VIP GLOVES LIMITED
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SEPTEMBER 2021 - QUARTERLY REPORT

ASX: VIP

29 October 2021

HIGHLIGHTS:

- **VIP welcomes key input (nitrile latex) cost reduction of 20% in September 2021 quarter**
- **Declared Second and Final Dividend of A0.05 cents per share**
- **Obtained Australian TGA certification, allowing entry into the Australian market**
- **Production expected to return to full capacity in November 2021 once vaccination compliance requirements are fully met**
- **Production Lines 7 & 8 expected commissioning by year-end, boosting total output capacity by 22% to 78 million pieces per month (936 million pieces per annum)**
- **VIP in strong position to benefit from steadily rising demand for nitrile gloves in post-COVID environment**
- **Cash and cash equivalents at end of quarter of about A$1.2 million**

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 September 2021.

Production output during the September quarter ("Q1 FY2022")

VIP is currently operating six production lines with a monthly production capacity of approximately 64 million pieces of nitrile gloves (circa 768 million pieces per annum).

Following the Malaysian Government's strict standard operating procedure to combat the COVID pandemic, the *Movement Control Order ("MCO")* was imposed whereby non-essential manufacturing facilities in the state of Selangor (location of VIP's operating plant) were forced to shut down for two weeks during the month of July 2021. On 19 July 2021, the ban was lifted and factories were only allowed to operate with maximum of 60% of staff workforce. As such, VIP's total nitrile glove production during Q1 FY2022 was approximately 50 million pieces representing a 69% Q-o-Q decrease compared to Q4 FY2021 (April to June 2021). VIP expects production to return to full capacity in November 2021 upon staff vaccination levels reaching 80%.

Sales during Q1 FY2022

Following implementation of the MCO, VIP achieved total sales revenue of RM9.3 million (approx. A$3.1 million), 75% lower compared to that achieved during Q4 FY2021, caused mainly by the slow-down in delivery and logistics activities. Total gloves sold in Q1 FY2022 was 54.7 million pieces, a 58% decrease over the previous quarter and a 59% decrease over Y-o-Y. On a Y-o-Y comparison, the total sales revenue during Q1 FY2022 was 65% lower vis-à-vis RM17 million (A$5 million) recorded during the corresponding period in FY2021.

Average Selling Price (ASP) and Nitrile Latex (NBR) Input Cost

Average Selling Price (ASP) for Q1 FY2022 has decreased by approximately 40% from the previous quarter, largely due to a larger glove maker forced to temporarily halt exports to the North American region due to certain U.S. regulatory issues, and unexpected redirect of its supply of nitrile gloves into the Asian market. That glove maker resumed exports to the U.S. as of September 2021.

Whilst VIP and other nitrile glove manufacturers are facing downward ASP pressure, there was a welcome 20% Q-o-Q reduction in nitrile latex ("NBR") input cost during the quarter. NBR accounts for approximately 58% of VIP's total Cost of Goods Sold (COGS), down from almost 80% during the previous quarter.

Steadily Rising Demand Trend

The Malaysian Rubber Gloves Manufacturers Association (MARGMA) has projected a global shortage of 80 billion gloves in 2021, which is approximately 19% of current world supply. This takes into account new production capacity rolled out in China during the last 12 months. According to MARGMA, global glove demand surged by 25% - 35% in 2020 owning to Covid-19. Going forward, it expects global glove demand growth to be higher than pre-COIVD level for the next three years, with an estimated annual growth of 12% to 15% (pre-COVID growth was between 8% to 10% per annum during 2015 to 2020).

VIP is well-positioned to benefit from the rising demand for nitrile gloves in the medium to longer term post the COVID pandemic. An increasing awareness of proper sanitation across multiple industries globally as well as for personal hygiene purposes, in particular within developing countries, will continue to provide a resilient market for the Company's products.

With the recent receipt of the US FDA 510(k) and Australian TGA accreditations, VIP is expanding its products into new markets. This is also in line with VIP's aspiration to introduce its own house brand in the near future to capture a larger profit margin on its products.

Business activities during the September quarter ("Q1 FY2022")

A$ million	Q1 FY2022	Q4 FY2021	Q-o-Q
Operating Activities			
Receipts from Customers	3.1	9.7	*-68%*
Less Payment to:			
Manufacturing & Operating Costs	-2.2	-9.2	*-76%*
Other Costs [1]	-1.2	-1.9	*-36%*
Net Cash	-0.4	-1.4	*-71%*
Investing Activities			
Acquisition of Plant & Machinery	-0.1	-0.1	*0%*
Other (refund of Land & Bldg disposal)	-	-0.6	*nlm*
Net Cash	-0.1	-0.7	*-85%*
Financing Activities			
Dividends paid	-	-	*n/m*
Net Cash	-	-	*n/m*
Change in Cash & Cash Equivalent	**-0.5**	**-2.1**	*-76%*

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.

- **Receipts from Customers** decreased by 68% Q-o-Q to A$3.1 million in Q1 FY2022 following a 40% drop in ASP during the same period, coupled with a reduction in glove deliveries due to restrictions relating to the Movement Control Orders.

- **Net Cash from Operations** was a deficit of A$0.4 million from a larger deficit of A$1.4 million in Q4 FY 2021. The reduction in manufacturing and operating costs was mainly due to the temporary halting of operation and dropped in nitrile latex ("NBR") cost during the September quarter. The deficit in operating cash flow was also due to the lower ASP of gloves and restrictions in logistical activities.

- **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.

- **Payments to related parties and their associates** comprise payment for directors' salaries and fees amounting to A$0.2 million (RM0.6 million) during Q1 FY2022.

- **Cash & cash equivalents At End of Quarter** of A$1.174 million, down from A$1.695 million for Q4 FY2021, a 30% reduction.

Material Developments

a) Capacity Expansion

Commissioning of glove production lines 7 and 8 is now expected by end of calendar year 2021. The delay was caused by the mandatory lockdowns which delayed fabrication and on-site installation works.

Once commissioned, these new production lines will increase VIP's nitrile glove production capacity by a further 22% to 78 million pieces per month, or 936 million pieces per annum. This signifies the last instalment of the Company's capex initiative for the six lines (line 3 to 8) commenced in 2020 at a total budget of about RM33 million (A$11 million), all funded from internal working capital.

Construction of the second factory and production lines on adjacent land is still awaiting regulatory approval from the local municipal council and fire department. The new factory 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 annual capacity to 2.66 billion pieces. The budget for this initiative is estimated at A$30 million. Whilst the lockdown has caused some delays in the schedule, management projects rolling-in of new capacity in stages commencing in CY2022, reaching full completion by CY2023; with a positive impact to profitability reflected in FY2023 to FY2024.

b) Pandemic Alert

For a major part of CY2021, 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 an essential health sector.

In early July 2021, the Government imposed an "Enhanced Movement Control Order" (EMCO) as the outbreak of cases escalated further. In compliance with the ruling, VIP's manufacturing facility was temporarily halted for two weeks and resumed operations on 19 July 2021, albeit with 60% workforce.

At present VIP is still operating at 60% workforce. However once labour staff have received 80% vaccinations rollout, VIP expects to return production capacity to 100% in early November, and achieve its upgraded full capacity by December 2021 when Lines 7 and 8 are commissioned. Whilst this temporary pause in production may impact VIP's short-term revenue, the Company is confident that the additional capacity coming onstream in the next few months should partially mitigate the impact.

c) TGA Accreditation

In August, VIP obtained the Australian Therapeutic Goods Administration (TGA) accreditation. This is in addition to the earlier FDA and CE certifications. Expansion of the Company's distribution network has commenced.

d) Legal action update

On 25 October 2021, the Malaysian High Court allowed VIP's application to strike-out an action by a BVI-registered company, with costs of RM10,000 (approx. A$3,200). VIP was named in a Writ of Summons served from the Plaintiff for claims which had no reasonable grounds. The Court's ruling reaffirms VIP's stance that the Plaintiff's claims are frivolous and vexatious. Nonetheless, the Plaintiff has the right to lodge an appeal within the next one month.

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 Q1 FY2022, with the balance RM4.1 million (A$1.3 million) payable. The Company did not make any cash repayments for the revocation of the sale & leaseback of Land and Building during the quarter. The Company has already set aside the funds, and hence will not disrupt the financial position and operations of the Company.

f) Dividend

On 30 August 2021, VIP declared its second and final dividend of A0.05 cents, payable on 30 November 2021. Together with the earlier 0.18 cent dividend paid on 31 March 2021, VIP's total dividend for FY2021 is A0.23 cents, representing a dividend payout ratio of 37%.

The Board is actively exploring several growth initiatives and looks forward to updating investors with developments in due course.

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

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About VIP Gloves Limited

VIP Gloves Limited (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:

- International AQL Standards
- CE Mark EU Standard
- US FDA 510(k) Standard
- Australian TGA Medical Device Included Class 1
- ASTM D6319 and EN455 Standards; and
- meet ISO 13485 and ISO 9001 Standards

Forward Looking Statements

Certain statements in this document are or maybe "forward-looking statements" and represent VIP's intentions, projections, expectations, or beliefs concerning among other things, timing of activities. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve uncertainties and other factors, many of which are beyond the control of VIP, and which may cause VIP's actual performance in future periods to differ materially from any express or implied estimates or projections. Nothing in this document is a promise or representation as to the future. Statements or assumptions in this document as to future matters may prove to be incorrect and differences may be material. VIP does not make any representation or warranty as to the accuracy of such statements or assumptions.

Appendix 4C

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

Name of entity

VIP GLOVES LIMITED

ABN	Quarter ended ("current quarter")
83 057 884 876	SEPTEMBER 2021

	Consolidated statement of cash flows	Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	3,108	3,108
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(2,220)	(2,220)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(245)	(245)
	(f) administration and corporate costs	(138)	(138)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(26)	(26)
1.6	Income taxes paid	(896)	(896)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(417)**	**(417)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(104)	(104)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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)	-	-
2.6	**Net cash from / (used in) investing activities**	**(104)**	**(104)**

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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(39)	(39)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (director's advances)	-	-
3.10	**Net cash from / (used in) financing activities**	**(39)**	**(39)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,695	1,695
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(417)	(417)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(104)	(104)

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(39)	(39)
4.5	Effect of movement in exchange rates on cash held	39	39
4.6	**Cash and cash equivalents at end of period**	**1,174**	**1,174**

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	1,174	1,695
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)**	**1,174**	**1,695**

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	180
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

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	1,712	1,712
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	1,712	1,712

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$3k) – maturing December 2021

Term loan (secured) – Al Rajhi Bank 1.25% above the bank's BLR (A$1.709m) – 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

   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)	(417)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,174
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,174
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	2.82

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?

   Not applicable.

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?

   Not applicable.

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

Not applicable.

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 October 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.