



MARCH 2023 - QUARTERLY REPORT

ASX: VIP**28 April 2023**

HIGHLIGHTS:

- **Company placed on care and maintenance reducing costs.**
- **Resignation of directors**
- **Sale of land and buildings**
- **Company seeking new business activities.**

VIP Gloves Limited ('VIP' or the 'Company') presents its operation and activity update along with the attached Appendix 4C cash flow statement for the quarter ended 31 March 2023.

Operations during the March quarter

During the March 2023 quarter, VIP did not undertake any glove manufacturing or glove sales operations. This followed the decision by the Board in December 2022 to cease all glove production resulting from increased margin compression due to the average selling price (ASP) of gloves continuing to decrease at a faster pace than the decrease in cost of production.

During the quarter, employment costs were reduced as factory and associated glove manufacturing and sales staff were laid off due to the cessation of glove manufacturing operations.

Financial performance

Receipts from customers are from the collection of past sales owing from glove customers.

Outflows reflect payment to creditors for raw materials and other operating costs when the company was producing gloves until cessation of activities.

Staff costs and administration costs have reduced in line with the Company's decision to cease glove production and moving to care and maintenance and the termination of factory employees. Executive salaries were reduced during the quarter and the payment to related parties is for executive director salaries and outstanding non-executive director fees paid during the quarter.

Interest and finance costs are related to unsecured borrowings of \$1.082M during the March quarter, (plus \$523k received in the September quarter; and \$571k received in the December quarter) from third parties, at an interest rate of 12% per annum, maturing monthly and with renewable terms. Funds are to be repaid once the Company has completed the sale and leaseback of land & building and sale of vacant land (refer below).

Resignation of directors

In February 2023, Mr Peter Ng and Ms Joanne King (both Australian resident directors) resigned as directors of VIP during the quarter. As VIP did not meet the ASX listing rule requirement that there be at least two Australian resident directors of the company, VIP's shares were placed into suspension on 13 February 2023.

In March 2023, Mr Sebastian Chang (a Malaysian resident director) resigned as a director of VIP. VIP currently has 3 directors, and is seeking to appoint two Australian resident directors.

Legal action update



The legal action brought against the company in 2020 has been set for a case management hearing on 22 May 2023. VIP continues to defend its position and considers the action as frivolous and vexatious.

Sale & Leaseback of Land & Building and sale of vacant land

In February 2023, VIP announced that through the Company's two wholly owned Malaysian subsidiaries they have executed a sale agreement for the sale of land and buildings to Intergrasi Sdn Berhad (an unrelated Malaysian company) (Intergrasi); and simultaneously executed a tenancy agreement with Intergrasi (Leaseback). The Leaseback will commence immediately upon receipt of the second tranche payment for sale of the land and buildings.

The transactions comprise the following: the sale of land and buildings for Malaysian Ringgit (MYR) 17 million (approximately AU\$5.61 million); and the Leaseback by VIP of the land and buildings.

The sale of land and buildings will provide a significant cash injection for the Company, with funds used to eliminate financial borrowings and provide ongoing working capital.

In March 2023, VIP announced that through the Company's two wholly owned Malaysian subsidiaries they have executed a sale and purchase agreement (SPA) for the sale of the vacant land adjoining the existing factory site to Target Precast Industries Sdn Bhd (TPI) (an unrelated Malaysian company) for MYR 7,952,313 (approximately AU\$2.65 million).

The sale of land and buildings will provide a significant cash injection for the Company, with funds used to eliminate financial borrowings and provide ongoing working capital.

New business activities

The Company is actively seeking new opportunities for the Company and will update shareholders when the Company has reached agreement on a proposed transaction.

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).

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

83 057 884 876

Quarter ended ("current quarter")

MARCH 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	68	260
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(150)	(1,198)
(c) advertising and marketing	-	-
(d) leased assets	-	(1)
(e) staff costs	(163)	(553)
(f) administration and corporate costs	(183)	(583)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(63)	(148)
1.6 Income taxes refunded (progressive tax refund for the financial year ended 30 June 2021)	0	1,097
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(491)	(1,126)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(3)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
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	-	(3)

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	1,082	2,176
3.6	Repayment of borrowings	(550)	(991)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (director's advances for working capital purposes)	40	40
3.10	Net cash from / (used in) financing activities	572	1,225

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	33	17
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(491)	(1,124)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	572	1,223
4.5	Effect of movement in exchange rates on cash held	1	2
4.6	Cash and cash equivalents at end of period	115	115

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	115	33
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)	115	33

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

185

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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.

6.1 - executive director salaries and outstanding non-executive director fees paid during the quarter

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	1,514	1,514
7.2 Credit standby arrangements	-	-
7.3 Other (please specify) - third party	1,329	1,329
7.4 Total financing facilities	2,843	2,843

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) – Al Rajhi Bank 1.25% above the bank's BLR (A\$1.514m) – 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

Third party unsecured loan (A\$1.329m) – 12%p.a. - maturing monthly, renewable

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(491)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	115
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	115
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	(0.23)

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?

No - The Company has ceased all glove manufacturing operations and has reduced its workforce and associated employment costs. Future receipts and payments relate to collection of past glove sales, payment of outstanding creditors, and payroll expenses as the company actively seeks new opportunities. Third party loans and an inflow of funds from the sale of land and buildings will enable the company to meet outstanding creditors and provide working capital for ongoing operations.

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?

Yes. The company has received a letter of support from a major shareholder who continues to fund the company's operations. The company has also secured the sale of land and buildings and vacant land adjoining the factory site.

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. With the steps instigated by the company in point 1 + 2 above, the company is still able to meet its commitments whilst it investigates new opportunities.

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: 28 April 2023

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.