

**L&P GLOBAL BERHAD**

Registration No. 202101028085 (1428385-M)

Stock Name : L&amp;PBHD

Type : General Announcement

Subject : Others

Description : PROPOSED VARIATION TO THE UTILISATION OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING

**1. Introduction**

The Board of Directors of L&P Global Berhad (“**L&P**” or “**the Company**”) (“**Board**”) wishes to announce that the Board had resolved to approve the variation to the utilisation of RM8.00 million of proceeds raised from its initial public offering (“**IPO**”) exercise, which had been earmarked for part payment of the construction cost for a new factory in Johor (“**Proposed New Johor Factory**”) (“**Capex Variation**”).

On its listing on the ACE Market of Bursa Malaysia Securities Berhad on 3 January 2023, the Company had raised total gross proceeds of RM39.90 million (“**IPO Proceeds**”) to be utilised in the manner as disclosed in the Prospectus dated 13 December 2022 issued in conjunction with the IPO and as tabulated below:

Purposes	RM '000	%	Estimated time frame for use (from the Listing date)
Capital expenditure (“ <b>Capex</b> ”)	10,000	29.50	Within 36 months
Business expansion	2,000	5.90	Within 36 months
Repayment of borrowings	5,000	14.75	Within 6 months
Working capital	13,000	38.35	Within 12 months
Estimated listing expenses	3,900	11.50	Within 3 months
<b>Total</b>	<b>33,900</b>	<b>100.00</b>	

As at the date of this announcement, L&P and its subsidiaries (“**L&P Group**” or “**the Group**”) had utilised approximately RM21.90 million of the IPO Proceeds.

**2. Details of the Capex Variation**

2.1 As at the date of this announcement, an amount of RM10.00 million allocated for Capex remained unutilised. The Capex was for the purpose of paying part of the construction cost for constructing the new, larger Proposed New Johor Factory for expansion of operations in Johor.

2.2 The status of utilisation of the IPO Proceeds and the details of the variation to the utilisation of the IPO Proceeds is set out below:

Purposes	Original proposed utilisation of IPO Proceeds RM'000	Actual utilisation as at 28 July 2023 RM'000	Balance unutilised as at 28 July 2023 RM'000	Revised utilisation of IPO Proceeds RM'000	Estimated timeframe for utilisation upon listing
Capex	10,000	-	10,000	2,000	Within 36 months
Capex Variation				8,000	Within 36 months

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Purposes	Original proposed utilisation of IPO Proceeds RM'000	Actual utilisation as at 28 July 2023 RM'000	Balance unutilised as at 28 July 2023 RM'000	Revised utilisation of IPO Proceeds RM'000	Estimated timeframe for utilisation upon listing
Business expansion	2,000	-	2,000	-	Within 36 months
Repayment of borrowings	5,000	5,000	-	-	-
Working capital	13,000	13,000	-	-	-
Estimated listing expenses	3,900	3,900	-	-	-
<b>Total</b>	<b>33,900</b>	<b>21,900</b>	<b>12,000</b>	<b>10,000</b>	

## Notes:

- \* The RM10.0 million was initially earmarked for part payment of the construction cost for the Proposed New Johor Factory which included manufacturing of components, and larger assembly and storage space as part of the Group's business strategies and expansion plans in Johor. In conjunction with the expansion plans, the Group intends to purchase a piece of land around the Kulai/Senai area in Johor, in close proximity to the existing Kulai Branch, for the planned construction of the Proposed New Johor Factory. Any excess amount require for the Capex will be funded by internally generated funds and/or bank borrowings.

- 2.3 The Board had resolved to approve the Capex Variation, the details of which are as follows:

Capex Variation	RM '000
Kulai Branch Acquisition <sup>1</sup>	4,020
Machineries, equipment and system costs for Kulai Branch, Perai Branch and Sungai Bakap Factory <sup>2</sup>	2,540
Renovation cost for Kulai Branch and Sungai Bakap Factory <sup>3</sup>	830
Motor Vehicle for Sungai Bakap Factory <sup>4</sup>	610
<b>Total</b>	<b>8,000</b>

For clarity, total amount involved under the Capex Variation of RM8.00 million is approximately 23.60% of the total IPO Proceeds.

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## Notes:

1. In second (2<sup>nd</sup>) quarter of 2023, the registered owner of the existing Kulai Branch had indicated their intention to dispose the premise which is currently rented by the Group. The Board is of the view that it will be more viable to acquire the Kulai Branch (“Kulai Branch Acquisition”) for RM4.02 million from the existing owner. The Kulai Branch Acquisition will result in cost saving arising from rental, renovation and logistics cost and to prevent the risk of disruption in operation from the relocation of the Kulai Branch.
2. As part of the expansion plans, the Group had decided to reallocate approximately RM2.54 million for the purchase of machineries, equipment and systems including cutting machine, ripping machine, moulding machine, auto nailing machine, hotmelt gluing machine, auto grooving equipment, conveying system, dust silo and enterprise resource planning system, to support the expansions in the Sungai Bakap Factory, Perai and Kulai Branches.
3. Approximately RM0.83 million will be reallocated for the renovation of the Sungai Bakap Factory and the Kulai Branch as part of the expansion plans.
4. Approximately RM0.61 million will be reallocated for the purchase of lorries for the Sungai Bakap Factory as part of the expansion plans.

**3. Rationale for the Capex Variation**

After due consideration, the Board has decided to acquire the land on which the Kulai Branch is situated as this will minimise disruption to its current operation. At the same time, if the Kulai Branch is sold to third party, the Group may not be able to find a similar location and will incur additional cost due to relocation of Kulai Branch. The Kulai Branch Acquisition will result in cost savings arising from rental, renovation and logistics cost to be incurred by the Group.

In addition, the Capex Variation is also in line with the Group’s current business strategy to prioritise its expansion plans for the existing Sungai Bakap Factory, Perai Branch and Kulai Branch over the other new factories due to unexpected change in global economic slowdown.

**4. Effects of the Capex Variation**

The Board is of the opinion that the Capex Variation will not have any adverse effect on the financial performance of the Group and is in the best interest of the Company.

**5. Interests of Directors, Major Shareholders, Chief Executive and/or Persons Connected with them**

None of the Directors, major shareholders, chief executive of L&P and / or persons connected with them have any interest, whether direct or indirect, in the Capex Variation.

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**6. Approvals Required**

The Capex Variation raised by the Company is not subject to any regulatory or shareholders' approval. Nevertheless, the Board shall continue to be vigilant and prudent in managing the proceeds and will continue to disclose the status of the utilisation of the proceeds in L&P's interim financial reporting and annual report until its full utilisation.

**7. Statement from the Board**

After having considered all aspects and careful deliberation, the Board is of the opinion that the Capex Variation is in the best interests of the Company.

This announcement is dated 28 July 2023.