst this temporary pause in production may impact VIP's short-term revenue, the Company is confident there will be no material impact to overall FY2022 financial performance as additional capacity will come onstream in the next few months.

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c) EU and US Accreditations

In June, VIP obtained the prestigious US FDA 510(k) accreditation which provides the potential to deliver nitrile gloves to an additional lucrative market in North America, in addition to the European Union. The Company is also applying for the Australian Therapeutic Goods Administration (TGA) certification. These new markets will enable VIP to expand its geographical reach to become a global glove supplier, in addition to providing a platform to launch its house brands, and support the additional production capacity coming onstream from Lines 7 and 8 and the second factory.

d) Legal action update

The Company, through its solicitors, is continuing its defence for the purported share placement arrangement. The matter is now pending for hearing of VIP's Striking Out application on the basis that there are no reasonable grounds for the Plaintiff's claim. Due to the pandemic lockdown, the hearing date has yet to be fixed by the Kuala Lumpur High Court.

e) Sale & Leaseback of Land & Building

Following the mutual revocation of the Sale and Purchase Agreement ("SPA") for the disposal by VIP of its factory land and building, VIP has returned RM5.0 million (A$1.6 million) as at end of Q4 FY2021, with the balance RM4.1 million (A$1.3 million) payable in July and August 2021. The Company has already set aside the funds, and hence will not disrupt the financial position and operations of the Company.

f) Dividend

In view of the encouraging profitability and cashflow position achieved during 2H of FY2021, VIP will honour its earlier commitment of declaring a dividend payout ratio of no less than 20%. This is in addition to the 0.18 cents per share unfranked interim dividend released on 31 March 2021. The quantum and timing of the forthcoming dividend will be announced when VIP releases its FY2021 financial results.

This announcement has been approved by the Board of VIP Gloves Limited.

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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. The Company's products are sold predominately on Original Equipment Manufacturer ("OEM") basis to distributors and wholesales who in-turn sell to retailers and/or other distributors in Malaysia as well as for export markets in other parts of Asia and the Middle East markets. VIP's products cater to a wide range of industries including medical, pharmaceutical, agriculture, hospitality, food and beverages, and electronics industries.

VIP products:

- comply with International AQL Standards
- conforms to ASTM D6319 and EN455 Standards
- meet ISO 11193 Standards
- have obtained accreditation by CE and US FDA (510k).

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
VIP GLOVES LIMITED	
ABN	**Quarter ended ("current quarter")**
83 057 884 876	JUNE 2021

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	9,661	45,194
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(9,195)	(33,339)
	(c) advertising and marketing	-	(3)
	(d) leased assets	(2)	(8)
	(e) staff costs	(363)	(1,365)
	(f) administration and corporate costs	(390)	(1,090)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	(26)	(217)
1.6	Income taxes paid	(1,080)	(2,913)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,395)**	**6,260**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(83)	(3,578)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	2,370
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (refund of proceeds from disposal of property, plant and equipment)	(629)	(1,623)
2.6	**Net cash from / (used in) investing activities**	**(712)**	**(2,831)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	10
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(201)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(28)	(1,268)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	(1,168)
3.9	Other (director's advances)	-	-
3.10	**Net cash from / (used in) financing activities**	**(28)**	**(2,627)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,824	960
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,395)	6,260
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(712)	(2,831)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(28)	(2,627)
4.5	Effect of movement in exchange rates on cash held	6	(67)
4.6	**Cash and cash equivalents at end of period**	**1,695**	**1,695**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	1,695	3,824
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,695**	**3,824**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	181
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	1,704	1,704
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)		
7.4	**Total financing facilities**	1,704	1,704

7.5	**Unused financing facilities available at quarter end**	Nil

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Term loan (secured) – CIMB Bank 5% above the bank's BLR (A$4k) – maturing December 2021

Term loan (secured) – Al Rajhi Bank 1.25% above the bank's BLR (A$1.7k) – maturing September 2025

BLR – Base lending rate

The credit facilities are secured by way of:

1. Legal charge over a subsidiary, KLE Products Sdn. Bhd.'s vacant leasehold land;
2. Debenture over fixed and floating assets of a subsidiary, VIP Glove Sdn. Bhd., present and future;
3. Jointly and severally guaranteed by Directors of subsidiary companies; and
4. Jointly and severally guaranteed by VIP Gloves Limited and a subsidiary, KLE Products Sdn. Bhd.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,395)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,695
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,695
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	1.21

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Net cash outflows in the June quarter include payment of income taxes that are not paid on a regular quarterly basis. Cash inflow from sales was lower than in previous quarters due to a decrease in the glove average selling price across the glove manufacturing industry, decrease in customers' advanced deposits, and decrease in glove sale receipts. Cash outflow from manufacturing includes payment for additional raw materials for new production lines 7 & 8 to be commissioned in the September quarter.

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2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

The company's cash inflows are expected to increase significantly in the September quarter following commissioning of lines 7 & 8. No external capital is required to fund the company's operations

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, from increased cash inflows from current production orders and sales and new production orders and sales from increase production capacity following commissioning lines 7 & 8

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

This Appendix 4C cashflow report has been approved by the board of VIP Gloves Limited

Date: 29 July 2021

Authorised by: The Board of VIP Gloves Ltd
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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