



17 January 2020

ASX ANNOUNCEMENT (ASX – VIP)

**SALE AND LEASEBACK OF LAND AND BUILDINGS FOR 29 MILLION
MALAYSIAN RINGGIT**

The Directors of VIP Gloves Limited (**VIP** or the **Company**) are pleased to advise that through the Company's two wholly owned Malaysian subsidiaries they have executed a sale agreement for the sale of land and buildings to DC Glove Sdn Bhd (an unrelated Malaysian company) (**DC Glove**); and simultaneously executed a tenancy agreement with DC Glove (**Leaseback**). The Leaseback will commence immediately following Completion of the sale of the land and buildings and hence will not result in any disruption to the Company's nitrile glove manufacturing operations in Malaysia.

The transactions comprise the following:

- the sale of land and buildings for Malaysian Ringgit (MYR) 29 million (approximately A\$10.27 million); and
- the Leaseback by VIP of the land and buildings.

The sale of the land and buildings will provide a significant cash injection for the Company, with funds used to expand existing glove manufacturing operations, acquisition of additional raw material to increase manufacturing to meet customer demand, eliminate financial borrowings (including convertible note debt) and provide ongoing working capital.

The Company's Malaysian bankers hold security over the land and buildings (**Security**). The Security is in relation to financial liabilities owed by the Company that will be fully repaid on completion of the sale.

DC Glove is a private Malaysian entity established as a single purpose vehicle to acquire the land and buildings the subject of the sale agreement and Leaseback.

Sale agreement terms and conditions

The sale agreement is conditional upon obtaining the consent of local government to the transfer of the land (**Consent**) within 6 months of the date of the sale agreement.

Payment of the MYR 29,000,000 will be as follows:

- deposit of MYR 1,800,000 (approximately A\$640k) (**Deposit**). The Deposit, which has been received, is in the event of default by DC Glove non-refundable;
- MYR 7,000,000 (approximately A\$2.48 million) to be paid to the Company's solicitor within 30 days of receipt of the Consent (such monies to be used to extinguish the Security);
- MYR 2,030,000 (approximately A\$720k) to be paid to DC Glove's solicitor within 30 days of receipt of the Consent (such monies to be used to pay any capital gains tax – in accordance with the Malaysian Real Properties Gains Tax Act, 1976); and
- MYR 18,170,000 (approximately A\$6.43 million) to be paid to the Company within 6 months of the Consent (**Completion**).

Leaseback terms and conditions

The Leaseback commences one day after Completion and is for an initial term of 3 years. At the sole discretion of the Company, the Leaseback is renewable for a further four 3-year terms, with a maximum 2% increase in lease payments every 3 years. The lease payments for the first 3-year term have been set at MYR 120,000 per month (approximately A\$42,500).

The Company has further agreed to establish a security deposit of MYR 1,080,000 (approximately A\$382k) (**Security Deposit**). The Security Deposit is to be established within 7 days of Completion and is refundable on the expiration of the Leaseback. The Security Deposit can be in the form of either a bank guarantee or a cash deposit.

Andrew Metcalfe
Company Secretary

Approved for release by the Board of VIP Gloves Limited

For further information, please contact:

Wee Min Chen
Director
+60 19 333 6191
wmchen@kleproducts.com