

NEXTGREEN GLOBAL BERHAD ("NEXTGREEN" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On behalf of the Board of Directors of Nextgreen ("**Board**"), TA Securities Holdings Berhad ("**TA Securities**") wishes to announce that the Company proposes to undertake a private placement of up to 20% of the total number of issued shares of the Company to third party investor(s) to be identified later and at an issue price to be determined later ("**Proposed Private Placement**").

2. PROPOSED PRIVATE PLACEMENT

2.1 Size of placement

As at 20 October 2020, being the latest practicable date prior to this announcement ("**LPD**"), the issued share capital of the Company is RM165,827,183.55 comprising 579,791,718 ordinary shares in Nextgreen ("**Nextgreen Shares**" or "**Shares**").

As at the LPD, Nextgreen does not have any treasury shares. The Company has 57,979,100 options that may be granted and/or exercised under the Company's existing share issuance scheme, which took effect on 22 December 2016 for a period of 5 years ("**ESOS**") ("**ESOS Options**").

The Company had obtained the approval from its shareholders at the last annual general meeting ("**AGM**") convened on 29 August 2020, authorising the Board to allot and issue new Nextgreen Shares not exceeding 20% of the issued share capital of the Company pursuant to Sections 75 and 76 of the Companies Act, 2016 ("**Act**") ("**General Mandate**")⁽¹⁾. The said approval shall continue to be in force, unless revoked or varied by the Company at a general meeting, until the conclusion of the next AGM of the Company.

Note:-

(1) *Bursa Malaysia Securities Berhad ("**Bursa Securities**") had, on 16 April 2020, announced additional relief measures for listed issuers to ease compliance and facilitate their capital raising in a timely and cost-effective manner. In this regard, as an interim measure, a listed issuer is allowed to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of new securities ("**20% General Mandate**") provided that the following are being complied with:-*

- (i) *the listed issuer procures its shareholder approval for the 20% General Mandate at a general meeting;*
- (ii) *the listed issuer complies with all the relevant applicable legal requirements, including its constitution or relevant constituent document; and*
- (iii) *in addition to the existing disclosures required in the statement accompanying the proposed resolution under Paragraph 6.03(3) of the Listing Requirements, the listed issuer must disclose the views from its board of directors' that the 20% General Mandate is in the best interest of the listed issuer and its shareholders, as well as the basis for such views.*

The 20% General Mandate may be utilised by listed issuer to issue new securities until 31 December 2021. After that, the 10% limit under Paragraph 6.03(1) of the Listing Requirements will be reinstated.

In the event the Proposed Private Placement transcends beyond the next AGM, approval will be sought from the shareholders of the Company at the next AGM for renewal of the General Mandate.

Based on the above, the Company will be able to issue up to 127,554,100 Shares under the Proposed Private Placement ("**Placement Shares**"), computed as follows:-

	Minimum Scenario	Maximum Scenario ^(A)
No of issued Shares as at LPD	579,791,718	579,791,718
To be issued assuming full granting and/or exercise of the ESOS Options	-	57,979,100
After full granting and/or exercise of the ESOS Options	579,791,718	637,770,818
To be issued pursuant to the Proposed Private Placement	115,958,300	127,554,100

2.2 Placement arrangement

The Placement Shares are intended to be placed to independent third-party investor(s) to be identified later. The Placement Shares are not intended to be placed to the following persons:-

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

The issue price for each tranche of the Placement Shares will be determined separately. The basis of determining the issue price of the Placement Shares will be in accordance with market-based principles.

2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment, issue and payment of the issue price, rank *pari passu* in all respects with the then existing issued and fully paid-up Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to shareholders of Nextgreen ("**Shareholders**"), the entitlement date of which is prior to the date of allotment of the Placement Shares.

2.4 Listing and quotation of the Placement Shares

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

2.5 Basis and justification of the issue price of the Placement Shares

The Placement Shares will be issued based on a discount of not more than 10% to the 5-day volume-weighted average market price ("**VWAP**") of Nextgreen Shares up to and including the last trading day immediately preceding the price-fixing date, to be determined by the Board after taking into consideration the prevailing market conditions.

As the Proposed Private Placement may be implemented in several tranches within 6 months, there could potentially be several price-fixing dates and issue prices.

For illustrative purposes only, based on an illustrative issue price of RM0.40 per Placement Share, the issue price of the Placement Shares would represent a discount of approximately 5.66% to the 5-day VWAP of Nextgreen Shares up to and including the LPD of RM0.4240 (*Source: Bloomberg*).

3. BACKGROUND INFORMATION ON THE PEKAN GREEN TECHNOLOGY PARK (“GTP”)

The GTP is a green technology⁽¹⁾ park project developed by Ultimate Ivory Sdn Bhd (a wholly-owned subsidiary of Nextgreen). This project involves the development of approximately 410.41 acres of land in Pekan, Pahang into an environmentally-friendly, innovative and self-sustaining industrial park.

Note:-

(1) *Green technology involves the use of science and technology to create products or services that are environmentally friendly. This is achieved through improving operational performance while reducing costs, energy consumption, waste and negative effects to the environment. Some of the key concerns that green technology aims to address are sustainability (meeting the needs of society in ways that can continue indefinitely into the future without damaging or depleting natural resources) and source reduction (reducing waste and pollution by changing the ways products and/or services are manufactured or delivered).*

Further details of the GTP are set out in the circular to Shareholders dated 1 November 2019.

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As at the LPD, the GTP comprises, amongst others, integrated pulp and paper mills, feed mill, fertiliser plant, light industries, centralised waste water treatment plant and alkali recovery treatment plant. The development of the GTP is divided into 5 phases (save for lands within the GTP yet to be earmarked for future developments), as follows:-

Phase	Estimated gross development cost	Estimated gross development value	Estimated gross development profit	Expected commencement and completion	Proposed development
	(RM'000)	(RM'000)	(RM'000)		
Phase 1A (20.00 acres)	81,674 ⁽²⁾	Not applicable	10,000	<u>2016- 2021</u> Approval for the manufacturing license has been obtained from the Ministry of International Trade and Industry on 30 August 2019. The land approval has been obtained from the relevant authorities on 13 October 2016.	Pulp and paper mill with a production capacity of: (a) 10,000 metric tons of wood free paper; and (b) 2,000 metric tons of unbleached pulp for premium packaging paper (Production capacity has been upgraded from the previous 10,000 metric tons to current 12,000 metric tons)
Phase 1B (12.09 acres)	Not applicable as Nextgreen announced on 27 July 2017 that the Company completed the disposal of approximately 12.09 acres of leasehold land within the land for GTP to Dengkil Paper Mill Sdn Bhd involving the construction of a 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 ").				
Phase 1C	17,500 ⁽²⁾	-	-	<u>2021-2022</u> Applications are expected to be made by early 2021.	GTP front office to be used as administrative office and showcasing the GTP development.
Phase 2A ⁽¹⁾	456,222 ⁽²⁾	Not applicable	67,000	<u>2021-2023</u> Applications are expected to be made by early 2021.	Pulp and paper mill with production capacity of 100,000 metric tons of box liner paper using the PRC RBMP Technology.
Phase 2B ⁽¹⁾	416,235 ⁽²⁾	Not applicable	73,000		Pulp and paper mill with production capacity of 120,000 metric tons of corrugated paper using the PRC RBMP Technology.

Phase	Estimated gross development cost	Estimated gross development value	Estimated gross development profit	Expected commencement and completion	Proposed development
	(RM'000)	(RM'000)	(RM'000)		
Phase 2C	180,296 ⁽²⁾	Not applicable	-	2021-2023 Applications are expected to be made by early 2021.	30-megawatt biomass power plant to generate and supply electricity within the GTP (" Biomass Power Plant ").
Phase 3	Not available as it is still at the preliminary stage of planning and the development plans have not been finalised at this juncture.				Pulp and paper mill with production capacity of 65,000 metric tons of tissue paper using the PRC RBMP Technology.
Phase 4	Not available as it is still at the preliminary stage of planning and the development plans have not been finalised at this juncture.				(a) Feed mill with production capacity of 50,000 metric tons of agro-feed using the microbial fermentation technology; (b) Fertiliser plant with production capacity of 30,000 metric tons of fertiliser using the by-products produced from the biogas plant (" Fertiliser Plant "); and (c) Education and research and development hub in collaboration with local and foreign universities.
Phase 5	Not available as it is still at the preliminary stage of planning and the development plans have not been finalised at this juncture.				(a) Earmarked for light industries such as the construction and development of packaging and printing factories; and (b) The renewable paper pulp products produced in GTP such as wood free paper, tissue paper, corrugated paper and box liner paper can be used as raw material for the packaging and printing industries.

The total estimated gross development value, estimated gross development cost and estimated gross development profit for Phase 3 to Phase 5 (save for the estimated gross development costs of RM18.50 million for a production capacity of 10,000 metrics tons for the Fertiliser Plant) are not available as it is still at the preliminary stage of planning and is subject to the finalisation of any cooperation / joint venture arrangement. The details of the development plans have not been finalised at this juncture and the Group will upon finalisation of the relevant development plans, decide on the method of financing for these phases.

Notes:-

- (1) On 8 November 2018, the Company announced that it had entered into a memorandum of understanding (“**MOU**”) with IHI Corporation and Nomura Holdings Inc. for green technology investment partnerships where the parties agreed to discuss the possibility of developing a business structure and to conduct a feasibility study on a potential business involving the sale of empty fruit bunches (“**EFB**”) pulp, EFB paper, EFB pellet, and the procurement of EFB.

The said feasibility study was conducted to study the abovementioned business in relation to Phase 2A and Phase 2B of the GTP and explore the potential collaboration between the parties. The feasibility study was completed on 11 April 2019.

Following the completion of the abovementioned feasibility study, the parties continued with the study on the development of a 30-megawatt biomass power plant (Phase 2C), alkaline recovery plant and waste water treatment plant for the GTP and other projects in Negeri Sembilan and Sarawak. As at the LPD, the said study was still ongoing.

- (2) The source of funding for Phase 1A, Phase 1C, Phase 2A, Phase 2B and Phase 2C are as follows:-

Phases	Source of funding
Phase 1A, 1C	(i) Partially funded by a rights issue exercise (completed on 22 October 2015) which raised a proceed of RM41.64 million, where RM33.10 million was utilised for the purchase of plant and machineries and other ancillary facilities for the 10,000 metric tons pulp and paper mill. (ii) Partially funded by the 2018 Private Placement (as defined hereunder) which raised a proceed of RM19.39 million, where RM5.08 million was utilised for the construction of the main building of pulp and paper mill. (iii) Partially funded by the 2019 Private Placement (as defined hereunder), which raised a proceed of RM30.29 million, where RM30.07 million was earmarked for construction, purchase of equipment and payment for other development costs. The remaining balance of the aforementioned development will be funded via the Proposed Private Placement (for the construction of the GTP front office in Phase 1C), internally-generated funds and bank borrowings.
Phase 2A, 2B, 2C	Phase 2A and 2B were partially funded by the 2018 Private Placement (as defined hereunder) which raised a proceed of RM19.39 million, where RM5.06 million was utilised for the infrastructure costs such as sand backfilling for main access road, site clearance, earthwork and other site preparation as well as improvements for wetland, sand stockpiled area and ground improvement and etc. The remaining balance of the aforementioned development will be funded via the Proposed Private Placement (for the reclamation work for the Biomass Power Plant in Phase 2C), future fund-raising exercises, as well as the potential collaboration from the abovementioned MOU.

On 14 December 2018, Nextgreen announced a private placement of up to 10% of the total number of issued shares of the Company (excluding treasury shares) ("**2018 Private Placement**"). The 2018 Private Placement was completed on 7 October 2019 with the issuance of a total of 45,800,000 new Nextgreen Shares and raised total proceeds of approximately RM19.39 million. Part of the proceeds for this exercise was utilised for infrastructure costs related to the development of the GTP. As at the LPD, the proceeds raised from the 2018 Private Placement have been fully utilised.

On 14 October 2019, Nextgreen announced a private placement of up to 15% of the total number of issued shares of the Company (excluding treasury shares) ("**2019 Private Placement**"). The 2019 Private Placement was completed on 22 October 2020 following the issuance of the last tranche of placement shares on 2 October 2020 and the Board had on 22 October 2020 decided not to place out any more shares under the 2019 Private Placement. The 2019 Private Placement raised total proceeds of approximately RM30.29 million. As at LPD, the utilisation of the proceeds for the 2019 Private Placement are as follows:-

Details of use of proceeds	Proceeds raised	Actual utilisation	Balance unutilised	Estimated timeframe for utilisation from listing of placement shares
	(RM'000)	(RM'000)	(RM'000)	
Construction of the remaining Phase 1A of GTP	23,543	18,759	4,784	Within 24 months
Purchase of additional equipment for Phase 1A of GTP	3,400	1,600	1,800	Within 24 months
Payment for other development costs for Phase 1A of GTP	3,130	1,995	1,135	Within 24 months
Estimated expenses in relation to the 2019 Private Placement	220	186	34	Upon completion of the 2019 Private Placement
Total	30,293	22,540	7,753	

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4. UTILISATION OF PROCEEDS FROM THE PROPOSED PRIVATE PLACEMENT

Based on an illustrative issue price of RM0.40 per Placement Share, the proceeds from the Proposed Private Placement are expected to be utilised as follows:-

	Expected timeframe for utilisation from completion of Proposed Private Placement	Minimum Scenario RM'000	Maximum Scenario RM'000
(i) Construction and purchase of machineries for the Fertiliser Plant (Phase 4)	Within 18 months	18,500	18,500
(ii) Construction of the GTP front office (Phase 1C)	Within 18 months	17,500	17,500
(iii) Reclamation work for the Biomass Power Plant (Phase 2C)	Within 12 months	6,300	6,300
(iv) Working capital	Within 12 months	3,733	8,372
(v) Estimated expenses for the Proposed Private Placement	Immediate	350 ⁽¹⁾	350 ⁽¹⁾
Total		46,383	51,022

Note:-

(1) Any excess or shortfall in the actual amount of expenses incurred will be adjusted to / from the amount earmarked for working capital.

(i) Construction and purchase of machineries for the Fertiliser Plant

Nextgreen intends to utilise RM18.50 million for the construction and purchase of machineries for the Fertiliser Plant for a production capacity of 10,000 metric tons. The indicative costs for the aforementioned initiative are as follows:-

	Purpose	Description	RM'000
(i)	Construction works ⁽¹⁾	Construction works for warehouse, raw material preparation and tank area, fertiliser processing plant, raw material stockpile area	16,300
(ii)	Machineries	A complete set of machinery ⁽²⁾ required for the entire spectrum of manufacturing process of the Fertiliser Plant including incidental costs such as installation, testing, commissioning fees as well as packaging and transport charges.	2,200
			18,500

Notes:-

(1) Further breakdown on the constructions works are as follows:-

	(RM'000)
Construction works	14,625
Professional fees	1,010
Contribution to various authorities	337
Contingencies and other costs	328
Total	16,300

(2) *The machineries comprise the followings:-*

- (a) 4 units of conveyor;
- (b) 1 unit of conveyor belt;
- (c) 1 unit of material store conveyor;
- (d) 1 unit of tree branches and sludge crushing machine;
- (e) 1 unit of drying and turning machine;
- (f) 1 unit of head moving frame;
- (g) 1 unit of middle moving frame;
- (h) 1 unit of semi wet grinder;
- (i) 2 units of roller sieve;
- (j) 2 units of disc mixer;
- (k) 1 unit of chain crusher;
- (l) 1 unit of finished goods warehouse;
- (m) 1 unit of levelling device;
- (n) 1 unit of packaging scale;
- (o) 1 unit of walking turning crawler machine;
- (p) 1 unit of electrical control cabinet;
- (q) 1 unit of screw conveyor; and
- (r) 1 unit of horizontal double screw mixer

(ii) Construction of the GTP front office

Nextgreen intends to utilise RM17.50 million for the construction of the GTP front office. The indicative costs for the aforementioned initiative are as follows:-

	(RM'000)
Construction works	15,800
Professional fees	950
Contribution to various authorities	320
Contingencies and other costs	430
Total	17,500

(iii) Reclamation work for the Biomass Power Plant

Nextgreen intends to utilise RM6.30 million for the reclamation works for the Biomass Power Plant. The indicative costs for the aforementioned initiative are as follows:-

	(RM'000)
Site clearance and backfilling of sand	5,670
Geotechnical consultancy services and treatment works	500
Soil investigation works	50
Contingencies and other costs	80
Total	6,300

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(iv) Working capital

The Group intends to utilise the balance proceeds from the Proposed Private Placement to fund its working capital in the following manner:-

Working capital	Percentage allocation	Minimum Scenario	Maximum Scenario
		(RM'000)	(RM'000)
Purchase of raw materials and chemicals	80.0	2,983	6,692
Operating and administrative expenses such as staff costs, utilities, transportation costs and others	20.0	750	1,680
Total	100.0	3,733	8,372

(v) Estimated expenses for the Proposed Private Placement

The breakdown of the estimated expenses for the Proposed Private Placement is illustrated below:-

Estimated expenses	Amount (RM'000)
Professional fees ⁽¹⁾	320
Fees to relevant authorities	30
Total	350

Note:-

(1) These include advisory fees, management fees, placement commission and other professional fees payable to the Principal Adviser, company secretary and share registrar in relation to the Proposed Private Placement.

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5. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

As detailed in Section 4 of this announcement, the proceeds raised from the Proposed Private Placement will be utilised mainly for construction and purchase of machineries for the Fertilizer Plant, construction of the GTP front office and reclamation works for the Biomass Power Plant. These are expected to contribute positively to the earnings of the Group.

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 at this juncture as it would enable the Group to raise additional funds expeditiously without having to incur interest costs or service principal repayments as compared to bank borrowings. In turn, this allows the Company to preserve its cash flow.

6. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS

6.1 Overview and prospects of the Malaysian economy

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in 2Q 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020: -17.1%; 3Q 2009: -1.1%). On the supply side, this was reflected in negative growth across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 16.5% (1Q 2020: -2.0%). Weak growth was recorded across most economic sectors amid the imposition of the Movement Control Order (“MCO”), followed by the Conditional MCO (“CMCO”) and Recovery MCO (“RMCO”), during 2Q 2020.

The services sector contracted by 16.2% (1Q 2020: 3.1%). The sector was affected by the implementation of a nationwide restrictive MCO, with only essential services such as food-related retail, utilities, banking, transportation as well as information and communication entities allowed to operate with very limited capacity. The subsequent transition to CMCO in May and RMCO in June provided some relief to businesses in the sector.

Activity in the construction sector declined by 44.5% (1Q 2020: -7.9%), as almost all activities came to a standstill particularly in the month of April. Despite the partial reopening of the economy on 4 May, most construction sites faced challenges restarting due to adjustments required to comply with the strict COVID-19 Standard Operating Procedures (SOPs). Most of the construction sites were reported to remain idle as developers faced challenges to restart, including financial constraints, initial lack of clarity over the SOPs and COVID-19 testing, and disruptions in the supply of construction materials. However, the situation improved significantly towards the end of the quarter after the Government implemented additional measures to facilitate the revival of the economy.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2020, Bank Negara Malaysia)

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Global economic and financial conditions, which deteriorated sharply in the first quarter as the COVID-19 pandemic escalated, are expected to deteriorate further, with significant impact on the Malaysian economy. The domestic economy is also facing the economic effects from the necessary actions taken to contain COVID-19 locally and continued supply disruptions in the commodities sector. These shocks, particularly the significant economic repercussions induced by the unprecedented COVID-19 health crisis, are expected to weigh significantly on growth prospects for the year. The containment measures undertaken by authorities globally and domestically, which are critical and necessary, are projected to weigh on growth in the first half of the year. When the health crisis is eventually addressed, growth will be supported by the gradual improvement in household spending, further progress in the implementation of transport-related projects and higher public sector expenditure. The monetary policy responses and economic stimulus measures undertaken in the first half of the year will provide additional support to growth. The economy is subsequently expected to normalise in 2021, in line with the projected recovery in the global economy.

(Source: Outlook and Policy 2020, Bank Negara Malaysia)

6.2 Overview and prospects of the Malaysian oil palm biomass industry

Palm-oil refining in Malaysia began in the early 1970s in response to the Government's call for increased industrialisation and the emergence of refineries marked the introduction of a wide range of processed palm oil products. Today, the country is an important player in the exports of edible oils and fats, being the second-largest global palm oil producer and exporter.

The industry is a significant contributor to the country's economic growth. In 2018, exports of oil palm products contributed RM67.5 billion (US\$16.05 billion) in revenue to the national economy, with India being the largest importer of Malaysian palm oil, followed by the European Union and PRC.

The industry faces several daunting challenges. Chief among them is demand, as major importers such as India may scale back due to higher import duties, a weaker currency and a credit crunch. Additionally, since 4 September 2019, India has imposed a five per cent safeguard duty on RBD palm olein and RBD palm oil under the India-Malaysia Comprehensive Economic Co-operation Agreement, increasing the import duty to 50 per cent for 180 days (six months) on significant imports of these products to the country. Negative publicity surrounding the industry remains a challenge, especially where oil-palm plantations and the environment is concerned. This includes the anti-palm oil lobby in the European Union that has negatively impacted the industry by making it challenging to promote palm oil as a healthy alternative vegetable oil.

However, investors should take heart that the Government is committed to promote and grow the industry. MIDA will continue to participate in various awareness and outreach programmes for palm oil and palm oil-related products as the Government is committed to promoting and growing the industry. For instance, MIDA delivered an overall perspective of the Malaysian palm oil industry to overseas participants at the 39th Palm Oil Familiarisation Programme organised by the Malaysian Palm Oil Board (MPOB) from 23 to 26 September 2019. MIDA also participated in the MPOB International Palm Oil Congress and Exhibition 2019 held from 19 to 21 November 2019 in Kuala Lumpur.

In 2019, a total of 17 projects with investment totalling RM697.47 million were approved in the oil palm products industry, with 11 new projects and six expansion / diversification projects. Domestic investments totalled RM145.68 million (20.9%), with foreign investments amounting to RM551.79 million (79.1%). Among the projects approved were the production of palm- pressed mesocarp oil (red palm oil), animal feed ingredients from palm oil-based products, such as palm stearin beads, blended vegetable waxes, blended waxes, palmitic / stearic acids and other value-added products. These projects involved an investment of RM649.38 million and are expected to create 279 employment opportunities.

The Government actively promotes sustainable and good agricultural practices as part of the United Nations' Sustainable Development Goals (SDGs). This includes integrating the circular economy concept into the palm oil industry to help optimise the usage of raw materials and minimise wastage from production, emissions, and energy inefficiency. In order to attain this, materials that are commonly underutilised in the current linear economy should be reduced, reused and recycled. Embracing this model will not only help in addressing the environmental issues that negatively impact the industry, but also the ever-present concern of raw material supply.

(Source: Malaysia Investment Performance Report 2019, MIDA)

The Green Technology Master Plan ("GTMP") is fundamentally an outcome of the Eleventh Malaysia Plan (2016-2020) which has earmarked green growth as one of six game changers altering the trajectory of the nation's growth. The GTMP creates a framework which facilitates the mainstreaming of green technology into the planned developments of Malaysia while encompassing the four pillars set in the National Green Technology Policy i.e. energy, environment, economy and social.

Green technology is cross-sectorial in nature, which presents a solution in balancing the needs for economic development and the country's responsibility towards the environment. The production and development of green technology offer the opportunity to stimulate economic activities in various sectors, creating jobs and attracting investment. Green technology also offers the capability of mitigating negative environmental impact resulting from economic activities. There is a growing global need to deal with dangers of climate change, in part through the implementation of green technology. Green technology application provides the solution to realise the country's commitment to the world.

It is anticipated that by 2030, green businesses will contribute approximately 1.5% to the nation's GDP or equivalent to RM60 billion from RM7.9 billion in 2013. This projection is supported by Government's commitment towards realising the green targets, proper execution of policies and monitoring mechanism to keep track of green business performance, increase of exports as well as cooperation from private sectors. This will also contribute to RM94.3 billion of total investment in green technology.

(Source: Green Technology Master Plan Malaysia 2017-2030, Prime Minister's Office of Malaysia's government policies dated 12 July 2019)

6.3 Overview and prospects of the Malaysian pulp and paper industry

Malaysia's paper industry has been around since the 1960s but has mostly been relegated to the background as local paper companies lack the capability to expand their business. However, the industry's prospects may be about to change as MIDA has received a large number of interests from PRC paper companies wishing to establish their business in the country since 2018. MIDA has received applications from among the top 10 paper companies in PRC that contributed the most to the industry's total investment value in 2019. It is estimated that Malaysia's paper production capacity could jump by 395 per cent from the involvement of these companies.

A total of 47 projects were approved with investments of RM10.75 billion in 2019. These projects are expected to provide 6,587 employment opportunities. Of these, 16 were expansion/diversification projects with investments of RM2.72 billion making up 25.3 per cent of the total, while 31 were new projects with investments of RM8.03 billion or 74.7 per cent of total. Foreign investments amounted to 90 percent of the total or RM9.68 billion, while RM1.07 billion or 10 percent were contributed by domestic investments.

The approval given to the paper products sub-sector accounted for 96.7 per cent or RM10.39 billion of total investments in this industry, while the balance of RM364.43 million (3.3%) came from the printing and publishing sub-sector. Major investments were contributed by foreign-owned companies engaging in paper-milling activities, with total investments of RM10.1 billion which accounted for 96.8 per cent of the total investments in the paper products sub-sector.

(Source: Malaysia Investment Performance Report 2019, MIDA)

6.4 Prospects of Nextgreen Group

The Group has 3 core businesses namely (i) the printing and publishing business (ii) property development and management business (i.e. construction, development and management of the GTP) and (iii) manufacturing non-wood pulp and paper products. As at the LPD, only the first 2 businesses are operating and the non-wood pulp and paper business is expected to commence operation upon completion of its manufacturing plant in the last quarter of 2020.

The Group has seen increasing revenue derived from both local and overseas customers in the printing segment for the FYE 31 December 2019. Further, Pustaka Sistem Pelajaran Sdn Bhd (a wholly-owned subsidiary of Nextgreen) has been awarded a contract worth RM3.2 million by the Ministry of Education of Malaysia. As at 30 June 2020, Nextgreen has delivered RM1.1 million of the contract value with the remaining RM2.2 million to be delivered by 17 October 2022. Moving forward, the Group intends to focus on securing more printing orders from the education sector.

On 2 March 2020, Nextgreen Crowning Package Pulp Molding Sdn Bhd, a joint venture company between Nextgreen and Crown Package Co., Ltd ("**Crown Package**") was formed to sell packaging materials as well as manufacturing and selling pulp moulding made from EFB to Japan. As at the LPD, the Group has yet to generate any revenue from the aforementioned joint venture activity (expected to commence business in third quarter of 2021).

The Group's first non-wood pulp and paper plant (a green technology manufacturing process) is expected to be completed in the last quarter of 2020 and start commissioning in the first quarter of 2021. The said plant will be equipped with the PRC RBMP technology, which is capable of converting EFB into non-wood pulp and paper products with minimal waste. Further, the other oil palm biomass and waste from the aforesaid manufacturing process can be converted into agro-feed and organic fertilisers. As such, the plant is expected to generate a new stream of income to the Group moving forward.

Premised on the above and after having considered all the relevant aspects including the overview and outlook of the Malaysian oil palm biomass industry as well as pulp and paper industry set out in Sections 6.2 and 6.3 above, the Board is cautiously optimistic of the future prospects of the Group.

7. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

The pro forma effects of the Proposed Private Placement are as follows:-

7.1 Share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	Share capital (RM)	No. of Shares	Share capital (RM)
Issued share capital as at the LPD	579,791,718	165,827,184	579,791,718	165,827,184
To be issued assuming full granting and/or exercise of the ESOS Options	-	-	57,979,100	28,693,857 ⁽¹⁾
After full granting and/or exercise of the ESOS Options	579,791,718	165,827,184	637,770,818	194,521,041
To be issued pursuant to the Proposed Private Placement	115,958,300	46,033,320 ⁽²⁾	127,554,100	50,671,640 ⁽²⁾
Enlarged issued share capital	695,750,018	211,860,504	765,324,918	245,192,681

Notes:-

- (1) Assuming all the 57,979,100 ESOS Options which may be granted pursuant to the maximum allowable amount under the ESOS are granted and exercised at an illustrative exercise price of RM0.3816 each (based on 10% discount to the 5-day VWAP of Nextgreen Shares up to and including the LPD of RM0.4240) and after accounting for the reversal of ESOS reserve.
- (2) Based on an illustrative issue price of RM0.40 per Placement Share and after deducting estimated expenses to be incurred in relation to the Proposed Private Placement of RM350,000.

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7.2 Net assets (“NA”) and gearing

The pro forma effects of the Proposed Private Placement on the NA and gearing of the Group are as follows:-

Minimum Scenario

	Audited as at 31 December 2019	(I)	(II)
		After subsequent events ⁽¹⁾	After (I) and the Proposed Private Placement ⁽²⁾
	(RM'000)	(RM'000)	(RM'000)
Share capital	135,678	165,827	211,860
Warrant reserve	16,855	-	-
Merger reserve	(16,833)	(16,833)	(16,833)
Foreign currency translation reserve	(214)	(214)	(214)
Accumulated loss	(35,990)	(19,135)	(19,135)
Shareholders' equity / NA	99,496	129,645	175,678
Non-controlling interest	₍₃₎	₍₃₎	₍₃₎
Total equity	99,496	129,645	175,678
No. of Nextgreen Shares in issue ('000)	504,167	579,792	695,750
NA per Nextgreen Share (RM)	0.20	0.22	0.25
Total borrowings (RM'000)	5,888	5,888	5,888
Gearing (times)	0.06	0.05	0.03

Notes:-

- (1) After taking into account the issuance of a total of 75,625,000 new Shares pursuant to the 2019 Private Placement which was completed on 22 October 2020 and the expiry of the 198,290,398 outstanding warrants 2015/2020 on 19 October 2020.
- (2) Based on the issuance of 115,958,300 Placement Shares at an illustrative issue price of RM0.40 and after deducting estimated expenses to be incurred in relation to the Proposed Private Placement of RM350,000.
- (3) Negligible.

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Maximum Scenario

		(I)	(II)	(III)
	Audited as at 31 December 2019 RM'000	After subsequent events ⁽¹⁾ (RM'000)	After (I) and assuming full granting and/or exercise of the ESOS Options ⁽²⁾ (RM'000)	After (II) and the Proposed Private Placement ⁽³⁾ (RM'000)
Share capital	135,678	165,827	194,521	245,192
Warrant reserve	16,855	-	-	-
Merger reserve	(16,833)	(16,833)	(16,833)	(16,833)
Foreign currency translation reserve	(214)	(214)	(214)	(214)
Accumulated loss	(35,990)	(19,135)	(25,704)	(25,704)
Shareholders' equity / NA	99,496	129,645	151,770	202,441
Non-controlling interest	-(4)	-(4)	-(4)	-(4)
Total equity	99,496	129,645	151,770	202,441
No. of Nextgreen Shares in issue ('000)	504,167	579,792	637,771	765,325
NA per Nextgreen Share (RM)	0.20	0.22	0.24	0.26
Total borrowings (RM'000)	5,888	5,888	5,888	5,888
Gearing (times)	0.06	0.05	0.04	0.03

Notes:-

- (1) After taking into account the issuance of a total of 75,625,000 new Shares pursuant to the 2019 Private Placement which was completed on 22 October 2020 and the expiry of the 198,290,398 outstanding warrants 2015/2020 on 19 October 2020.
- (2) Assuming all the 57,979,100 ESOS Options which may be granted pursuant to the maximum allowable amount under the ESOS are granted and exercised at an illustrative exercise price of RM0.3816 each (based on 10% discount to the 5-day VWAP of Nextgreen Shares up to and including the LPD of RM0.4240).
- (3) Based on the issuance of 127,554,100 Placement Shares at an illustrative issue price of RM0.40 and after deducting estimated expenses to be incurred in relation to the Proposed Private Placement of RM350,000.
- (4) Negligible.

7.3 Earnings and earnings per Share (“EPS”)

The Proposed Private Placement is not expected to have an immediate material effect on the EPS of the Company, save for the dilution to EPS as a result of the increase in the number of Shares pursuant to the issuance of Placement Shares.

Although the EPS will be diluted as a result of the increase in the number of Shares, the Proposed Private Placement is expected to contribute positively to the earnings of the Company thereafter in view of the utilisation of proceeds as set out in Section 4 of this announcement.

7.4 Substantial Shareholders’ shareholdings

The pro forma effects of the Proposed Private Placement on the substantial Shareholders’ shareholdings are as follows:-

Minimum Scenario

Substantial shareholders	As at the LPD				(I) After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of shares	% ⁽¹⁾	No. of shares	% ⁽¹⁾	No. of shares	% ⁽²⁾	No. of shares	% ⁽²⁾
Lembaga Kemajuan Tanah Persekutuan (FELDA)	43,914,101	7.57	-	-	43,914,101	6.31	-	-
Dato’ Lim Thiam Huat	65,162,564	11.24	17,384,800 ⁽³⁾	3.00	65,162,564	9.37	17,384,800 ⁽³⁾	2.50
Dato’ Gan Kong Hiok	69,850,600	12.05	12,904,200 ⁽⁴⁾	2.23	69,850,600	10.04	12,904,200 ⁽⁴⁾	1.85
Ling Siew Luan	41,561,899	7.17	-	-	41,561,899	5.97	-	-
Lim Kah Yen	12,610,000	2.17	65,162,564 ⁽⁵⁾	11.24	12,610,000	1.81	65,162,564 ⁽⁵⁾	9.37

Notes:-

(1) Computed based on 579,791,718 Nextgreen Shares as at the LPD.

(2) Computed based on 695,750,018 Nextgreen Shares following the completion of the Proposed Private Placement.

(3) Deemed interested by virtue of the shares held by his daughter, Lim Kah Yen and his son, Lim Kean Kiat.

(4) Deemed interested by virtue of the shares held by his spouse, Yong Siew Chin and his son, Gan Eng Hian.

(5) Deemed interested by virtue of the shares held by her father, Dato’ Lim Thiam Huat.

Maximum Scenario

Substantial shareholders	As at the LPD				(I) After (I) and assuming full granting and/or exercise of the ESOS Options			
	Direct		Indirect		Direct		Indirect	
	No. of shares	% ⁽¹⁾	No. of shares	% ⁽¹⁾	No. of shares	% ⁽²⁾	No. of shares	% ⁽²⁾
Lembaga Kemajuan Tanah Persekutuan (FELDA)	43,914,101	7.57	-	-	43,914,101	6.89	-	-
Dato' Lim Thiam Huat	65,162,564	11.24	17,384,800 ⁽⁴⁾	3.00	65,162,564	10.22	17,384,800 ⁽⁴⁾	2.73
Dato' Gan Kong Hiok	69,850,600	12.05	12,904,200 ⁽⁵⁾	2.23	69,850,600	10.95	12,904,200 ⁽⁵⁾	2.02
Ling Siew Luan	41,561,899	7.17	-	-	41,561,899	6.52	-	-
Lim Kah Yen	12,610,000	2.17	65,162,564 ⁽⁶⁾	11.24	12,610,000	1.98	65,162,564 ⁽⁶⁾	10.22

Substantial shareholders	(II) After the Proposed Private Placement			
	Direct		Indirect	
	No. of shares	% ⁽³⁾	No. of shares	% ⁽³⁾
Lembaga Kemajuan Tanah Persekutuan (FELDA)	43,914,101	5.74	-	-
Dato' Lim Thiam Huat	65,162,564	8.51	17,384,800 ⁽⁴⁾	2.27
Dato' Gan Kong Hiok	69,850,600	9.13	12,904,200 ⁽⁵⁾	1.69
Ling Siew Luan	41,561,899	5.43	-	-
Lim Kah Yen	12,610,000	1.65	65,162,564 ⁽⁶⁾	8.51

Notes:-

- (1) Computed based on 579,791,718 Nextgreen Shares as at the LPD.
- (2) Computed based on 637,770,818 Nextgreen Shares assuming full granting and/or exercise of the ESOS Options.
- (3) Computed based on 765,324,918 Nextgreen Shares following the completion of the Proposed Private Placement.
- (4) Deemed interested by virtue of the shares held by his daughter, Lim Kah Yen and his son, Lim Kean Kiat.
- (5) Deemed interested by virtue of the shares held by his spouse, Yong Siew Chin and his son, Gan Eng Hian.
- (6) Deemed interested by virtue of the shares held by her father, Dato' Lim Thiam Huat.

7.5 Existing convertible securities

As at the LPD, the Company does not have any outstanding ESOS Options but there are up to 57,979,100 ESOS Options which may be granted pursuant to the maximum allowable amount under the ESOS. The Proposed Private Placement is not expected to result in any adjustment to the exercise price and/or number of ESOS Options.

Save as disclosed above, the Company does not have any other outstanding convertible securities.

8. APPROVALS REQUIRED AND CONDITIONALITY

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

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

The Proposed Private Placement is not conditional upon any other proposals undertaken or to be undertaken by the Company.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Private Placement is expected to be completed by the first quarter of 2021.

10. INTERESTS OF DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors of the Company and/or major Shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposed Private Placement in view that the Placement Shares to be issued will be placed out to third party investor(s) as disclosed in Section 2.2 above.

11. DIRECTORS' STATEMENT

The Board, having considered the current and prospective financial position, needs and capacity of the Company and after careful deliberation of the rationale and all other aspects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interests of the Company and Shareholders.

12. ADVISER AND PLACEMENT AGENT

TA Securities has been appointed by the Company to act as the Principal Adviser and the Placement Agent in relation to the Proposed Private Placement.

13. FURTHER INFORMATION

Kindly refer to Appendix I for further information on the Company.

This announcement is dated 28 October 2020.