

KEY MATTERS DISCUSSED AT 15TH AGM

The company had presented to the floor virtually during the 15th Annual General Meeting the reply to the Minority Shareholder Watch Group (MSWG) enquiries. The correspondence enquiries and reply are as follow;

OPERATIONAL & FINANCIAL MATTERS

Nextgreen turned around its financial performance in FY2020 with RM4.23 million net profit, as compared to net loss of RM45.58 million in the preceding year.

However, the better bottom-line performance was mainly attributed to higher sale of sub-divided land in Green Technology Park (GTP) in Pahang, while other divisions were loss-making and/or not in operation during the year.

Thus, the Company would have been loss-making for FY2020 without the one-off gain recorded from sale of land. Moving forward, will the Group be able to remain profitable, without one-off gains?

Management reply:

The Group has been involved in Property Development since 2016 on a 410 acres land of development designated as Green Technology Park (GTP). The core industry of the GTP is Pulp & Paper Mill which also acts as the catalyst to promote downstream and spill-over industries within the GTP. The sale activities of the sub-divided land which was first transacted in 2016 will be offered to these strategic industry partners. The Group is holding discussions with potential investors seeking to locate their operations within the GTP for synergistic purpose. In so doing, there will be continuous land sale activities at GTP and the Group is optimistic to remain profitable, going forward..

Given the lacklustre performance of the commercial printing segment, the Printing & Publishing division had shifted its focus to box and packaging printing targeting local-based customers.

a) How has the new business performed? Will the contribution from this new business turn around the division?

Management reply:

The printing industry had been facing challenging times since the onset of digital print media. Taking advantage of the low demand brought on by the pandemic, the company is in the midst of re-aligning its printing operations into the box and packaging segment (which will continue to grow as more consumers are making purchases online). The Group is confident that this shift will bring positive results from the Printing Division.

b) As of 31 December 2020, the Printing & Publishing division had RM1.13 million worth of work to be delivered to the Ministry of Education Malaysia. What is the size of Nextgreen's order book for outstanding works to be delivered to the public and private sector?

Management reply:

The outstanding work is RM 1.13 million which solely attributable to the public sector.

Nextgreen earlier guided the commercial production of the first non-wood pulp and paper plant at GTP to start in Q12021 (Nextgreen's reply to MSWG dated 26 August 2020). However, there was delay and now the plant is expected to be completed and commissioned in the third quarter of 2021. Will the recently imposed Movement Control Order 3.0 result in further delay of GTP's commercial production?

Management reply:

Looking at the current COVID situation, the company is expecting the possibility of the MCO being extended beyond the month of June 2021, which might affect the completion and commissioning of the plant. However, the company is monitoring the ongoing work and progress made on site closely according to MCO 3.0 guideline. We do not anticipate that the delay will be significantly impacting our schedule beforehand.

Nextgreen's other receivables increased 145% to RM6.21 million from RM2.53 million (page 117, Note 11 – Other receivables, AR2020). What does "Other receivables" consist of?

Management reply:

The other receivables consist of Grant Receivables awarded by the Ministry of Science, Technology & Innovative (MOSTI), claimable expenses incurred at site on behalf sub-contractor, amount due by the related & associates companies, advance loan interest and staff advances. Those items are transacted at the normal course of business.

Of Nextgreen's total trade receivables of RM12.85 million, 51.5% or RM6.62 million are receivables that have been past due for more than 120 days. To which business division are these receivables related to? Does the Group require impairment for these outstanding receivables?

Management reply:

The RM6.62 million of Trade receivables attributed to the Printing & Publishing division. Those amount does not require further impairment as it is recoverable.

CORPORATE GOVERNANCE MATTERS

The costs incurred for maintaining the outsourced internal audit function for FY2020 amounted to RM27,000, or equivalent to RM2,250 per month (page 37 of AR2020).

a) Given the low IA fee and limited scope of IA review, how does the Audit Committee assure itself that there would be adequate coverage and an effective internal audit function?

Management reply:

During the financial year under review, the internal auditors had conducted two (2) cycles of internal audit as stipulated in the approved internal audit strategy plan which involves assessing adequacy and integrity of our internal controls that were used to manage key risks associated with operating processes; discussions held with senior management and key staff; as well as limited tests of transactions based on sample selected covering the various related records and documents are supplemented with an observation of its current practices adopted.

The Audit Committee will have active engagement with the outsourced Internal Auditors regarding the internal audit plan, evaluation of the internal control function by the Internal Auditors together with their findings. The Audit Committee will then follow up on the findings by the Internal Auditors to ensure that the findings are properly addressed and suggestion for improvement by the Internal Auditors are followed through. The Audit Committee agreed that the scope, functions, competency and resources of the internal audit function were adequate.

b) The Group has appointed an external internal audit firm to review the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives (page 42 of AR2020). Which firm was appointed to carry out the IA works for Nextgreen in FY2020?

Management reply:

The Board takes note of MSWG's comment. The internal audit function has been outsourced to GTC Consulting Sdn. Bhd.

c) The internal auditors' audit of BHS Book Printing Sdn Bhd included purchase of raw material & upkeep of plant and machinery, property, plant and Equipment, and trade receivables (page 42 of AR2020). Why did the internal auditors not conduct IA works on the subsidiaries in other business divisions such as property & construction, and manufacturing?

Management reply:

The IA works were done in accordance to the approved internal audit plan to ensure appropriate balance of controls and risks throughout the Group in achieving its business objectives.

d) How many IA reports were issued during the year? Does the Company plan to expand the scope of the IA function?

Management reply:

There are two (2) IA reports issued during the year. The company will consider to expand the scope of IA function as the Group business is growing. The new IA firm has been appointed to carry out the wider scope of the IA function of the Group.

Based on the Corporate Governance (CG) report of the Company on the application of the Practices under the Malaysian Code on Corporate Governance (MCCG), please provide clarification on the following:

**a) Practice 10.2: The board should disclose –
whether internal audit (IA) personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
the number of resources in the internal audit department;
name and qualification of the person responsible for internal audit; and
whether the internal audit function is carried out in accordance with a recognised framework.**

Nextgreen's response: Applied. The Group has appointed an established external professional Internal Audit firm, which reports to the AC and assists the AC in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.

MSWG's comment: The Board did not disclose the name of the external IA firm which carried out the IA works for Nextgreen in FY2020, as well as the name and qualification of the personnel responsible for the IA function.

Management reply:

This function has been outsourced to a professional services firm, GTC Consulting Sdn Bhd, headed by Gabriel Teo Chun, a member of Institute of Malaysia Institute of Accountant, Malaysian Institute of Taxation and Council Member of CPA Australia. The Board takes note of MSWG's comment. The Board will disclose the name and qualification of the personnel responsible for the IA function in our future CG Report.