

VIP Gloves Limited
Appendix 4D
Half-year report

1. Company details

| | |
|-------------------|------------------------------------------|
| Name of entity: | VIP Gloves Limited |
| ABN: | 83 057 884 876 |
| Reporting period: | For the half-year ended 31 December 2021 |
| Previous period: | For the half-year ended 31 December 2020 |

2. Results for announcement to the market

| | | | \$ |
|-----------------------------------------|------|-----------|-------------|
| Revenues from ordinary activities | down | 71.3% to | 6,014,021 |
| Loss from ordinary activities after tax | down | 313.8% to | (4,815,879) |
| Loss for the half-year | down | 313.8% to | (4,815,879) |

Comments

The loss for the consolidated entity after providing for income tax amounted to \$4,815,879 (31 December 2020: profit of \$2,253,008). The loss result includes a write-down of stock of \$312,934 due to cost of production being higher than net realisable value of stock, recognition of a share-based payment expense of \$697,150 relating to the issue of options and performance rights.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|-------------------------------------------|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>2.01</u> | <u>2.51</u> |

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

| | Amount per security Cents | Franked amount per security Cents |
|------------------------------------------------|---------------------------------|--------------------------------------------|
| Final dividend for the year ended 30 June 2021 | 0.050 | - |

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Details of associates and joint venture entities

Not applicable.

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

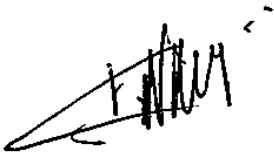
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

9. Attachments

Details of attachments (if any):

The Interim Report of VIP Gloves Limited for the half-year ended 31 December 2021 is attached.

10. Signed



Date: 25 February 2022

Kai Fatt Wong
Director
Melbourne

VIP Gloves Limited

ABN 83 057 884 876

Interim Report - 31 December 2021 (V7)

VIP Gloves Limited
Corporate directory
31 December 2021

| | |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Directors | Dr Kai Fatt (Joe) Wong - Non-Executive Chairman, Independent Chin Kar Yang - Managing Director Kay Wen Cheng - Executive Director How Weng Chang - Non-Executive Director, Independent Peter Yee Ming Ng - Non-Executive Director, Independent Joanne King – Non-Executive Director, Independent |
| Company secretary | Andrew Metcalfe |
| Registered office | C/- Accosec & Associates Level 26 360 Collins Street Melbourne VIC 3000 Australia |
| Principal place of business | No. 17 Jalan Perusahaan 1, Kawasan Perusahaan, Beranang 43700 Beranang, Selangor Darul Ehsan Malaysia |
| Share register | Boardroom Limited Level 7, 207 Kent Street Sydney NSW 2000 Investor phone number: (Australia) 1300 737 760 Investor phone number: (Overseas) +61 (0) 2 9290 9600 |
| Auditor | William Buck Audit (Vic) Pty Ltd Level 20, 181 William Street Melbourne VIC 3000 |
| Bankers | Westpac Banking Corporation Ltd Melbourne, Australia Hong Leong Bank Kuala Lumpur, Malaysia |
| Stock exchange listing | VIP Gloves Limited shares are listed on the Australian Securities Exchange (ASX code: VIP) |
| Website | www.vipglove.com.my |

VIP Gloves Limited
Directors' report
31 December 2021

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of VIP Gloves Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were directors of VIP Gloves Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Dr Kai Fatt (Joe) Wong - Non-Executive Chairman, Independent
Chin Kar Yang – Managing Director
Kay Wen Chen - Executive Director
How Weng Chang - Non-Executive Director, Independent
Peter Yee Ming Ng - Non-Executive Director, Independent
Joanne King – Non-Executive Director, Independent (appointed 17 January 2022)
Chee Cheong Low - Non-Executive Director, Independent (resigned 23 November 2021)

Principal activities

The principal activity of the Company during the reporting period was 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”).

Dividends

Dividends paid during the financial half-year were as follows:

| | Consolidated | |
|------------------------------------------------------------------------------------|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$ | \$ |
| Final dividend for the year ended 30 June 2021 of 0.05 cents per share (\$0.0005). | <u>346,856</u> | <u>-</u> |

The Company has not accumulated any franking account credits. Consequently, the dividend paid was unfranked.

The Company's dividend policy is a dividend payout ratio of between 20% and 40% of earnings before significant items, subject to the Company's financial position.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$4,815,879 (31 December 2020: profit of \$2,253,008).

The loss result includes a write-down of stock of \$312,934 due to cost of production being higher than net realisable value of stock, recognition of a share-based payment expense of \$7,181 relating to the issue of options and \$635,696 relating to the recognition of performance rights expense.

COVID-19 resulted in the implementation of the Movement Control Order (**MCO**) in Malaysia since 18 March 2020 to curb the COVID-19 virus under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967. All appropriate steps were taken to protect the health, safety and welfare of all employees, employee families, customers, suppliers, and the broader community. The Company introduced several operational protocols and steps to ensure the safety and well-being of all parties, as well as maintaining the ongoing operation of our facilities during the COVID-19 pandemic.

The loss has been attributable to the impact of the Covid-19 pandemic on glove production in order to comply with Malaysian Control Orders, increased production costs in particular raw material and natural gas, increased competition and supply of gloves in Malaysia and a decrease and normalising of average selling prices for nitrile gloves in the glove manufacturing sector.

Construction of production Lines 7 and 8 continued through-out the reporting period with completion delayed due to implementation of the MCO. There were no other capital works commenced during the reporting period.

During the reporting period, the Company repaid in excess of \$83,149 of interest-bearing debt; and there was no repayment of the deposit received for the sale and leaseback transaction.

VIP Gloves Limited
Directors' report
31 December 2021

During the reporting period, the Company issued 900,000 ordinary shares on conversion of debt at \$0.06 per share; and issued 1m options (exercise price \$0.075, expiring 30 June 2023)

The Company, through its Solicitors, is continuing its defence for the purported share placement arrangement. The plaintiff lodged an appeal against the High Court decision in allowing the Company's striking out application on 25 October 2021. The appeal is still pending in the Court of Appeal and the hearing date is now fixed for 18 August 2022.

Significant changes in the state of affairs

During the reporting period, work continued on completing the new line 7 and 8 production lines. Delays in completing the construction and commissioning of both lines during the reporting period has been largely due to the unavailability of labour and materials as a result of the Covid-19 pandemic restrictions which is outside of the control of the Company. Line 7 is planned to be commissioned in April 2022 and line 8 is planned to be commissioned in October 2022. Completion of Line 7 is subject to approval from the Malaysian Department of Occupational Safety & Health before commissioning can commence. Completion of line 8 has been deferred until September 2022 due to reduced demand for gloves and the ability to supply gloves to overseas markets due to logistic issues caused by the COVID pandemic, and current low average selling prices of US\$25/1,000 pieces.

Matters subsequent to the end of the financial half-year

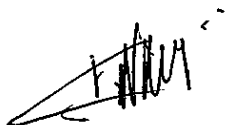
No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Kai Fatt Wong
Director

25 February 2022

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF VIP GLOVES LTD**

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2021 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



N. S. Benbow
Director

Melbourne, 25th February 2022

ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

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VIP Gloves Limited

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31 December 2021

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General information

The financial statements cover VIP Gloves Limited as a consolidated entity consisting of VIP Gloves Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is VIP Gloves Limited's functional and presentation currency.

VIP Gloves Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

C/- Accosec & Associates
Level 26
360 Collins Street
Melbourne VIC 3000
Australia

Principal place of business

No. 17 Jalan Perusahaan 1,
Kawasan Perusahaan, Beranang
43700 Beranang, Selangor Darul Ehsan
Malaysia

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 25 February 2022.

VIP Gloves Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

| | | Consolidated | |
|---------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------|---------------------|
| | Note | 31 Dec 2021 | 31 Dec 2020 |
| | | \$ | \$ |
| Revenue | | | |
| Revenue | 3 | 6,014,021 | 20,977,921 |
| Cost of goods sold | | <u>(9,315,029)</u> | <u>(11,320,995)</u> |
| Gross profit/(loss) | | <u>(3,301,008)</u> | <u>9,656,926</u> |
| Other income | | 97,794 | 20,174 |
| Interest revenue | | 238 | 237 |
| Expenses | | | |
| Employee benefits expense | | (569,087) | (599,418) |
| Legal and professional fees | | (155,557) | (200,816) |
| Impairment of inventory | | (312,934) | - |
| Movement in provision for expected credit losses | | - | (69,858) |
| Administration expenses | | <u>(221,807)</u> | <u>(293,707)</u> |
| Total expenses | | <u>(1,259,385)</u> | <u>(1,163,799)</u> |
| Profit/(loss) before depreciation and amortisation, finance costs, share-based payments and income tax (expense)/benefit | | (4,462,361) | 8,513,538 |
| Depreciation and amortisation expense | | (81,110) | (41,909) |
| Loss on disposal of assets | | (9,117) | - |
| Share-based payments | 17 | (697,150) | (3,973,971) |
| Finance costs | | (51,617) | (82,909) |
| Profit/(loss) before income tax (expense)/benefit | | (5,301,355) | 4,414,749 |
| Income tax (expense)/benefit | | <u>485,476</u> | <u>(2,161,741)</u> |
| Profit/(loss) after income tax (expense)/benefit for the half-year | | (4,815,879) | 2,253,008 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | <u>544,959</u> | <u>(672,430)</u> |
| Other comprehensive income for the half-year, net of tax | | <u>544,959</u> | <u>(672,430)</u> |
| Total comprehensive income for the half-year | | <u>(4,270,920)</u> | <u>1,580,578</u> |
| | | Cents | Cents |
| Basic earnings per share | 16 | (0.61) | 0.30 |
| Diluted earnings per share | 16 | (0.61) | 0.29 |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

VIP Gloves Limited
Statement of financial position
As at 31 December 2021

| | | Consolidated | |
|--------------------------------------|-------------|---------------------|--------------------|
| | Note | 31 Dec 2021 | 30 Jun 2021 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 449,937 | 1,691,921 |
| Trade and other receivables | 4 | 763,981 | 785,858 |
| Inventories | 5 | 1,991,656 | 5,949,363 |
| Term deposits | | 834,051 | 792,878 |
| Income tax refund due | 6 | 888,201 | - |
| Prepayments | | 230,896 | 103,834 |
| Total current assets | | <u>5,158,722</u> | <u>9,323,854</u> |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 17,670,421 | 17,777,117 |
| Total non-current assets | | <u>17,670,421</u> | <u>17,777,117</u> |
| Total assets | | <u>22,829,143</u> | <u>27,100,971</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 8 | 3,500,051 | 3,120,410 |
| Contract liabilities | | 441,308 | 157,601 |
| Financial liabilities | 9 | 1,574,770 | 1,532,741 |
| Income tax | | - | 525,482 |
| Total current liabilities | | <u>5,516,129</u> | <u>5,336,234</u> |
| Non-current liabilities | | | |
| Financial liabilities | 10 | 1,517,830 | 1,548,796 |
| Deferred tax | | - | 500,131 |
| Total non-current liabilities | | <u>1,517,830</u> | <u>2,048,927</u> |
| Total liabilities | | <u>7,033,959</u> | <u>7,385,161</u> |
| Net assets | | <u>15,795,184</u> | <u>19,715,810</u> |
| Equity | | | |
| Issued capital | 11 | 21,669,410 | 21,615,410 |
| Reserves | | 3,303,394 | 2,686,650 |
| Accumulated losses | | (9,177,620) | (4,586,250) |
| Total equity | | <u>15,795,184</u> | <u>19,715,810</u> |

The above statement of financial position should be read in conjunction with the accompanying notes

VIP Gloves Limited
Statement of changes in equity
For the half-year ended 31 December 2021

| Consolidated | Issued capital \$ | Share-based payments reserve \$ | Foreign currency translation reserve \$ | Accumulated losses \$ | Total equity \$ |
|--------------------------------------------------------------|------------------------------|--------------------------------------------|----------------------------------------------------|----------------------------------|----------------------------|
| Balance at 1 July 2020 | 18,556,098 | - | (767,012) | (8,135,910) | 9,653,176 |
| Profit after income tax expense for the half-year | - | - | - | 2,253,008 | 2,253,008 |
| Other comprehensive income for the half-year, net of tax | - | - | (672,430) | - | (672,430) |
| Total comprehensive income for the half-year | - | - | (672,430) | 2,253,008 | 1,580,578 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Capital raising costs relating to prior reporting period | (200,877) | - | - | - | (200,877) |
| Vesting of Share-based payments (note 17) | - | 3,973,971 | - | - | 3,973,971 |
| Balance at 31 December 2020 | <u>18,355,221</u> | <u>3,973,971</u> | <u>(1,439,442)</u> | <u>(5,882,902)</u> | <u>15,006,848</u> |

| Consolidated | Issued capital \$ | Share-based payments reserve \$ | Foreign currency translation reserve \$ | Accumulated losses \$ | Total equity \$ |
|--------------------------------------------------------------|------------------------------|--------------------------------------------|----------------------------------------------------|----------------------------------|----------------------------|
| Balance at 1 July 2021 | 21,615,410 | 4,293,980 | (1,607,330) | (4,586,250) | 19,715,810 |
| Loss after income tax benefit for the half-year | - | - | - | (4,815,879) | (4,815,879) |
| Other comprehensive income for the half-year, net of tax | - | - | 544,959 | - | 544,959 |
| Total comprehensive income for the half-year | - | - | 544,959 | (4,815,879) | (4,270,920) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Vesting of share-based payments (note 17) | 54,000 | 643,150 | - | - | 697,150 |
| Transfer of cancelled share-based payments (note 17) | - | (571,365) | - | 571,365 | - |
| Dividends paid (note 12) | - | - | - | (346,856) | (346,856) |
| Balance at 31 December 2021 | <u>21,669,410</u> | <u>4,365,765</u> | <u>(1,062,371)</u> | <u>(9,177,620)</u> | <u>15,795,184</u> |

The above statement of changes in equity should be read in conjunction with the accompanying notes

VIP Gloves Limited
Statement of cash flows
For the half-year ended 31 December 2021

| | Note | Consolidated | Consolidated |
|-----------------------------------------------------------------------|-------------|---------------------|---------------------|
| | | 31 Dec 2021 | 31 Dec 2020 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 6,467,103 | 18,154,000 |
| Payments to suppliers and employees | | (5,643,848) | (16,036,000) |
| | | <u>823,255</u> | <u>2,118,000</u> |
| Interest received | | 238 | 237 |
| Interest and other finance costs paid | | (51,617) | (166,000) |
| Income taxes paid | | (1,436,132) | (132,000) |
| | | <u>(664,256)</u> | <u>1,820,237</u> |
| Net cash from/(used in) operating activities | | | |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | 7 | (186,900) | (2,310,000) |
| Deposit received for sale and leaseback transaction | | - | 2,432,000 |
| Proceeds from disposal of property, plant and equipment | | 2,281 | - |
| | | <u>(184,619)</u> | <u>122,000</u> |
| Net cash from/(used in) investing activities | | | |
| Cash flows from financing activities | | | |
| Share issue transaction costs | | - | (200,877) |
| Proceeds from options yet to be issued | | - | 10,125 |
| Dividends paid | 12 | (346,856) | - |
| Repayment of term loans | | (83,149) | (697,098) |
| Repayment of convertible notes | | - | (240,000) |
| Proceeds from / (repayment) of borrowings from related parties | | 1,938 | (300,902) |
| | | <u>(428,067)</u> | <u>(1,428,752)</u> |
| Net cash used in financing activities | | | |
| Net increase/(decrease) in cash and cash equivalents | | (1,276,942) | 513,485 |
| Cash and cash equivalents at the beginning of the financial half-year | | 1,691,921 | 960,218 |
| Effects of exchange rate changes on cash and cash equivalents | | 34,958 | (62,323) |
| | | <u>449,937</u> | <u>1,411,380</u> |
| Cash and cash equivalents at the end of the financial half-year | | | |

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and if adopted, there was, and is expected to be, no material impact on these financial statements.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity made a loss of \$4,815,879 and had net cash outflows from operating activities of \$664,256 for the half year ended 31 December 2021. As at that date, the consolidated entity had net current liabilities of \$357,407.

The loss has been attributable to the impact of the Covid-19 pandemic on glove production in order to comply with Malaysian Control Orders, increased production costs in particular raw material and natural gas, increased competition and supply of gloves in Malaysia and a decrease and normalising of average selling prices for nitrile gloves in the glove manufacturing sector. Construction of production lines 7 and 8 was also impacted by the pandemic which also delayed glove production which hampered sales during the reporting period. Following commissioning, lines 7 and 8 will increase glove production to a maximum capacity of 78m pieces per month. Sales of gloves during the reporting period were impacted by logistic issues created by the pandemic, however sales of gloves are expected to increase as the company expands into new markets in North America and Australia following the receipt of FDA and TGA approvals respectively. Arrangements between the parties relating to the repayment of the deposit on the sale and leaseback transaction allowed the Company to delay payments during the reporting period and which are to be repaid during calendar year 2022. These conditions give rise to a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Note 2. Operating segments

Identification of reportable operating segments

The Directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the Chief Operating Decision Maker (the Board) in allocating resources and have concluded that at this time there are no separately identifiable segments.

During the period, the Company's considers that it has only operated in one segment, being a nitrile glove manufacturing business in Malaysia. However, the consolidated entity has operated across two geographical locations, Malaysia and Australia. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis.

VIP Gloves Limited
Notes to the financial statements
31 December 2021

Note 2. Operating segments (continued)

The Company is domiciled in Australia. Revenue from external customers is generated in Malaysia. Assets are located in Malaysia and Australia.

Operating segment information

| | Malaysia \$ | Australia \$ | Intersegment eliminations / unallocated \$ | Total \$ |
|------------------------------------------------|--------------------|--------------------|-----------------------------------------------------|--------------------|
| Consolidated - 31 Dec 2021 | | | | |
| Revenue | | | | |
| Sales to external customers | 6,014,021 | - | - | 6,014,021 |
| Interest revenue | 238 | - | - | 238 |
| Total revenue | 6,014,259 | - | - | 6,014,259 |
| EBITDA | | | | |
| Depreciation and amortisation | (3,366,386) | (1,071,092) | - | (4,437,478) |
| Interest revenue | (812,498) | - | - | (812,498) |
| Finance costs | 238 | - | - | 238 |
| | - | - | (51,617) | (51,617) |
| Loss before income tax benefit | (4,178,646) | (1,071,092) | (51,617) | (5,301,355) |
| Income tax benefit | | | | 485,476 |
| Loss after income tax benefit | | | | (4,815,879) |
| Assets | | | | |
| Segment assets | 22,771,891 | 13,053,857 | (12,996,605) | 22,829,143 |
| Total assets | | | | 22,829,143 |
| Liabilities | | | | |
| Segment liabilities | 6,870,506 | 163,453 | - | 7,033,959 |
| Total liabilities | | | | 7,033,959 |
| Consolidated - 31 Dec 2020 | | | | |
| Revenue | | | | |
| Sales to external customers | 20,977,921 | - | - | 20,977,921 |
| Interest revenue | 237 | - | - | 237 |
| Total revenue | 20,978,158 | - | - | 20,978,158 |
| EBITDA | | | | |
| Depreciation and amortisation | 9,301,042 | (4,320,195) | - | 4,980,847 |
| Interest revenue | (483,426) | - | - | (483,426) |
| Finance costs | 237 | - | - | 237 |
| | - | - | (82,909) | (82,909) |
| Profit/(loss) before income tax expense | 8,817,853 | (4,320,195) | (82,909) | 4,414,749 |
| Income tax expense | | | | (2,161,741) |
| Profit after income tax expense | | | | 2,253,008 |
| Consolidated - 30 Jun 2021 | | | | |
| Assets | | | | |
| Segment assets | 27,047,730 | 13,659,657 | (13,606,416) | 27,100,971 |
| Total assets | | | | 27,100,971 |
| Liabilities | | | | |
| Segment liabilities | 7,336,707 | 48,454 | - | 7,385,161 |
| Total liabilities | | | | 7,385,161 |

VIP Gloves Limited
Notes to the financial statements
31 December 2021

Note 3. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

| | Consolidated | |
|---------------------------------------------|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$ | \$ |
| <i>Major product lines</i> | | |
| Nitrile gloves – VIP Glove Sdn Bhd | 6,014,021 | 20,914,997 |
| Conveyer chain parts – KLE Products Sdn Bhd | - | 62,924 |
| | <u>6,014,021</u> | <u>20,977,921</u> |

Geographical regions

All revenue is earned by Malaysian subsidiaries, and from operations in Malaysia.

Information about major customers

The consolidated entity had the following major customers with revenues amounting to 10 percent or more of total group revenues:

| | Consolidated | |
|-------------|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | % | % |
| Customer #1 | 33% | 28% |
| Customer #2 | 16% | - |
| Customer #3 | 16% | - |
| Customer #4 | 9% | 16% |
| Customer #5 | 3% | 14% |
| Customer #6 | 11% | - |
| Customer #7 | 7% | 11% |

Note 4. Current assets - trade and other receivables

| | Consolidated | |
|--------------------------------------------|-----------------------|-----------------------|
| | 31 Dec 2021 | 30 Jun 2021 |
| | \$ | \$ |
| Trade receivables | 843,178 | 862,754 |
| Less: Allowance for expected credit losses | <u>(83,864)</u> | <u>(83,864)</u> |
| | 759,314 | 778,890 |
| Other receivables | <u>4,667</u> | <u>6,968</u> |
| | <u><u>763,981</u></u> | <u><u>785,858</u></u> |

VIP Gloves Limited
Notes to the financial statements
31 December 2021

Note 5. Current assets - inventories

| | Consolidated | |
|--------------------------------|---------------------|--------------------|
| | 31 Dec 2021 | 30 Jun 2021 |
| | \$ | \$ |
| Raw materials | 624,217 | 2,311,557 |
| Work in progress | 94,558 | 132,278 |
| Finished goods | 1,589,595 | 3,505,528 |
| Less: Provision for impairment | (316,714) | - |
| | <u>1,272,881</u> | <u>3,505,528</u> |
| | <u>1,991,656</u> | <u>5,949,363</u> |

Note 6. Current assets - income tax refund due

| | Consolidated | |
|-----------------------|---------------------|--------------------|
| | 31 Dec 2021 | 30 Jun 2021 |
| | \$ | \$ |
| Income tax refund due | 888,201 | - |
| | <u>888,201</u> | <u>-</u> |

Net income tax refund due is comprised of provision for income tax payable of \$184,558 for KLE Products Sdn Bhd and income tax refund due of \$1,072,759 for VIP Glove Sdn Bhd.

Note 7. Non-current assets - property, plant and equipment

| | Consolidated | |
|--------------------------------|---------------------|--------------------|
| | 31 Dec 2021 | 30 Jun 2021 |
| | \$ | \$ |
| Plant and equipment - at cost | 13,917,486 | 13,489,310 |
| Less: Accumulated depreciation | (4,212,339) | (3,382,922) |
| Less: Impairment | (130,074) | (126,253) |
| | <u>9,575,073</u> | <u>9,980,135</u> |
| Motor vehicles - at cost | 250,421 | 243,065 |
| Less: Accumulated depreciation | (65,993) | (39,748) |
| | <u>184,428</u> | <u>203,317</u> |
| Office equipment - at cost | 134,929 | 127,961 |
| Less: Accumulated depreciation | (61,373) | (53,099) |
| | <u>73,556</u> | <u>74,862</u> |
| Leasehold buildings | 1,747,680 | 1,724,108 |
| Less: Accumulated depreciation | (125,594) | (113,997) |
| | <u>1,622,086</u> | <u>1,610,111</u> |
| Capital works in progress | <u>1,521,601</u> | <u>1,339,660</u> |
| Leasehold land - right-of-use | 5,281,164 | 5,098,271 |
| Less: Accumulated depreciation | (587,487) | (529,239) |
| | <u>4,693,677</u> | <u>4,569,032</u> |
| | <u>17,670,421</u> | <u>17,777,117</u> |

VIP Gloves Limited
Notes to the financial statements
31 December 2021

Note 8. Current liabilities - trade and other payables

| | Consolidated | |
|-----------------------------|---------------------|--------------------|
| | 31 Dec 2021 | 30 Jun 2021 |
| | \$ | \$ |
| Trade payables | 2,896,068 | 2,331,091 |
| Other payables and accruals | 603,983 | 789,319 |
| | <u>3,500,051</u> | <u>3,120,410</u> |

Note 9. Current liabilities - Financial liabilities

| | Consolidated | |
|-------------------------------------------------------|---------------------|--------------------|
| | 31 Dec 2021 | 30 Jun 2021 |
| | \$ | \$ |
| Term Loans | 155,675 | 155,330 |
| Amounts payable to related parties | 66,004 | 64,066 |
| Deposit received for sale and leaseback transaction * | 1,353,091 | 1,313,345 |
| | <u>1,574,770</u> | <u>1,532,741</u> |

* Movement in 'Deposit received for sale and leaseback transaction' is due to foreign exchange adjustments. No repayments have been made since 30 June 2021.

Note 10. Non-current liabilities - Financial liabilities

| | Consolidated | |
|------------|---------------------|--------------------|
| | 31 Dec 2021 | 30 Jun 2021 |
| | \$ | \$ |
| Term loans | <u>1,517,830</u> | <u>1,548,796</u> |

Note 11. Equity - issued capital

| | Consolidated | | | |
|------------------------------|---------------------|--------------------|--------------------|--------------------|
| | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>786,781,435</u> | <u>785,881,435</u> | <u>21,669,410</u> | <u>21,615,410</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|------------------------------------------------------------------|------------------|--------------------|--------------------|-------------------|
| Balance | 1 July 2021 | 785,881,435 | | 21,615,410 |
| Issue of shares as consideration for investor relations services | 31 December 2021 | <u>900,000</u> | \$0.0600 | <u>54,000</u> |
| Balance | 31 December 2021 | <u>786,781,435</u> | | <u>21,669,410</u> |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

VIP Gloves Limited
Notes to the financial statements
31 December 2021

Note 11. Equity - issued capital (continued)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 12. Equity - dividends

Dividends paid during the financial half-year were as follows:

| | Consolidated | |
|------------------------------------------------------------------------------------|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$ | \$ |
| Final dividend for the year ended 30 June 2021 of 0.05 cents per share (\$0.0005). | <u>346,856</u> | <u>-</u> |

The Company has not accumulated any franking account credits. Consequently, the dividend paid was unfranked.

The Company's dividend policy is a dividend payout ratio of between 20% and 40% of earnings before significant items, subject to the Company's financial position.

Note 13. Contingent liabilities

In November 2020, VIP received a Writ of Summons, served in Malaysia, from ACE Solutions Investments Ltd (Plaintiff), a BVI registered company, alleging that the Company has denied the Plaintiff the right to receive a placement of 74.5 million shares in the Company at a price of \$0.04 per share on the basis of wrongful and unlawful breach of a purported agreement between the Plaintiff and Company representatives.

On 25 October 2021 the Company was successful in its application to strikeout the action and on 26 November 2021 the Company announced that the Plaintiff had lodged an appeal. The appeal is still pending in the Court of Appeal and the hearing date is now fixed for 18 August 2022.

It is not practicable to provide an estimate of the financial effect of the legal action as it cannot be predicted given the level of uncertainty.

With the advice of VIP's lawyers, VIP intends to vigorously defend the matter on the grounds that the Plaintiff's claim is without reasonable cause of action; frivolous and vexatious; and an abuse of Court process.

Note 14. Commitments

The consolidated entity continues with the construction of glove manufacturing lines 7 and 8 following the end of the reporting period.

Committed capital expenditure at 31 December 2021 is \$NIL (June 2021: \$NIL).

Planned capital expenditure not yet committed at 31 December 2021 is \$1,277,028 (MYR 3,869,523) (June 2021: \$1,276,354).

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

VIP Gloves Limited
Notes to the financial statements
31 December 2021

Note 16. Earnings per share

| | Consolidated | |
|-------------------------------------------------------------------------------------------|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$ | \$ |
| Profit/(loss) after income tax | <u>(4,815,879)</u> | <u>2,253,008</u> |
| | Cents | Cents |
| Basic earnings per share | (0.61) | 0.30 |
| Diluted earnings per share | (0.61) | 0.29 |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 785,886,326 | 745,656,435 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | <u>-</u> | <u>38,000,000</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>785,886,326</u> | <u>783,656,435</u> |

Options and performance rights granted are considered to be potential ordinary shares. On the basis of the consolidated entity's losses, the outstanding options and performance rights are not included in the calculation of diluted earnings per share because they are anti-dilutive.

Note 17. Share-based payments

The VIP Gloves Limited Equity Incentive Plan was established by the consolidated entity and approved by shareholders at a general meeting held on 19 October 2020, whereby the consolidated entity may, at the discretion of the Board, grant options over ordinary shares and performance rights in the company to certain key management personnel of the consolidated entity.

Options

The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

Set out below are summaries of unlisted options granted under the VIP Gloves Limited Equity Incentive Plan:

| | Number of options 31 Dec 2021 | Weighted average exercise price 31 Dec 2021 | Number of options 31 Dec 2020 | Weighted average exercise price 31 Dec 2020 |
|---------------------------------------------------------|-------------------------------------|------------------------------------------------------|-------------------------------------|------------------------------------------------------|
| Outstanding at the beginning of the financial half-year | 37,775,000 | \$0.0450 | - | \$0.0000 |
| Granted | 1,000,000 | \$0.0750 | 38,000,000 | \$0.0450 |
| Forfeited * | <u>(12,775,000)</u> | \$0.0450 | <u>-</u> | \$0.0000 |
| Outstanding at the end of the financial half-year | <u>26,000,000</u> | \$0.0460 | <u>38,000,000</u> | \$0.0450 |

* Holders elected to cancel the options.

VIP Gloves Limited
Notes to the financial statements
31 December 2021

Note 17. Share-based payments (continued)

31 Dec 2021

| Grant date | Expiry date | Exercise price | Balance at the start of the half-year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the half-year |
|------------|-------------|----------------|---------------------------------------|------------------|-----------|---------------------------|-------------------------------------|
| 23/10/2020 | 23/10/2023 | \$0.0450 | 37,775,000 | - | - | (12,775,000) | 25,000,000 |
| 31/12/2021 | 30/06/2023 | \$0.0750 | - | 1,000,000 | - | - | 1,000,000 |
| | | | <u>37,775,000</u> | <u>1,000,000</u> | <u>-</u> | <u>(12,775,000)</u> | <u>26,000,000</u> |

During the reporting period 1,000,000 options were granted to advisors under an agreement to provide investor relations services to the Company.

For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 31/12/2021 | 30/06/2023 | \$0.0310 | \$0.0750 | 100.00% | 7.00% | 1.95% | \$0.007 |

Performance rights

Set out below are summaries of unlisted performance rights granted under the VIP Gloves Limited Equity Incentive Plan:

| | Number of rights 31 Dec 2021 | Weighted average exercise price 31 Dec 2021 | Number of rights 31 Dec 2020 | Weighted average exercise price 31 Dec 2020 |
|---------------------------------------------------------|------------------------------|---------------------------------------------|------------------------------|---------------------------------------------|
| Outstanding at the beginning of the financial half-year | 40,000,000 | \$0.0000 | - | \$0.0000 |
| Granted | <u>-</u> | <u>\$0.0000</u> | <u>80,000,000</u> | <u>\$0.0000</u> |
| Outstanding at the end of the financial half-year | <u>40,000,000</u> | <u>\$0.0000</u> | <u>80,000,000</u> | <u>\$0.0000</u> |

31 Dec 2021

| Grant date | Expiry date | Exercise price | Balance at the start of the half-year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the half-year |
|------------|-------------|----------------|---------------------------------------|----------|-----------|---------------------------|-------------------------------------|
| 01/11/2020 | 31/10/2023 | \$0.0000 | 40,000,000 | - | - | - | 40,000,000 |
| | | | <u>40,000,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>40,000,000</u> |

The Performance Rights were issued to Directors and Key Management Personnel for no consideration as a long-term incentive and have a nil exercise price. Performance Rights will vest subject to satisfaction of applicable conditions and become exercisable for nil consideration.

The remaining 40,000,000 Class B Performance Rights will vest upon the Company achieving total nitrile gloves production capacity above 70,000,000 pieces per month. These rights had not vested as at balance date, as they had not met vesting conditions.

The above performance milestones are to be achieved by three years after the issue of the Performance Rights. If they are not achieved by that date, the Performance Rights will lapse.

Note 17. Share-based payments (continued)

Expenses arising from share-based payment transactions

| | Consolidated | |
|-----------------------------------------------------------------------------------------------------|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$ | \$ |
| Shares - issued to advisors as consideration for investor relations services | 54,000 | - |
| Options - issued to advisors as consideration for investor relations services | 7,181 | 1,699,740 |
| Performance rights - amortisation of rights issued in prior periods under the Equity Incentive Plan | 635,969 | 2,274,231 |
| | <u>697,150</u> | <u>3,973,971</u> |

VIP Gloves Limited
Directors' declaration
31 December 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Kai Fatt Wong
Director

25 February 2022

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of VIP Gloves Ltd (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (together, the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of VIP Gloves Ltd is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to Going Concern

We draw attention to Note 1 to the financial report, which describes that for the half-year ended 31 December 2021 the consolidated entity incurred a loss of \$4,815,879 and net cash outflows from operating activities of \$664,256. The consolidated entity also had net current liabilities of \$357,407 at period end. These conditions, along with other matters set out in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Responsibility of Management for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck

William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136

A handwritten signature in black ink, appearing to read 'N. S. Benbow'.

N. S. Benbow

Director

Melbourne, 25th February, 2022