

NEXTGREEN GLOBAL BERHAD (“NEXTGREEN” OR THE “COMPANY”)

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On behalf of the Board of Directors of Nextgreen (“**Board**”), RHB Investment Bank Berhad (“**RHBIB**”) wishes to announce that the Company proposes to undertake a proposed private placement of up to ten per cent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any), to third party investor(s) to be identified at a later date and at an issue price to be determined later (“**Proposed Private Placement**”).

Further details of the Proposed Private Placement are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Proposed Private Placement

The Proposed Private Placement will entail the issuance of up to 65,665,711 new ordinary shares of RM0.50 each in Nextgreen (“**Nextgreen Share(s)** or “**Share(s)**”), representing approximately ten percent (10%) of the issued share capital (excluding treasury shares, if any) of Nextgreen (“**Placement Shares**”) to investors to be identified later.

The maximum number of 65,665,711 Placement Shares to be issued pursuant to the Proposed Private Placement was arrived at after taking into consideration the following:

- (i) the issued share capital of Nextgreen of RM114,591,680 comprising 458,366,718 Nextgreen Shares as at 13 December 2018, being the latest practicable date prior to the date of this announcement (“**LPD**”); and
- (ii) assuming all of the outstanding 198,290,398 Warrants 2015/2020 (“**Warrants**”) are exercised into 198,290,398 Nextgreen Shares prior to the implementation of the Proposed Private Placement.

As at the LPD:

- (i) Nextgreen does not have any treasury shares; and
- (ii) no Employees’ Share Option Scheme (“**ESOS**”) options have been granted by the Company.

The Placement Shares are intended to be issued under the existing general mandate approved by the shareholders of Nextgreen at the Company’s thirteenth (13th) Annual General Meeting (“**AGM**”) held on 3 December 2018 pursuant to Sections 75 and 76 of the Companies Act 2016 (“**Act**”) (“**Existing Mandate**”). The Existing Mandate which is valid until the next AGM of the Company, empowers the Board to allot and issue new Nextgreen Shares at any point of time, upon such terms and conditions and for such purposes as the Board may, deem fit, provided that the aggregate number of Shares to be issued pursuant to the Existing Mandate does not exceed ten per cent (10%) of the total number of issued Shares (excluding treasury shares, if any).

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total number of issued Shares on a date to be determined later and after the approvals, as set out in **Section 6** of this announcement, have been obtained.

2.2 Basis of determining the issue price of the Placement Shares

The issue price of the Placement Shares shall be determined and announced by the Board at a later date after the receipt of all requisite approvals for the Proposed Private Placement ("**Price-Fixing Date**").

The issue price of the Placement Shares will be determined after taking into consideration, the historical price movement of Nextgreen Shares, the prevailing market conditions and the 5-day volume weighted average market price ("**VWAMP**") of Nextgreen Shares immediately preceding the Price-Fixing Date.

In accordance with Paragraph 6.04(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the Placement Shares shall not be priced at more than 10% discount to the 5-day VWAMP of Nextgreen Shares immediately preceding the Price-Fixing Date.

For illustrative purposes only, the Placement Shares are indicated to be issued at RM0.50 each, representing a discount of approximately 9.00% or RM0.05 to the 5-day VWAMP of Nextgreen Shares up to and including the LPD of RM0.55 per Nextgreen Share.

2.3 Placement arrangement

The Placement Shares will be placed out to third party investor(s) to be identified at a later date, where such investor(s) shall be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

In accordance with Paragraph 6.04(c) of the Listing Requirements, the Placement Shares will not be placed out to the following parties:

- (i) a director, major shareholder or chief executive of the listed issuer or a holding company of listed issuer ("**Interested Person**");
- (ii) a person connected with the Interested Person; or
- (iii) nominee corporation, unless the names of the ultimate beneficiaries are disclosed.

The Proposed Private Placement may be implemented in tranches within 6 months from the date of approval from Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities and until the conclusion of the next AGM of the Company or any extended period as may be approved by the shareholders of the Company in the forthcoming AGM. As such, the implementation of the Proposed Private Placement could potentially be in multiple tranches with several Price-Fixing Dates. This will provide the Company with flexibility to procure interested investors, taking into consideration market conditions and to optimise proceeds to be raised.

2.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Nextgreen Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid by the Company for which the entitlement date precedes the date of allotment and issuance of the Placement Shares.

2.5 Listing and quotation of the Placement Shares

An application will be made to Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities.

3. UTILISATION OF PROCEEDS

Based on the indicative issue price of RM0.50 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM32.83 million. The proceeds to be raised from the Proposed Private Placement are expected to be utilised by Nextgreen in the following manner:

Proposed utilisation	Notes	Minimum Scenario (RM)	Maximum Scenario (RM)	Expected timeframe for the utilisation *
Payment for the land	(a)	8,000,000	8,000,000	Within 12 months
Infrastructure costs	(b)	12,000,000	12,000,000	Within 12 months
Working capital	(c)	2,768,335	12,632,855	Within 12 months
Estimated expenses in relation to the Proposed Private Placement	(d)	150,000	200,000	Within 1 month
Total estimated proceeds		22,918,335	Up to 32,832,855	

Notes:

* From the date of completion of the Proposed Private Placement.

(a) Based on the Company's announcement dated 21 October 2016, the Pejabat Setiausaha Kerajaan Pahang (Pahang State Government) had via its letter dated 13 October 2016 received on 21 October 2016, granted the Company's wholly-owned subsidiary, Ultimate Ivory Sdn Bhd ("**Ultimate Ivory**"), the land approval for 375 acres of land in Kg. Paloh Hinai, Mukim Lepar, Daerah Pekan, Pahang Darul Makmur ("**Land**") which would be for development of the entire project of Pekan Green Technology Park ("**GTP Pekan Project**").

The purchase consideration of the Land of RM9,250,000 is fixed and valued by the Jabatan Penilaian dan Perkhidmatan Harta Negeri Pahang (Valuation and Property Services Department of Pahang) and will be paid by Ultimate Ivory in a staggered manner based on the land use for the development of the GTP Pekan Project. The payment by Ultimate Ivory of RM1,925,579 was made in March 2016 in relation to the 26 acres of land would be used to offset against the total amount payable of RM9,250,000 leaving the balance of RM7,324,421 payable. Any variation to the payment for the Land will be adjusted to or from the working capital requirements.

The proceeds will be utilised as follows:

	RM
Payment to be made for the purchase consideration of the Land	7,324,421
Authority fees and others	675,579
Total	8,000,000

The diversification pursued by Nextgreen on green technology has enabled it to conceptualise a PGT Project where other products made from the palm biomass will also be sited in the same park. Therefore, the Company takes the lead in proposing the ideas to the State Government. The concept is in line with the Government's initiative to promote the use of green technology to turn palm waste into high valued products.

- (b) The Group intends to utilise the partial of the proceeds to be raised from the Proposed Private Placement for the infrastructure costs related to the development of GTP Pekan Project as follows:

	RM
Sand backfilling for main access roads, phase 2 and other site preparation as well as improvements for wetland, sand stockpiled area and ground improvements and etc	12,000,000

To summarise, the development of GTP Pekan Project can be divided into five (5) phases:

Phase 1	(a)	Pulp and paper mill with production capacity of 10,000 metric tons of wood free paper;
	(b)	Pulp and paper mill with production capacity of 5,000 metric tons of tissue paper using the Pre-conditioning Refiner Chemical Recycled Bleached Mechanised Pulp Technology ("PRC RBMP Technology"); and
	(c)	Waste water treatment plant – Waste water generated from GTP Pekan's manufacturing processes will be channeled into the waste water treatment plant.
Phase 2	(a)	Pulp and paper mill with production capacity of 100,000 metric tons of box liner paper using the PRC RBMP Technology; and
	(b)	Pulp and paper mill with production capacity of 120,000 metric tons of corrugated paper using the PRC RBMP Technology.
Phase 3	~	Pulp and paper mill with production capacity of 65,000 metric tons of tissue paper using the PRC RBMP Technology.
Phase 4	~	Feed mill with production capacity of 30,000 metric tons of agro-feed using the microbial fermentation technology; and
	~	Fertiliser plant with production capacity of 50,000 metric tons of fertiliser using the by-products produced from the biogas plant.
Phase 5	~	Light industries – Wood free paper, tissue paper, corrugated paper and box liner paper can be used in the light industries, e.g. high grade packaging printing.

Nextgreen Group is expected to complete the pulp and paper project of 10,000 metric ton in the first half of 2019. The Group is currently ready to move into the phase 2 of the project. .

- (c) The proceeds for working capital will be utilised to finance the day-to-day operations of the existing business of the Nextgreen and its subsidiaries ("Nextgreen Group" or "Group"), as and when the need arises as follows:

	Percentage of the total proceeds to be utilised
Payment to trade creditors	50%
Staff-related costs such as staff salaries, bonuses, statutory contribution and welfare expenses	40%
General administrative and operating expenses such as rental, utilities, telephone charges and sundry expenses	10%
Total	100%

The actual breakdown of the proceeds to be utilised for each component of working capital as disclosed above cannot be determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation.

- (d) The estimated expenses for the Proposed Private Placement consist of professional fees, fees payable to authorities as well as other miscellaneous expenses to be incurred. Any variation to the estimated expenses for the Proposed Private Placement will be adjusted to or from the working capital requirements.

The actual gross proceeds to be raised from the Proposed Private Placement will depend on the final issue price and the actual number of Placement Shares to be issued. Any variation between the actual and intended gross proceeds to be raised from the Proposed Private Placement will be adjusted against the amount allocated for working capital of the Group.

Pending utilisation of the proceeds from the Proposed Private Placement for the abovementioned purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits or instruments will be utilised as additional working capital for the Group.

4. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement:

- (i) enables the Group to raise additional funds without having to incur interest expense or service principal repayment as compared to conventional bank borrowings. This would allow the Company to preserve cash flow for reinvestment and/or operational purposes for further growth;
- (ii) is an expeditious way of raising funds from the capital market as opposed to other forms of fund raising; and
- (iii) enables the Company to strengthen its equity base which in turn may potentially increase the liquidity and marketability of Nextgreen Shares.

5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

For illustration purpose, the effects of the Proposed Private Placement shall be based on two (2) scenarios as follows:

- Minimum Scenario** : Assuming that none of the outstanding 198,290,398 Warrants are exercised prior to the implementation of the Proposed Private Placement
- Maximum Scenario** : Assuming that all of the outstanding 198,290,398 Warrants are exercised prior to the implementation of the Proposed Private Placement

5.1 Issued share capital

For illustrative purposes, the pro forma effects of the Proposed Private Placement on the issued share capital of Nextgreen as at the LPD are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares ('000)	RM ('000)	No. of Shares ('000)	RM ('000)
Existing issued share capital as at the LPD *	458,367	114,592	458,367	114,592
To be issued upon the full exercise of Warrants	-	-	198,290	118,974
	458,367	114,592	656,657	233,566
Placement Shares to be issued ⁽ⁱ⁾	45,837	22,918	65,666	32,833
Enlarged issued share capital	504,204	137,510	722,323	266,399

Notes:

* As at the LPD, the Company does not have any treasury shares.

(i) Assuming Placement Shares are issued at an indicative issue price of RM0.50 per Placement Share.

5.2 Net assets ("NA"), NA per Share and gearing

For illustrative purposes, the pro forma effects of the Proposed Private Placement on the NA, NA per Share and gearing of Nextgreen Group based on the latest audited consolidated financial statements of Nextgreen as at 30 June 2018 are as out as follows:

Minimum Scenario

	Audited as at 30 June 2018 (RM'000)	After subsequent events	Pro-forma I After the Proposed Private Placement (RM'000)
Share capital	114,592	114,592	137,510 ⁽ⁱ⁾
Reserve	(5,690)	(5,690)	(5,690)
Retained earnings	9,586	9,586	9,436 ⁽ⁱⁱ⁾
Equity attributable to the owners of the Company / NA	118,488	118,488	141,256
No. of Shares in issue ('000)	442,002 *	458,367 ^	504,204
NA per Share (RM)	0.27	0.26	0.28
Total Borrowings (RM'000)	5,898	5,898	5,898
Gearing ratio (times)	0.05	0.05	0.04

Notes:

* As at 30 June 2018, the Company held a total of 16,365,100 treasury shares of its 458,366,718 issued ordinary shares, held at a carrying amount of RM8,914,763.

^ After the Company resell all treasury shares

(i) Assuming 45,836,671 Placement Shares are issued at an indicative issued price of RM0.50 for each Placement Share.

(ii) After deducting the estimated expenses of approximately RM150,000 for the Proposed Private Placement.

Maximum Scenario

	Audited as at 30 June 2018 (RM'000)	After subsequent events	Pro-forma I After full exercise of Warrants (RM'000)	Pro-forma II After Pro-forma II and the Proposed Private Placement (RM'000)
Share capital	114,592	114,592	233,566	266,399 ⁽ⁱ⁾
Reserve	(5,690)	(5,690)	(5,690)	(5,690)
Retained earnings	9,586	9,586	9,586	9,386 ⁽ⁱⁱ⁾
Equity attributable to the owners of the Company / NA	118,488	118,488	237,462	270,095
No. of Shares in issue ('000)	442,002 *	458,367 ^	656,657	722,323
NA per Share (RM)	0.27	0.26	0.36	0.37
Total Borrowings (RM'000)	5,898	5,898	5,898	5,898
Gearing ratio (times)	0.05	0.05	0.02	0.02

Notes:

* As at 30 June 2018, the Company held a total of 16,365,100 treasury shares out of its 458,366,718 issued ordinary shares, held at a carrying amount of RM8,194,763.

^ After the Company resell all treasury shares

(i) Assuming 65,665,711 Placement Shares are issued at an indicative issue price of RM0.50 per Placement Share.

(ii) After deducting the estimated expenses of approximately RM200,000 for the Proposed Private Placement.

5.3 Earnings and earnings per Share (“EPS”)

The Proposed Private Placement is not expected to have any immediate material effect on the earnings of the Group for the financial year ending 30 June 2019, save for the potential dilution in the EPS of the Group as a result of the increase in the number of Shares in issue arising from the Proposed Private Placement. Nevertheless, the Proposed Private Placement is expected to contribute positively to the future earnings of the Group when the benefits of additional working capital to the Group are realised.

5.4 Substantial shareholders’ shareholdings

The pro forma effects of the Proposed Private Placement on the substantial shareholders’ shareholdings of Nextgreen based on the Company’s Register of Substantial Shareholders as at the LPD are as follows:

Minimum Scenario

Substantial Shareholder	Pro-forma I							
	As at the LPD				After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	% ⁽¹⁾	No. of Shares ('000)	% ⁽¹⁾	No. of Shares ('000)	% ⁽¹⁾	No. of Shares ('000)	% ⁽¹⁾
Dato’ Lim Thiam Huat	74,453	16.24	4,810	1.05	74,453	14.77	4,810	0.95
Federal Land Development Authority	43,914	9.58	-	-	43,914	8.71	-	-
Ling Siew Luan	39,774	8.68	-	-	39,774	7.89	-	-
Amechanus Ventures Sdn. Bhd.	30,000	6.54	-	-	30,000	5.95	-	-
Multiway Trading	45,000	9.82	-	-	45,000	8.92	-	-

Note:

- (i) Based on the number of Nextgreen Shares held over the total issued share (excluding treasury shares).

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Maximum Scenario

Substantial Shareholder	As at the LPD				Pro-forma I After full exercise of Warrants ⁽²⁾				Pro-forma II After Pro-forma I and the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	% ⁽¹⁾	No. of Shares ('000)	% ⁽¹⁾	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Dato' Lim Thiam Huat	74,453	16.24	4,810	1.05	150,885	22.98	4,810	0.73	150,885	20.89	4,810	0.67
Federal Land Development Authority	43,914	9.58	-	-	-	-	-	-	-	-	-	-
Ling Siew Luan	39,774	8.68	-	-	47,122	7.18	-	-	47,122	6.52	-	-
Amechanus Ventures Sdn. Bhd.	30,000	6.54	-	-	-	-	-	-	-	-	-	-
Multiway Trading	45,000	9.82	-	-	-	-	-	-	-	-	-	-

Notes:

(1) Based on the number of Nextgreen Shares held over the total issued share (excluding treasury shares).

(2) Assuming the substantial shareholder exercise the respective number of Warrants held by each of them prior to the implementation of the Proposed Private Placement.

5.5 CONVERTIBLE SECURITIES

As at the LPD, save for the 198,290,398 outstanding Warrants and ESOS options which may be granted, Nextgreen does not have any other convertible securities.

The Proposed Private Placement will not give rise to any adjustment to the exercise price and/or the number of Warrants pursuant to the provisions of deed poll.

6. APPROVALS REQUIRED

The Proposed Private Placement is subject to the approvals being obtained from the following:

- (i) Bursa Securities, for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities; and
- (ii) any other relevant authorities/parties, if required.

The shareholders of Nextgreen had via the AGM held on 3 December 2018 given their approval for the Board to allot and issue new Nextgreen Shares not exceeding 10% of the total number of issued Shares (excluding treasury shares, if any).

7. INTER-CONDITIONALITY

The Proposed Private Placement is not conditional or inter-conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of Nextgreen and/or persons connected with them has any interest, either direct or indirect, in the Proposed Private Placement.

9. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

10. ADVISER

RHBIB has been appointed to act as the Principal Adviser and Placement Agent for the Proposed Private Placement.

11. APPLICATION TO THE RELEVANT AUTHORITIES

The application to Bursa Securities for the Proposed Private Placement is expected to be made within 2 months from the date of this announcement.

12. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Private Placement is expected to be completed by the 1st half of calendar year 2019.

This announcement is dated 14 December 2018.