

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

### PROPOSED PRIVATE PLACEMENT

*(For consistency, the abbreviations used throughout this announcement shall have the same meanings as defined in the announcement dated 28 October 2020 in relation to the Proposed Private Placement, where applicable, unless stated otherwise or defined herein.)*

Reference is made to the announcement dated 28 October 2020 in relation to the Proposed Private Placement (“**First Announcement**”).

On behalf of the Board, TA Securities wishes to announce the following additional information:-

1. The implementation of the Proposed Private Placement in multiple tranches would provide flexibility to Nextgreen to procure interested investors to subscribe for the Placement Shares expediently within the period as approved by Bursa Securities.

### **BACKGROUND INFORMATION ON THE GTP**

2. Referring to the table on the information of GTP in Section 3 of the First Announcement:-
  - (i) The estimated gross development values for Phase 1A, Phase 1C, Phase 2A, Phase 2B and Phase 2C are not applicable as these developments are earmarked for the Group’s own use (including the potential collaboration with any business partners) and are not intended to be sold to third party.
  - (ii) The estimated gross development profits for Phase 1A, Phase 2A and Phase 2B are determined based on the expected annual profit on the business operations from the Group’s own use of these developments.
  - (iii) The intended gross built up area and net lettable / usable areas for these developments are as follows:-

Phase	Proposed Development	Estimated gross built up area (square feet)	Estimated net lettable / usable area (square feet)
Phase 1A	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.	249,963	248,978
Phase 1C	GTP front office to be used as administrative office and showcasing the GTP development.	68,800	61,920
Phase 2A	Pulp and paper mill with production capacity of 100,000 metric tons of box liner paper using the PRC RBMP Technology.	1,565,968	1,544,438
Phase 2B	Pulp and paper mill with production capacity of 120,000 metric tons of corrugated paper using the PRC RBMP Technology.	1,462,182	1,440,652
Phase 2C	Biomass Power Plant.	514,792	411,834

The gross built up area and net lettable / usable area for Phase 3, Phase 4 (save for the Fertiliser Plant with a production capacity of 10,000 metric tons with an estimated gross built up area of 65,340 square feet and net usable area of 63,360 square feet) and Phase 5 of the GTP are not available as they are still at the preliminary stage of planning and the development plans have not been finalised at this juncture.

As at LPD, the estimated percentage of completion for Phase 1A is 82%.

### **UTILISATION OF PROCEEDS FROM THE PROPOSED PRIVATE PLACEMENT**

3. Referring to Section 4 of the First Announcement:-

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:-

	<b>Expected timeframe for utilisation from completion of Proposed Private Placement</b>	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
(i) Construction and purchase of machineries for the Fertiliser Plant (Phase 4) <sup>(1)</sup>	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) <sup>(2)</sup>	Within 12 months	6,300	6,300
(iv) Working capital <sup>(3)</sup>	Within 12 months	3,733	8,372
(v) Estimated expenses for the Proposed Private Placement	Immediate	350	350
<b>Total</b>		<b>46,383<sup>(4)</sup></b>	<b>51,022<sup>(4)</sup></b>

**Notes:-**

(1) *The Group plans to commence the construction and purchase of machineries for the Fertiliser Plant for a production capacity of 10,000 metric tons (earmarked within Phase 4 of the GTP) at this juncture as the by-product (i.e. sludge) produced from the manufacturing process of the Group's non-wood pulp and paper plant (expected to commence operations in the first quarter of 2021) can be used to produce fertilisers.*

*The construction works for the Fertiliser Plant are expected to commence by second quarter of 2021 and completed within a period of 18 months. The relevant applications such as building plan submission and manufacturing license are expected to be made by first quarter of 2021.*

(2) *The reclamation works for the Biomass Power Plant are necessary to ensure the land (currently a wetland) is in a suitable condition to support the construction of the Biomass Power Plant at a later stage.*

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

<b>Working capital</b>	<b>Percentage allocation</b>	<b>Minimum Scenario (RM'000)</b>	<b>Maximum Scenario (RM'000)</b>
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
<b>Total</b>	<b>100.0</b>	<b>3,733</b>	<b>8,372</b>

*The purchase of raw materials and chemicals under the utilisation of proceeds for working capital is for the Group's manufacturing of non-wood pulp and paper business in Phase 1A of the GTP (expected to commence operations in the first quarter of 2021).*

(4) *In the event of any shortfall in the actual amount of proceeds raised from the Proposed Private Placement under the Minimum Scenario (RM46.38 million), the proceeds are intended to be utilised in the following order of priority:-*

- (a) *Estimated expenses for the Proposed Private Placement;*
- (b) *Construction and purchase of machineries for the Fertiliser Plant (Phase 4);*
- (c) *Construction of the GTP front office (Phase 1C);*
- (d) *Reclamation works for the Biomass Power Plant (Phase 2C); and*
- (e) *Working capital.*

*Any excess in the actual amount of proceeds to be raised from the Proposed Private Placement under the Maximum Scenario (RM51.02 million) will be allocated for working capital.*

The Group's unaudited cash and bank balances (including fixed deposit with a licensed bank) as at 30 September 2020 amounted to approximately RM0.77 million. In view that the Group's first non-wood pulp and paper plant is expected to be completed in the last quarter of 2020 and start commissioning in the first quarter of 2021, the Group requires additional funds for working capital purposes for the said business operation.

Pending the utilisation of proceeds raised from the Proposed Private Placement, such proceeds will be placed in interest-bearing bank deposits and/or money market financial instruments.

#### **INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM**

4. Section 10 of the First Announcement shall be amended to include the chief executive and shall be read as follows:-

"None of the Directors of the Company, major Shareholders, **chief executive** 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."

#### **FINANCIAL INFORMATION OF NEXTGREEN GROUP**

5. Additional information in relation to Section 1.1 of Appendix I of the First Announcement:-

##### **3-month FPE 30 June 2020 compared to 3-month FPE 30 June 2019**

##### Fourth paragraph

The Group's LAT decreased by 57.52% to RM1.28 million as compared to the LAT of RM3.02 million in the 3-month FPE 30 June 2019. This was mainly due to the increase in other income to RM2.43 million in 3-month 30 June 2020 as compared to RM0.26 million in 3-month FPE 30 June 2019. The increase in other income was mainly due to the Group recognising other income amounting to RM2.24 million from the forfeiture of deposits received from the purchaser in relation to the disposal of BHS Palau.

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## **18-month FPE 31 December 2019 compared to FYE 30 June 2018**

### First paragraph

The lower sale of land from the GTP (lands within the GTP that have yet to be earmarked for future developments) is mainly due to the Group securing lesser purchasers who pursue green technology projects within the GTP in the 18-month FPE 31 December 2019.

### Second paragraph

The lower factory overhead costs for the printing and publishing business was mainly due to lower raw material costs such as the purchase of papers incurred during the 18-month FPE 31 December 2019.

### Third paragraph

The annualised LAT for the 18-month FPE 31 December 2019 was RM30.39 million, representing an increase of 1,615.64% as compared to the LAT of RM1.77 million in FYE 30 June 2018. The increase in LAT was mainly due to:-

- (a) net allowance for expected credit loss of trade receivables amounting to RM4.26 (FYE 30 June 2018: net reversal for expected credit loss of trade receivables of RM2.77 million);
- (b) other operating expenses increased to RM45.87 million as compared to RM8.10 million in FYE 30 June 2018, specifically the impairment of property, plant and equipment under construction (pulp and paper mill) of RM29.89 million. The management has reassessed the carrying value the property, plant and equipment and an appropriate impairment has been provided for accordingly; and
- (c) Pre-operating expenses for the GTP Phase 1A increased to RM3.00 million as compared to RM0.61 million in FYE 30 June 2018.

## **FYE 30 June 2018 compared to FYE 30 June 2017**

### First paragraph

The increase in print orders from overseas was mainly due to a revival of government orders from Nigeria, which was absent for the past year.

### Third paragraph

The LAT for FYE 30 June 2018 was RM1.77 million, representing a decrease of 82.40% as compared to a LAT of RM10.06 million in FYE 30 June 2017. The decrease in LAT is mainly due to:-

- (a) GP of RM1.74 million in FYE 30 June 2018 as compared to a GL of RM0.76 million in the FYE 30 June 2017;
- (b) a reversal of allowance for doubtful debts amounting to RM3.00 million (FYE 30 June 2017: RM1,499); and
- (c) profit from the disposal of an associate which was completed on 17 April 2018 amounting to RM0.75 million. Further, the said associate contributed a share in profit of RM0.35 million in the same financial year prior to disposal. There was no profit from disposal of associate and share in profit of associate in FYE 30 June 2017.

## **FYE 30 June 2017 compared to FYE 30 June 2016**

### First paragraph

The lower contribution of printing services in FYE 30 June 2017 from overseas was mainly due to the suspension of orders from the publishers and the Nigerian Government as a result of the economic downturn caused by a drop in crude oil prices.

### Third paragraph

The LAT for FYE 30 June 2017 was RM10.06 million, representing an increase of 219.26% as compared to the LAT of RM3.15 million in FYE 30 June 2016. This is mainly due to:-

- (a) the GL of RM0.76 million in FYE 30 June 2017 as compared to the GP of RM3.01 million in the previous financial year; and
- (b) other operating expenses increased to RM12.49 million as compared to RM8.64 million in FYE 30 June 2016, mainly from allowance of doubtful debts amounting to RM4.10 million.

### **STEPS UNDERTAKEN OR TO BE UNDERTAKEN TO IMPROVE THE FINANCIAL CONDITION OF THE GROUP**

6. Referring to Section 1.2, item (a) of Appendix I of the First Announcement, on 21 October 2016, the Board announced that Pejabat Setiausaha Kerajaan Pahang (Pahang State Government) had granted Ultimate Ivory Sdn Bhd, a wholly-owned subsidiary of Nextgreen the land approval for the purpose of construction and development of the GTP. The said land approval was 375 acres in size and situated in Kg. Paloh Hinai, Mukim Lepar, Pekan, Pahang.

On 10 March 2017, Ultimate Ivory Sdn Bhd received the approval from the Pahang State Government for the acquisition of an additional 35.41 acres of land for the purpose of construction and development of the GTP (which is contiguous to the abovementioned land) for a total purchase consideration of approximately RM0.87 million, making the aggregate land size for the entire GTP to be 410.41 acres.

7. Referring to Section 1.2, item (b) of Appendix I of the First Announcement, on 26 May 2017, BHS Palau (a wholly-owned subsidiary of Nextgreen) entered into a joint venture agreement with the National Government of the Republic of Palau, Ngiwal State Government and Ngiwal State Public Land Authority, for the development and sale of the residential and commercial units on the lands within the Ngiwal State of Republic of Palau:-

- (i) The name of the said development is New Ngiwal Green City.
- (ii) The aggregate number of residential and commercial units to be developed and sold under the said development shall not exceed 4,000 units, over a total development period of 15 years. The net profits of the development shall be divided between BHS Palau and the Ngiwal State Government on 80% : 20% basis, unless otherwise agreed by the parties. The costs of development of the project are intended to be funded from internally generated funds and/or borrowings, the actual breakdown of which has not been determined at this juncture.
- (iii) As at the LPD, there is no further development on the said project since the date of announcement on 26 May 2017. The date of commencement, gross development costs, gross development value and gross development profit of the project cannot be determined at this juncture as the parties are still in the midst of finalising the exact details of the said development.

8. Referring to Section 1.2, item (c) of Appendix I of the First Announcement, on 8 November 2018, Nextgreen entered into MOU with Nomura and IHI to explore collaboration and investment for the development of pulp and paper mills with production capacity of 100,000 metric tons of box liner paper and 120,000 metric tons of corrugated paper using the PRC RBMP Technology in Phase 2A and Phase 2B of the GTP.

The projects in Negeri Sembilan and Sarawak referred to in the last paragraph are potential green technology projects (which may comprise amongst others pulp and paper mill), the details of which have yet to be finalised at this juncture.

9. Referring to Section 1.2, item (d) of Appendix I of the First Announcement, on 11 November 2019, NGPP signed a MOA with UPM to allow for a technology licensing from UPM.

An amount of RM0.10 million has been paid on 24 September 2019 in respect of the licensing fee of RM0.55 million to be paid by NGPP to UPM. The parties are in the midst of finalising a revised payment schedule for the remaining balance and the Company expects to pay the balance licensing fee of RM0.45 million in 2021.

The research and development project referred to in the last paragraph involves the research and development on the incorporation of nanocellulose technology into food packaging products to be produced by the Group.

10. Referring to Section 1.2, item (e) of Appendix I of the First Announcement, on 28 February 2020, Nextgreen entered into a joint venture agreement with Crown Package to form a joint venture company for the purpose of selling packaging materials, as well as manufacturing and selling pulp moulding made from empty fruit bunch to Japan. The said business is expected to form part of the pulp and paper mill within Phase 1A of the GTP with an estimated net usable area of 8,000 square feet.

#### **ADEQUACY OF THE PROPOSED PRIVATE PLACEMENT IN ADDRESSING THE COMPANY'S FINANCIAL CONCERN**

11. The Board is of the view that the Proposed Private Placement is adequate to address the Group's financial concern, taking into consideration the immediate funding requirements for the development plans of the GTP as at the LPD (as disclosed in Section 4 of the First Announcement and in this announcement). The Group will continue to explore other suitable funding proposals for its long-term funding requirements.

As mentioned earlier, the development plans for the remaining phases within the GTP which are envisaged to be developed over 5 years and the exact funding requirements for those phases have yet to be finalised at this juncture.

It should be noted that the exact development plans for the entire GTP (with aggregate land size of 410.41 acres) may be subject to change as and when the Group enters into collaboration with new business partners for future development of the GTP or when the development is required to be altered to address the business needs of the Group at the relevant point in time.

This announcement is dated 18 November 2020.