

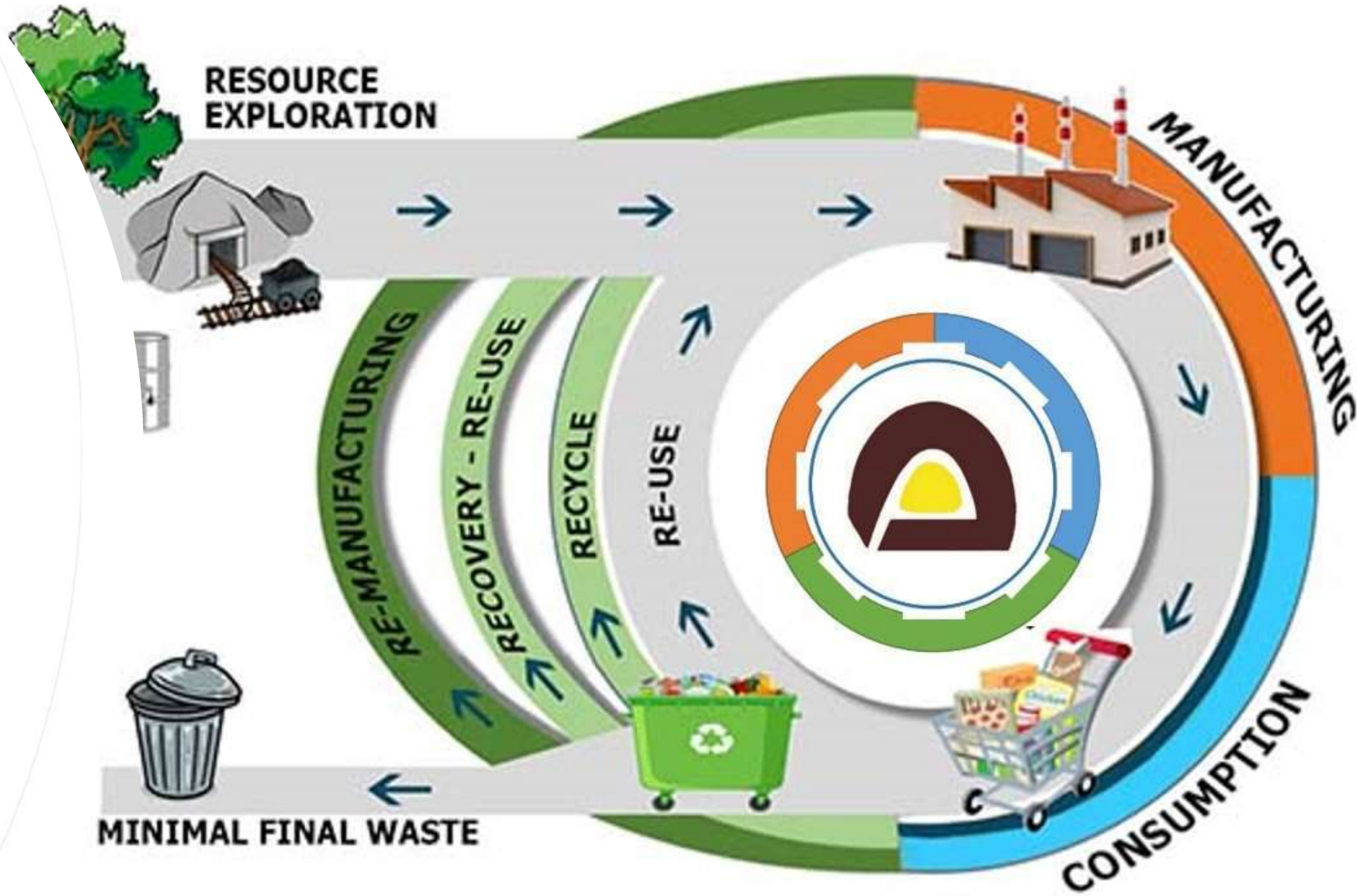


EPM DUPONT FUND

ESG IMPACT FUND-1

AE CARBON CAPITAL LTD
Executive Summary
ESG IMPACT FUND-1

(Doc No: AECC/0004-IM/20)



Prepared by
THE MANAGEMENT
NOV 2020

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- ❖ It is provided as part of the evaluation materials to assist the recipient and its advisors in assessing whether they wish to consider participating including funding the Company's Public-Private Partnership with the relevant local authorities in Malaysia involving the design, financing, construction, operation and maintenance of new integrated waste management facility for municipal waste. (the "Project").
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TABLE OF CONTENT		
1	Background Information	Pg-3
2	Key Highlights	Pg-5
3	Problem Statement	Pg-7
4	Proposed Solution	Pg-11
5	Risk Management Profile	Pg-17
6	SWOT Analysis	Pg-19
7	Proposed Project Site Location	Pg-22
8	Financial Information	Pg-27
9	Exit Strategy	Pg-36
10	Summary	Pg-38

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1. Background Information

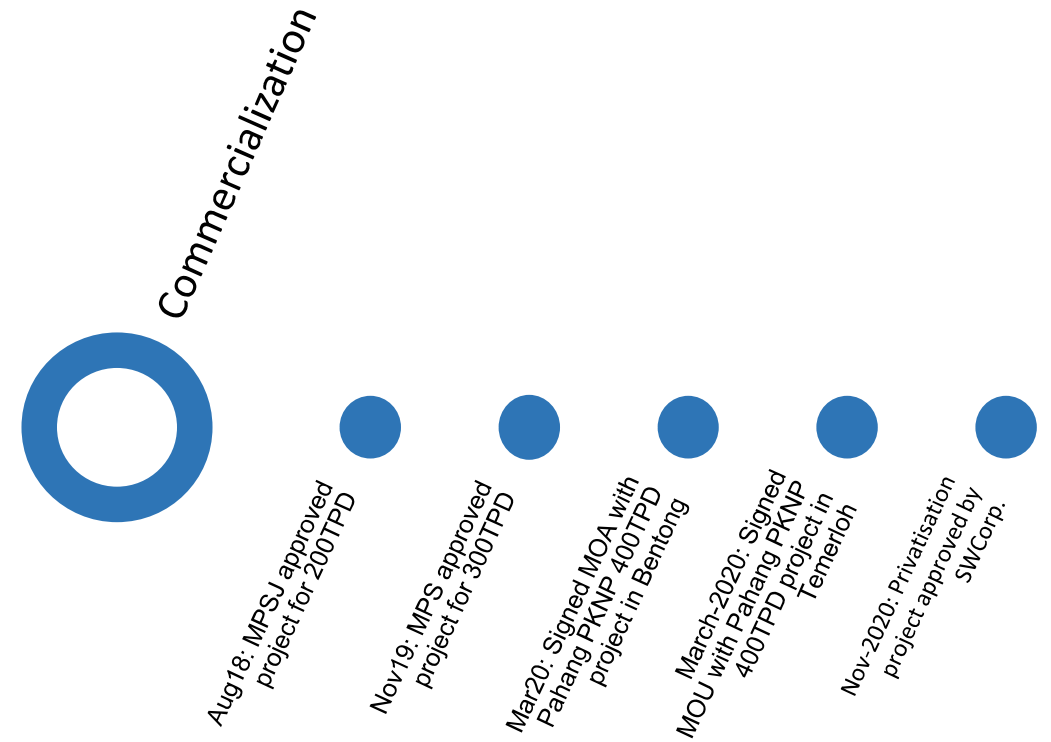
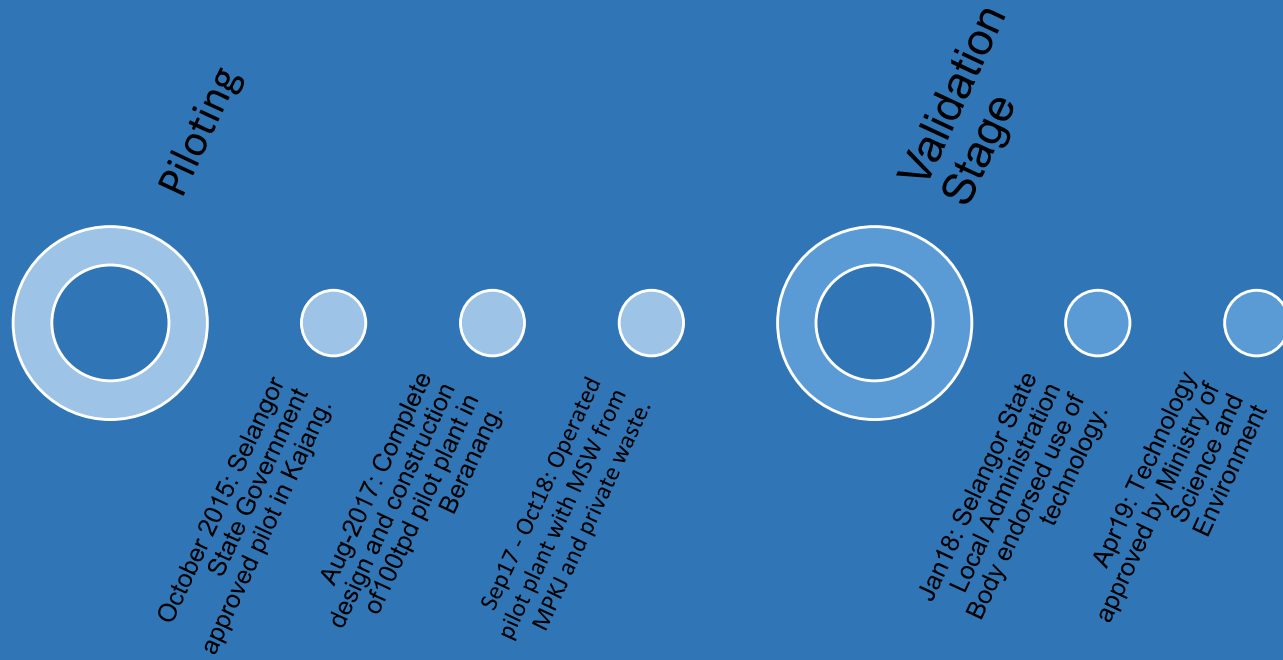
- By virtue of the letter dated 1st October 2015, the Selangor State Government has approved a pilot waste management project to be initially carried out in the municipality of Kajang.
- Working with approval of MPKJ and Department of Environment (DOE), AECC used its own fund to construct a 100 metric-tons per day (tpd) pilot plant in Beranang, Mukim of Semenyih as proof of concept in waste processing and environmental control technology.
- Based on the operations of the pilot plant, AECC had demonstrated that the hybrid mechanical & biological manufacturing process had exceeded the expectation in odor & leachate control within an existing industrial park.
- The Company has since obtained approvals and MOU with several permitting agencies and municipalities to implement this manufacturing technology to advance public health agenda in waste management.
- In April 2019, the Company received official technological endorsement and approval by Ministry of Science and Environment.
- Progressing from success in Selangor, AECC has on the 6th of March 2020 entered into a MOA with PKNP to develop a 28 acres Eco-Park to be anchored with a 400TPD ISWM facilities for MP-Bentong & MD-Raub; and on the same day signed an MOU with PKNP to develop a 50 acres Eco-Park with a 400TPD ISWM facilities for MP-Temerloh, MD-Jerantut, MP-Maran & MD-Bera.
- The Company is now ready to initiate its first Integrated Municipal Solid Waste (“ISWM”) plant in Penang to be financed with a combination of debt and equity.
- The Project is expected to be NPV positive on Year-6 and carry a positive IRR of above 30% based on the contract duration of 25 years. Payback period is 5.03 year. The company generate profit from Year 1 onwards.
- Please note that this fund-raising exercise is intended to meet part of the company’s project cost and expense. However, the Company reserves the right to undertake future fund-raising exercises for future project and where necessary.

EXECUTIVE SUMMARY

- | | |
|---|--|
| 1 | Sector : Renewable Energy
Industry: Green Resource Manufacturing using municipal solid waste as feedstock |
| 2 | Financial Status:
No gearing. The company has no outstanding loan with any suppliers and/or financial institution. |
| 3 | Business Model: 30 Years Public-Private Partnership Concession Business |
| 4 | The Project:
The Company plan to develop 800 metric ton per day (TPD) capacity public-private partnership project with Majlis Bandaraya Seberang Perai (called “the Project”). |
| 5 | Proposed Offering:
30,000,000 units of ESG Impact Fund-1 at USD1.00 each with two years tenure at coupon rate of 8% per annum and an optional 1-year extension at coupon rate of 9% p.a. |
| 6 | Revenue Type: Primary income streams comprise of regulated income and long term offtake contracts. |



Milestone Map (Past and Future)



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Executive Summary



PROJECTED FINANCIAL PERFORMANCE

Particulars (US\$'000)	Total	Y1 ^E	Y2 ^E	Y3 ^E	Y4 ^E	Y5 ^E	Y6-10 ^E	Y11-20 ^E	Y21-30 ^E
Projected Revenue	2,298,478	25,863	30,354	31,571	32,869	34,236	267,492	754,081	1,122,012
% Growth (Avg)	N/A	N/A	17%	4%	4%	4%	56%	8%	5%
EBITDA	1,930,905	20,371	24,195	24,383	25,355	26,641	222,109	630,815	957,035
% EBITDA	84%	N/A	80%	77%	77%	78%	83%	84%	85%
PAT	1,383,255	12,486	16,520	17,411	19,075	21,042	155,948	439,853	700,921
% PAT	60%	48%	54%	55%	58%	61%	58%	58%	62%
Free Cash Flow	1,932	20	22	29	11	34	206	599	1,010
IRR (%)	30%	N/A	-39%	-14%	0%	8%	22%	30%	30%
ROI (Yearly Avg)	N/A	-92%	-90%	-89%	-88%	-87%	0%	35%	68%

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Key Highlights




1st
Best In Class
Waste Treatment
Technology



1st
Output Efficiency
Technology
Leadership




1st
Best In Class
Environmental +ve
Best GHG Avoidance
Lowest GHG Emission



8%p.a.
Above Average Return
Coupon Rate



30%
Above Average Return
IRR



84%
Above Average
EBITDA



86%
Best In Class
Energy Recovery



15%p.a.
Above Average
Capital Gain



Contents



Overview Introduction – Current Inefficient Waste Management (Malaysian case)



Our Solution



Our Business Model



Risk Management



Where we are now & Where We are Heading



Company Background Information



Problem Statement

of MBSP
Waste Management
Situation

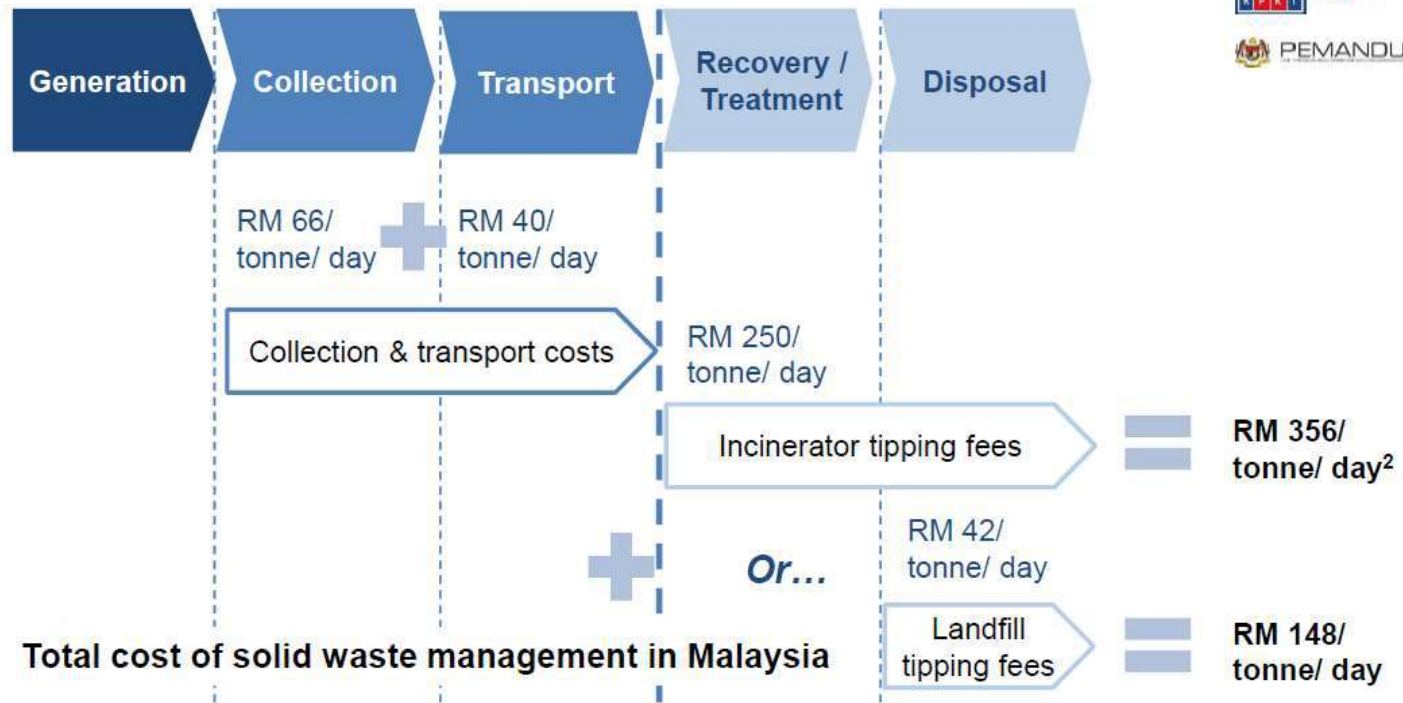
- 1) 2,200 metric ton of municipal solid waste (MSW) a day is a big public health and environmental problem in Penang.
- 2) Lots of money is spent to haul and dump them to Pulau Burung landfill creating zero economic benefit for the local community
- 3) Waste incineration – disposal technique used in advanced society not workable in Malaysia.
- 4) Government urgently seeking experienced private sector player with financial capital to transform MSW management into modern industry.

Problem Map (Penang Waste Management)



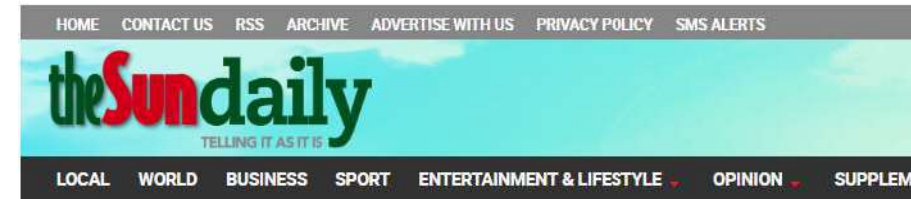
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4 Current estimated cost for solid waste management in Malaysia is RM 148/ tonne/ day¹ – Significant opportunity to reduce costs by minimizing waste at point of generation



1) For solid waste disposed at landfills
 2) Excluding tipping fee for disposal of incinerator ash at landfills
 Source: Lab analysis

5 Waste Incineration (Burning) facing high Cost & Community Protest



Local
Stop KL incinerator project: Activists
 TIMOTHY ACHARIAM / 12 DEC 2018 / 17:58 H.



Chairman of KTI Lee Chong Tek (C) during a press conference protesting the Selangor government's move to build an incinerator in Jeram area. — Sunpix by Zulkifli Ersal



KUALA LUMPUR: An action committee known as "Kuala Lumpur Tak Nak Incinerator" (KTI) has strongly opposed the Selangor government's recent announcement that a RM500 million garbage incinerator will be built in Jeram, Kuala Selangor.



Our Solution

Using Waste As Manufacturing Input

“A paradigm shift from problem to opportunity and getting paid for raw materials for manufacturing of product for sales”



The Solution



Financially Sound

- EBTDA +84%
- Multiple Income Stream
- Balance Income Model
- Long term recession proof business model



Productive

- 95% Recovery
- 86% Energy Balance
- Lowest operating cost per unit



Environment Positive

- No Burning
- Zero Waste Concept
- GHG Avoidance
- GHG Reduction
- Odour control



Community Building

- New Manufacturing
- New Social Capital
- Clean Environment



Our Business Model

(In Summary)

Problem Statement

- 2,200mt a day of MSW need to go somewhere
- Growing at pace of 4-8% p.a. – a pressing public health & environmental issue
- Government lacks knowledge and financial capital

AECC Solution

Total Waste Management Solution

- Carbon neutral Green Manufacturing Eco-System; a cost saving solution for government.
- Attractive 30 years recession proof income stream for investor
- High social capital low risk plan for every stakeholders

Government to offer

- Tax and Investment Incentive to Eco-Park developer and manager
- Tax and Investment Incentive to Waste Operator inside Eco-Park
- Pay reasonable waste tipping fee



A Business Model that offers.....

For the Government

A sustainable waste management solution



For Entrepreneur

An opportunity to contribute to community wellbeing and environmental ideal



For Local Community

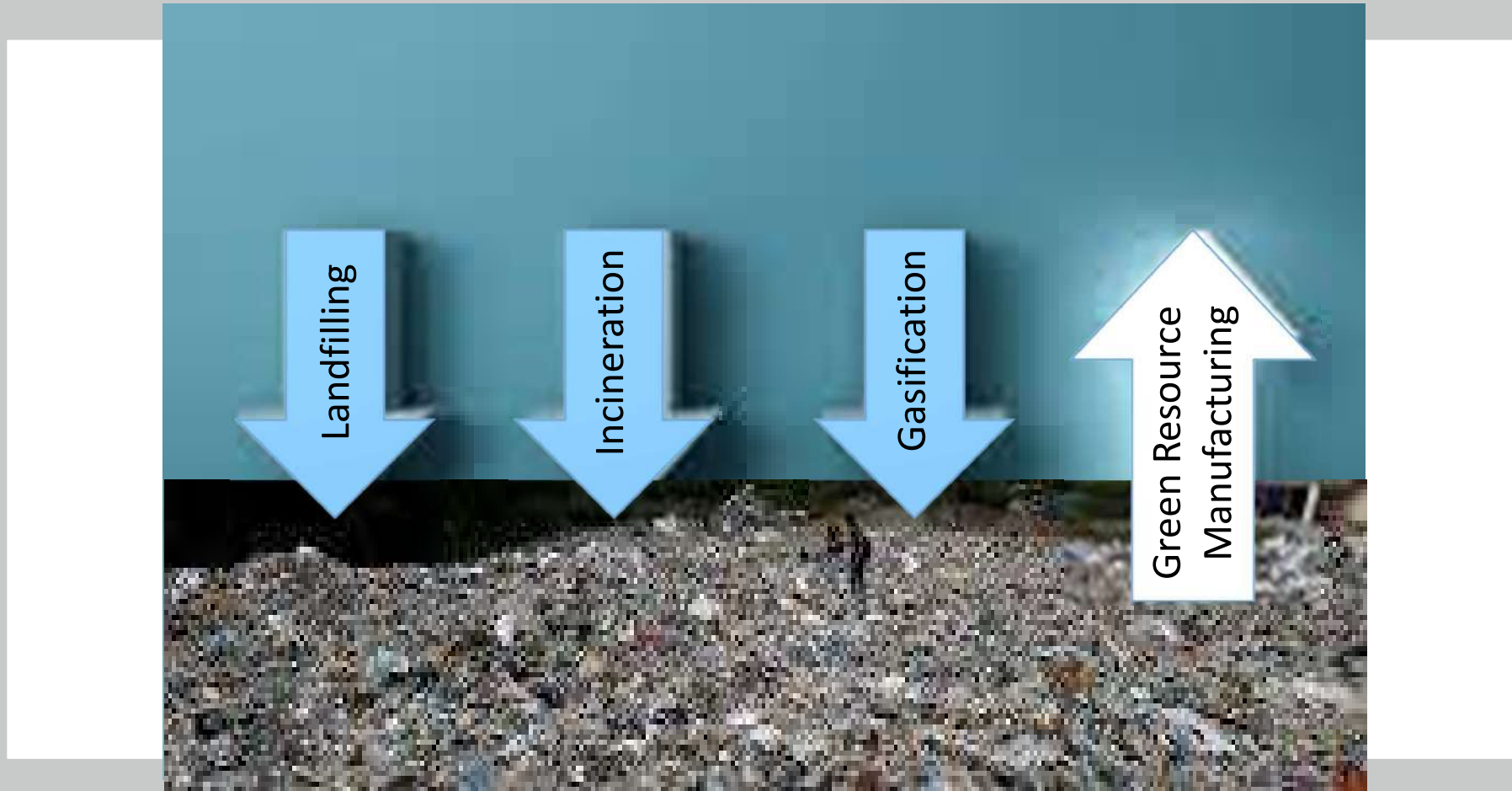
Productive and environmental-friendly solution with social & economic wellbeing



For Investor

- Investment opportunity where both input and output material are revenue streams
 - A recession proof & financially stable business





This Is A Disruptive-Innovative Business



Our Competitive Advantage





Key Technical Advantages



Zero Waste Method > Minimal effluent cost



100% no burning of waste material > Envi-friendly



Modular design > Easy to upgrade and retrofit



100% of leachate is used as production material – no need for leachate treatment pond.



96% Odor Control > Wellbeing of surrounding area



Best in Class Input-Output Efficiency > Productivity



Lowest GHG emission > Environmental Approval



Best in Class Energy Recovery System

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Competitive Cost Advantage

Current Method:
Landfilling



- Not sustainable
- Leave behind vast waste land
- Negative for Hi-Quality Economic growth

-\$42/mt
PEMANDU

Modern Alternative:
Method 1
Incineration



- Envi. sustainable
- Land foot-print: Small
- High investment cost
- High operating cost (wet & fluctuating waste)
- Two Income Stream Only

-\$250/mt
PEMANDU

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Our Method:
Manufacturing



1. Heat Energy
2. Electricity
3. Compost
4. Renewable Energy Material
5. Recyclable Materials
6. Biomass Material

- Most Envi. Sustainable
- Lower Carbon Footprint
- Land foot-print : Industrial Park
- Medium range investment cost
- Adjustable to wet or dry waste
- Low Operating Cost
- Highest economic benefits for local communities

+\$405/mt



Key Marketing Advantages



Lowest Operating Cost Per Unit > Competitive Bidding Price



100% no burning of waste material > No public protest



Manufacturing Approach > Community Support



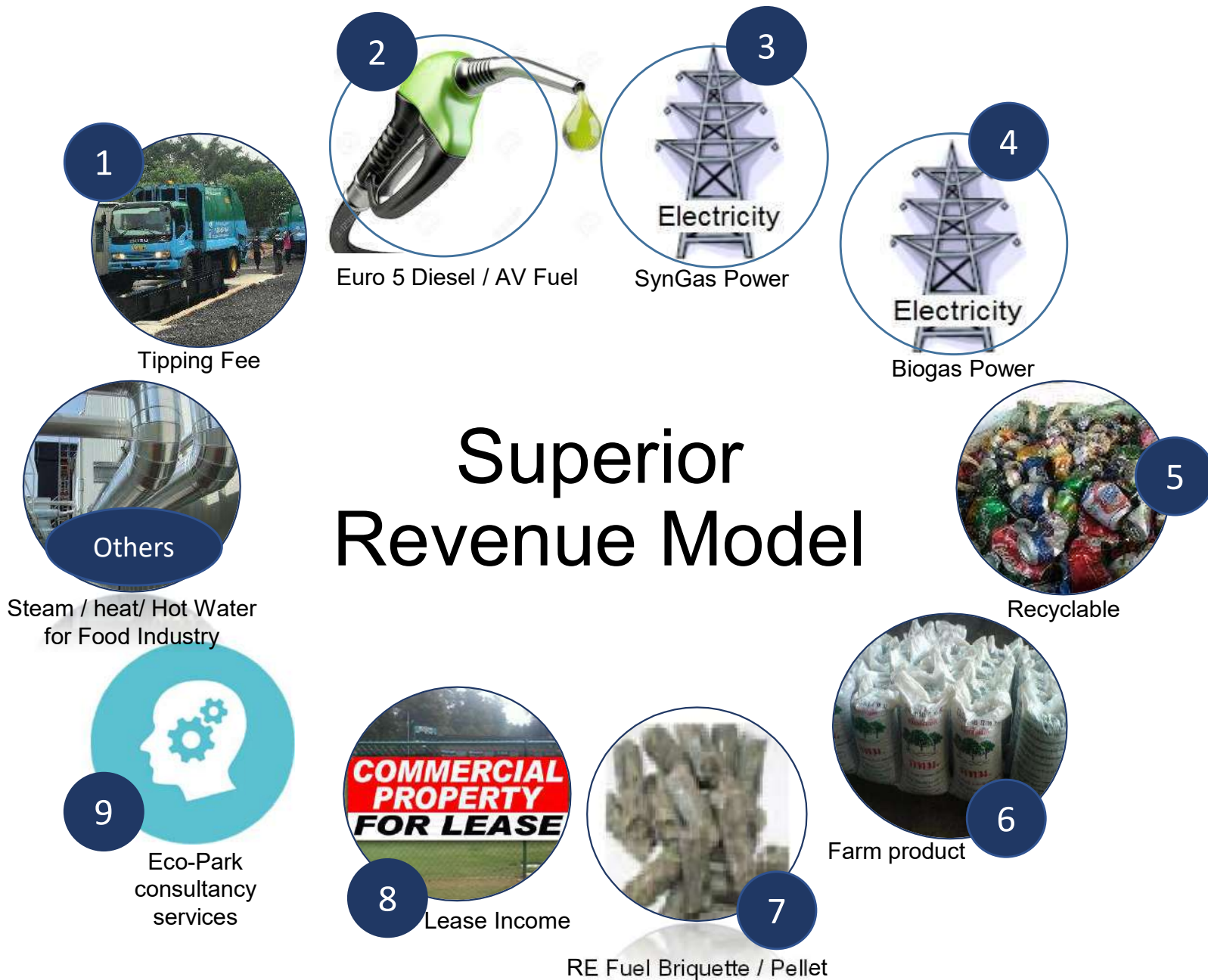
Zero Waste Method > Support Green City Agenda and Sustainable Development Model



96% Odor Treatment > Public Health Endorsement



Modular design allows adaptability to future market demand > Mitigate Market Risk



Long Term Regulated Income Stream

Pricing Model

- 60% fixed with periodic revision
- 40% mark to commodity market

Income Consistency

- 60% Secured long term contract
- 40% vast open commodity market

Revenue Model

- *Balanced*
- *Multiple*
- *Interchangeable*



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Above Average

Risk Management Profile

Development and
Operational Design to
Minimize Risk
Exposure



Risk Management Profile



Completion risk

- Mitigation by structuring payment according to completion milestones and performance bond cover.
- Major equipment procurement paid by LC payment

Performance risk (quality and quantity):

- Performance bond cover for major equipment
- Insurance bond cover for major equipment failure / unscheduled downtime
- Vendor performance warranty
- O&M warranty with key technology vendors

Payment Risk:

- Regulated income from City Council and power purchaser
- Payment guarantee by off-takers for major commodities

Competitive Matrix

Contract Procurement

Tipping Fee requirement

Land requirement

Technical Efficiency

Incineration

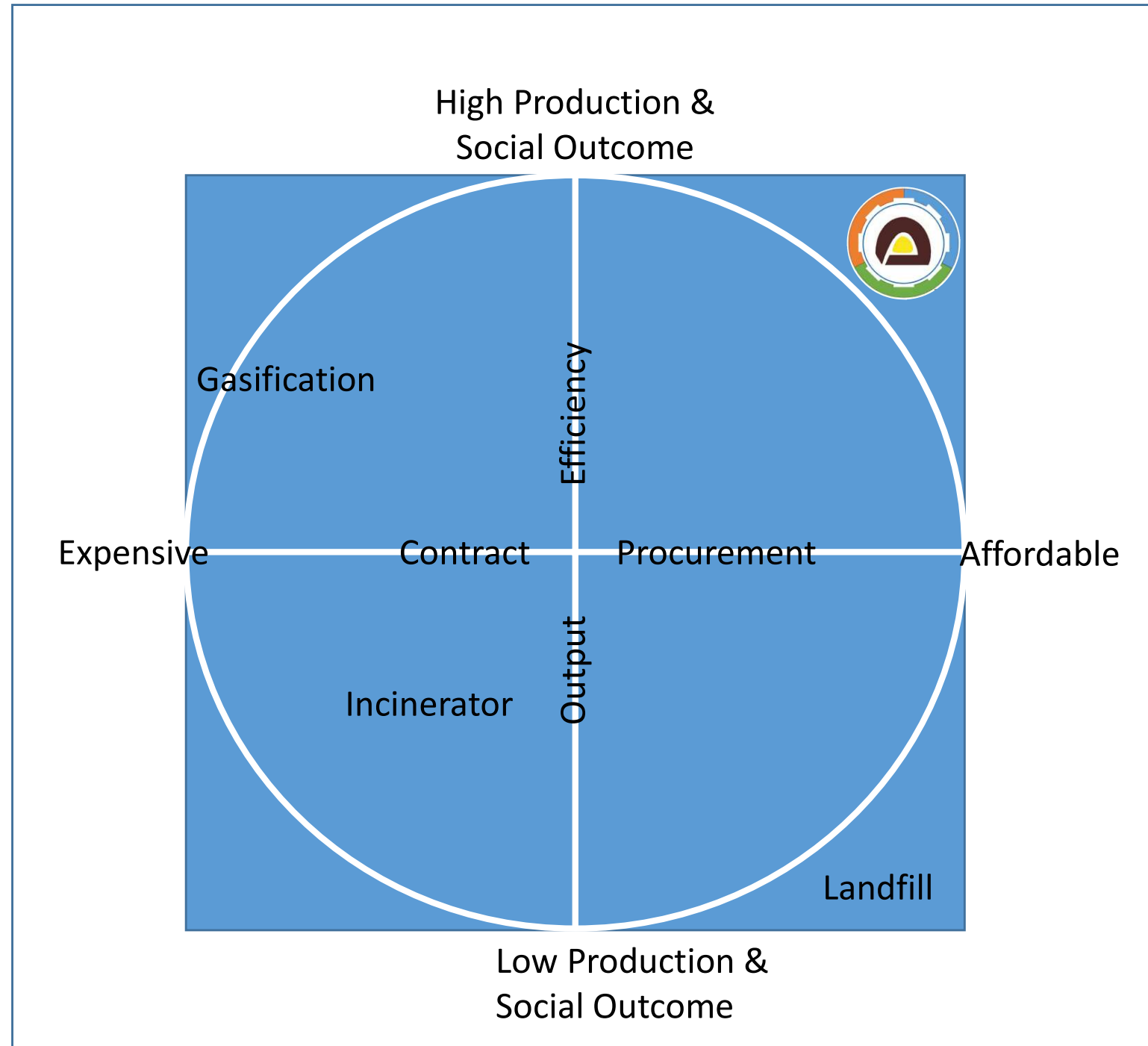
Gasification/Pyrolysis

Wet AD

Social-Environmental Impact

Social acceptance

Environmental Cost



Strengths

- Long Term Concessionary Business
- Strong & highly Experienced Management Team
- Technical Competence
- Eco-friendly Business Model
- Lowest OPEX per sales unit
- Manageable Risk Profile
- Strong Business Network

Weaknesses

- Lack of Skilled Workforce
- Mandatory Land Reserve for Waste Expansion
- A Nacient Industry

SWOT Analysis

- A RM6B a Year Market Opportunity
- Above Average Capital Gain
- Fixed Coupon Rate
- High Entry Barrier Biz
- Potential IPO Gain
- Strong Government Support
- No Near Peer Competitor

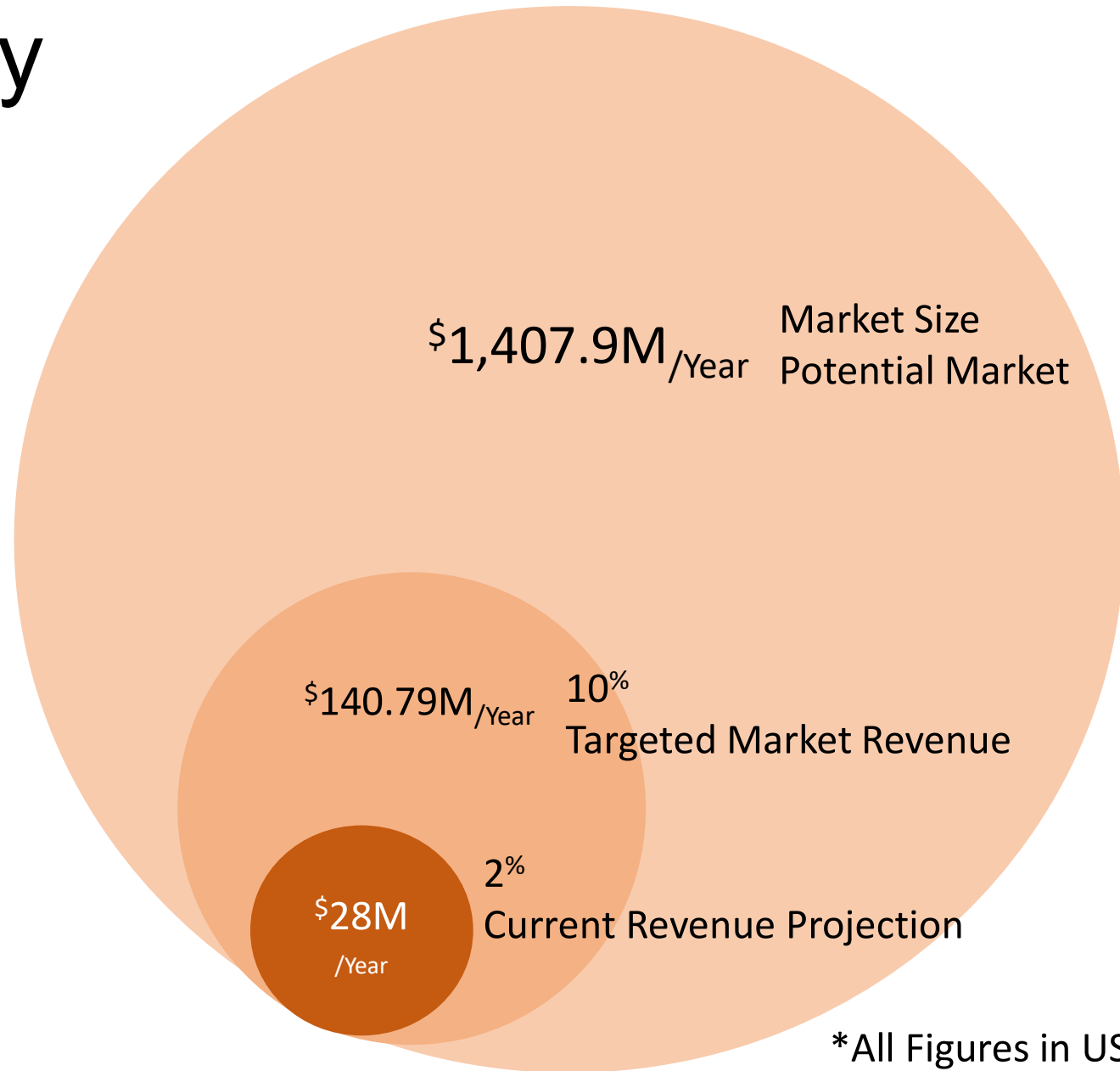
- New Environmental Regulation
- General Commodity Market Fluctuation
- Exchange Risk

Opportunities

Threats



A New Opportunity



Market Revenue Calculation

- Current waste volume 40,000TPD
- Revenue Rate is USD96/TPD
- Current Project is 800TPD

*All Figures in USD

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Project Site Location

Land:

Approx. 15 acres land at Ampang Jajar, Seberang Perai, Penang

Project :

Integrated Waste Treatment Facility of 800TPD

Permitting Agency:

Majlis Bandaraya Seberang Perai

Proposed Project Site Location for Project-1



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Artist Impression of Proposed Project Layout

Development Concept:

- Public-Private Partnership
- Public land.

Development Plan:

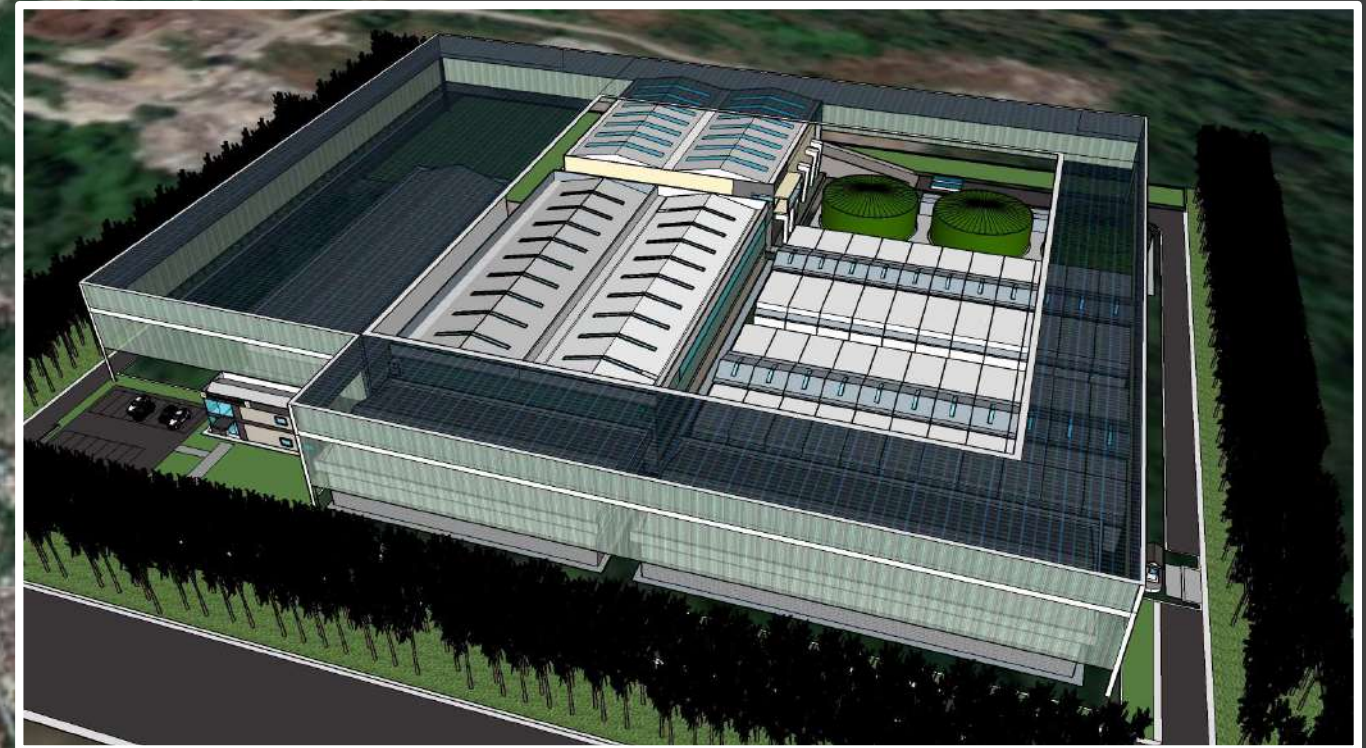
- To develop waste processing capacity of processing about 292,000 TPY MSW a year with reserve capacity for expansion to 365,000 TPY
- To produce secondary material for downstream manufacturing.



Mak Mandin



Taman Ampang Jajar



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Financial Projections



Particulars (US\$'000)	Income Statement (US\$'000)				
	Y1 ^E	Y2 ^E	Y3 ^E	Y4 ^E	Y5 ^E
Net Sales	25,863	30,354	31,571	32,869	34,236
Cost of Goods Sold	(3,584)	(4,218)	(5,213)	(5,481)	(5,503)
Gross Profit	22,279	26,136	26,358	27,388	28,733
Operating Expenses	(5,209)	(5,542)	(5,382)	(5,257)	(5,144)
EBIT	17,070	20,595	20,977	22,131	23,589
EBITDA	20,371	24,195	24,383	25,355	26,641
% EBITDA	79%	80%	77%	77%	78%
Financing Cost	(4,584)	(4,075)	(3,566)	(3,056)	(2,547)
Profit after Tax	12,486	16,520	17,411	19,075	21,042
% PAT	48%	54%	55%	58%	61%

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Financial Projections

Particulars (US\$'000)	Balance Sheet (US\$'000)				
	Y1 ^E	Y2 ^E	Y3 ^E	Y4 ^E	Y5 ^E
Shareholders' Equity	30,509	47,028	64,439	83,514	104,556
Long Term Loan	57,304	50,937	44,570	38,203	31,835
Shareholders' Equity + Liabilities	87,812	97,965	109,009	121,717	136,391
Total Fixed Assets	81,688	78,087	74,681	71,457	68,404
Total Current Assets	6,125	19,878	34,328	50,260	67,987
Total Assets	87,812	97,965	109,009	121,717	136,391

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Financing



How Much? - USD30M

Valuation of the company - USD200M

Enterprise Value is professionally assessed by Grant Thornton Consulting and VAERSA Advisory

Investment Terms:

- *ESG Impact Fund Unit of USD1.00 for each*
- *Coupon Rate of 8% p.a. payable half yearly*
- *Maturity 24 months with option for extension by 12 months at coupon rate of 9% p.a.*
- *RCPS Redeemable and Convertible Option*

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7. What is the fair value?

How is the fair value arrived at?

Comparing the entry price with current enterprise value per share as assessed by GTC in the Business Valuation Report Nov-2020 using DCF calculation method at WACC (Weighted Average Cost of Capital) 13.68% for the Project.

	32 YEARS TOTAL
Enterprise Value As Assessed by Grant Thornton Consulting ⁽¹⁾	175,687,000
Total number of issued Ordinary Shares (31.10.2020)	19,054,706 unit
Particulars	
a) Estimated Ent. Value per unit of Ordinary Share	USD 9.22/unit
b) Entry Price ^[2]	USD 1.00/unit
c) Discount Rate	91%

Note:

(1) Enterprise value is assessed based on updated project cashflow with 800TPD capacity base on WACC at 13.68% by Grant Thornton Consulting

(2) Entry Price refers to unit price of the ESG Impact Fund-1



Potential Capital Gain



Potential Capital Appreciation:

- Entry Price USD1.00/unit
- Projected Exit valuation at industrial average PE of 13.44:-

A) Upon Year-1 operation: PAT^E \$12.486M @ 13.44x = USD **8.81**/unit

B) Upon Year-3 operation: PAT^E \$17.411M @ 13.44x = USD **12.28**/unit

“E” means estimate

“PE Ratio” means the industry average as per GTC valuation report



To add potential profit from Bloomberg listing and trading platform



Exit Strategy



Redemption or Conversion

Fund Unit is redeemable on maturity date or convertible into RCPS unit held at AECC Ltd



Acquisition:

Potential Suitors in Government and conglomerates



IPO:

The Company aims to seek IPO between Year 3-5 into operation



Summary

The Company is now embarking on implementation of its growth strategy.

Project-1 is projected to have minimal development & operational risk as major components are secured by completion & performance insurance cover on top of secured cash flow from regulated income sources.

This capital raising exercise represents the FINAL round for the proposed Project-1.

We are convinced the offer contained in this paper and the accompanying share split is highly attractive and rewarding for our members.

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