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 5 March 2024 in relation to the Proposed Private Placement, where applicable, unless stated otherwise or defined herein.)

Reference is made to the announcement dated 5 March 2024 in relation to the Proposed Private Placement ("**First Announcement**").

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

1. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

Further to **Section 4** of the First Announcement, in respect of the rationale for the Proposed Private Placement, the Company has considered, among others, the following:

(i) the Proposed Private Placement is currently the most appropriate avenue of fund raising as it is comparatively expedient and an efficient avenue to raise the required quantum of funds as compared to a pro-rata issuance of securities such as a rights issue exercise, where the proceeds are raised on a "lump-sum" basis.

Such rights issue exercise generally takes a longer implementation time. With a private placement, the placees are required to pay the placement funds for a particular tranche within 5 market days from the price fixing date.

For a rights issue to be successful, Nextgreen would require undertakings from substantial shareholders who may require funding and/or time to procure the necessary funding. Furthermore, the Company is unable to be certain with regard to the subscription rate of the rights issue and the Board has to ensure the appropriate level of shareholders' undertakings will be in place, to subscribe for their entitlements.

Typically, a rights issue is likely to take a longer time to complete as compared to a private placement and may not allow the Company to address its immediate funding requirements for the GTP project; and

(ii) the Board is cognisant of the total funding requirements of approximately RM3.00 billion for its GTP project as at the LPD, and wishes to highlight that the GTP project is a long-term project.

As at the LPD, the Group has earmarked the development of the GTP into 5 phases, whereby each phase is currently at different stage of development. In this relation, the Company has yet to finalise the development plans for some of the phases while the development plans of certain phases have been finalised and are pending the relevant applications to be made to the authorities. In view of such, the development of the GTP project may extend into the longer term. Further details of the status of the development on each of the phases under the GTP project are set out in **Section 3(i)** of the First Announcement.

The Proposed Private Placement is therefore aimed at addressing the immediate funding requirement of the Group for the GTP project and it is the intention of the management of the Company to utilise these funds for immediate usage as and when they are required.

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In view of the size of funding required for the GTP project as well as the differing stages of development, it may not be feasible / viable for the Group to undertake a fund-raising proposal that addresses the entire funding required on a "lump sum" basis. As part of the funding plans for the GTP project, the Group will continue to explore other suitable funding alternatives as and when the development of the GTP progresses, and these may include but not limited to equity fund-raising exercises, debt financing as well as potential business partners to undertake a joint development within the GTP.

2. HISTORICAL FINANCIAL INFORMATION OF NEXTGREEN GROUP

	Audited			Unaudited
	FYE 31 December 2020	**FYE 31 December 2021**	**FYE 31 December 2022**	**FYE 31 December 2023**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**
Revenue	32,276	51,294	32,933	63,732
Cost of sales	(19,691)	(26,772)	(21,300)	(49,163)
Gross profit ("GP")	**12,585**	**24,522**	**11,633**	**14,569**
Other income	3,435	10,456	28,015	22,995
Net losses on impairment of financial assets	(1,357)	(1,893)	(4,588)	(2,249)
Operating expenses	(9,220)	(21,589)	(17,938)	(18,126)
Profit from operations	**5,443**	**11,496**	**17,122**	**17,189**
Net finance costs	(1,263)	(1,687)	(3,191)	(4,415)
Share of loss of associate	*	-	(109)	(722)
Profit before tax	**4,180**	**9,809**	**13,822**	**12,052**
Taxation	(13)	12	(1,285)	(2,539)
Profit after tax ("PAT")	**4,167**	**9,821**	**12,537**	**9,513**
PAT attributable to owners of the company	4,229	9,902	12,672	9,654
GP margin (%)	38.99	47.81	35.32	22.86
PAT margin (%)	12.91	19.15	38.07	14.93
Weighted average no. of Shares in issue ('000)	546,210	689,527	774,363	848,394
Basic EPS (sen)	0.77	1.44	1.64	1.14

Note:
* Less than RM1,000.

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<u>Financial commentary</u>

(i) FYE 31 December 2023 compared to FYE 31 December 2022

The Group's revenue for the FYE 31 December 2023 increased by approximately 93.52% or RM30.80 million to RM63.73 million (FYE 31 December 2022: RM32.93 million). This was mainly due to the following:

(i) increase in revenue from its property and construction business as there was higher progress claim from a construction contract within the GTP; and

(ii) increase in revenue from its manufacturing business as the Group managed to secure more orders from customers for its EFB woodfree paper products. Additionally, there was also higher sales of semi-finished EFB fertilisers.

In line with the increase in revenue, the Group recorded a higher GP of RM14.57 million (GP margin of 22.86%) for the FYE 31 December 2023 as compared to a GP of RM11.63 million (GP margin of 35.32%) for the FYE 31 December 2022. The decrease in GP margin was mainly due to lower margins accorded for the said construction contract with the GTP as compared to the sale of sub-divided land within the GTP in FYE 31 December 2022.

The Group recorded a lower PAT of RM9.51 million for the FYE 31 December 2023 as compared to a PAT of RM12.54 million in the FYE 31 December 2022, representing a decrease of approximately RM3.02 million. This was mainly due to the following:

(i) absence of a reversal of impairment losses on property, plant and equipment (FYE 31 December 2022: RM20.37 million);

(ii) increase in net finance costs by RM1.22 million arising from additional hire purchase loans and a new banking facility secured; and

(iii) increase in tax expenses by RM1.25 million due to additional provisions made for the sale of manufacturing by-products.

Notwithstanding this, the lower PAT was partially offset by the following:

(i) increase in other income arising from the sale of manufacturing by-products by approximately RM13.95 million;

(ii) increase in GP by RM2.94 million as set out above; and

(iii) decrease in net impairment losses on receivables by RM2.34 million.

(ii) FYE 31 December 2022 compared to FYE 31 December 2021

The Group's revenue for the FYE 31 December 2022 decreased by approximately 35.80% or RM18.36 million to RM32.93 million (FYE 31 December 2022: RM51.29 million). This was mainly due to decrease in revenue from the property and construction business as there were lower sale of sub-divided land in GTP. Notwithstanding this, the decrease in revenue was partially offset by the contribution from its manufacturing business as the Group commenced its manufacturing business operations in June 2022.

In line with the decrease in revenue, the Group recorded a lower GP of RM11.63 million (GP margin of 35.32%) for the FYE 31 December 2022 as compared to a GP of RM24.52 million (GP margin of 47.81%) for the FYE 31 December 2021. The decrease in GP margin was mainly due to the contribution from the Group's manufacturing business which has a lower margin as compared to the sale of sub-divided land in FYE December 2021.

Despite the decrease in revenue and GP, the Group recorded a higher PAT of RM12.54 million for the FYE 31 December 2022 as compared to RM9.82 million for the FYE 31 December 2021, representing an increase of approximately RM2.72 million. This was mainly due to the reversal of impairment losses on property, plant and equipment amounting to RM20.37 million.

Apart from the decrease in GP by RM12.89 million as set out above, the higher PAT was further offset by the following:

(i) increase in net impairment losses on receivables by RM2.70 million; and

(ii) increase in net finance costs by RM1.50 million arising from higher borrowing costs for additional bank facilities utilised for construction of the Group's manufacturing plant and head office within the GTP.

(iii) FYE 31 December 2021 compared to FYE 31 December 2020

The Group's revenue for the FYE 31 December 2021 increased by approximately 58.92% or RM19.02 million to RM51.29 million (FYE 31 December 2020: RM32.28 million). This was mainly due to the increase in revenue from its property and construction division as there were higher sale of sub-divided land within the GTP. Additionally, the increase in revenue was also contributed by the Group's utility and renewable energy business following its acquisition of Osmocell Malaysia Sdn Bhd in 2021.

In line with the increase in revenue, the Group recorded a higher GP of RM24.52 million (GP margin of 47.81%) for the FYE 31 December 2021 as compared to a GP of RM12.59 million (GP margin of 38.99%) for the FYE 31 December 2020.

The Group recorded a higher PAT of RM9.82 million for the FYE 31 December 2021 as compared to RM4.17 million for the FYE 31 December 2020, representing an increase of RM5.65 million. This was mainly due to the following:

(i) increase in GP by RM11.94 million as set out above; and

(ii) reversal of impairment losses on property, plant and equipment amounting to RM9.52 million.

Notwithstanding this, the higher PAT was partially offset by higher operating expenses incurred for the Group's construction of its manufacturing plant which has been delayed due to restriction measures imposed by the Government as a result of the COVID-19 pandemic.

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3. STEPS UNDERTAKEN TO IMPROVE THE FINANCIAL CONDITION OF THE GROUP

In recent years, the Group had undertaken, among others, the following initiatives to improve its financial condition:

(i) on 22 October 2020, the Company completed a private placement exercise, which raised total proceeds of approximately RM30.29 million. The proceeds have been fully utilised for, among others, the construction and development of its pulp and paper mill under Phase 1A of the GTP as well as purchase of equipment for the pulp and paper mill;

(ii) on 19 April 2021, the Company completed a private placement exercise, which raised total proceeds of approximately RM47.82 million. The proceeds have been fully utilised for, among others, the construction and purchase of machineries for the fertiliser plant under Phase 4 of the GTP, construction of the GTP front office under Phase 1C of the GTP as well as reclamation works for the development of the 30-megawatt biomass power plant under Phase 2C of the GTP;

(iii) on 19 May 2021, the Company completed the issuance of 200,000,000 redeemable convertible preference shares, which raised total proceeds of RM10.00 million. The proceeds have been fully utilised for, among others, its joint venture with Dengkil Paper Mill Sdn Bhd in respect of the development of a 5,000 metric tons tissue paper mill within the GTP; and

(iv) on 22 December 2021, the Company completed a private placement exercise, which raised total proceeds of approximately RM19.76 million. The proceeds have been fully utilised for, among others, its joint venture with Dengkil Paper Mill Sdn Bhd in respect of the development of a 5,000 metric tons tissue paper mill within the GTP and site preparation works for Phase 2A of the GTP project.

The fund-raising exercises above have been undertaken as part of the Group's funding initiatives for its development within the GTP. On top of that, in view that only part of the land within the GTP has been earmarked for developments, the Group had during the past few years sold sub-divided land (which have not been earmarked for development) within the GTP to monetise its investment in these land for its intended development.

The Group will continue to monitor its funding requirement for its development within the GTP and undertake other proposals to meet its funding objectives as and when required. This may include but not limited to equity fund-raising exercises, debt financing as well as potential business partners to undertake a joint development within the GTP.

4. IMPACT OF THE PROPOSED PRIVATE PLACEMENT AND VALUE CREATION TO THE GROUP AND ITS SHAREHOLDERS

The Proposed Private Placement will enable the Group to raise funds without incurring additional interest expense, thereby minimising cash flows commitment and preserving the Group's cash flows.

Notwithstanding the above, the consolidated EPS / LPS of the Group is expected to be diluted as a result of the increased number of Shares arising from the Proposed Private Placement. The effects of the Proposed Private Placement on the share capital, NA and gearing, earnings and EPS, substantial Shareholders' shareholdings of the Group are set out in **Section 6** of the First Announcement.

With the injection of new funds, the Company will be able to finance the proposed utilisation set out in **Section 3** of the First Announcement, 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.

The proceeds to be raised from the Proposed Private Placement are intended to be utilised mainly to fund the development of the GTP project. The development of the GTP project, as and when those developments are completed, are expected to provide a sustainable source of income to the Group and thereby contribute positively to its financial performance.

After taking into consideration the proposed utilisation of proceeds in **Section 3** of the First Announcement, the rationale in **Section 4** of the First Announcement, the industry outlook and the Group's prospects in **Section 5** of the First Announcement and the effects of the Proposed Private Placement in **Section 6** of the First Announcement, the Board is of the view that the Proposed Private Placement is expected to create value for the Shareholders in the future.

5. ADEQUACY OF THE PROPOSED PRIVATE PLACEMENT IN ADDRESSING THE COMPANY'S FINANCIAL REQUIREMENTS

Premised on **Sections 4** above as well as the effects of the Proposed Private Placement as set out in **Section 6** of the First Announcement, the Board is of the view that the Proposed Private Placement is adequate to address the Group's immediate financial requirements for the GTP project. Notwithstanding this, the Group will continue to explore other suitable funding proposals for its long-term funding requirements, if required.

As set out in **Section 3** of the First Announcement, the proceeds from the Proposed Private Placement will be used by the Group mainly to fund its development of the GTP project. This will potentially improve the Group's financial performance and financial position.

This announcement is dated 8 March 2024.