



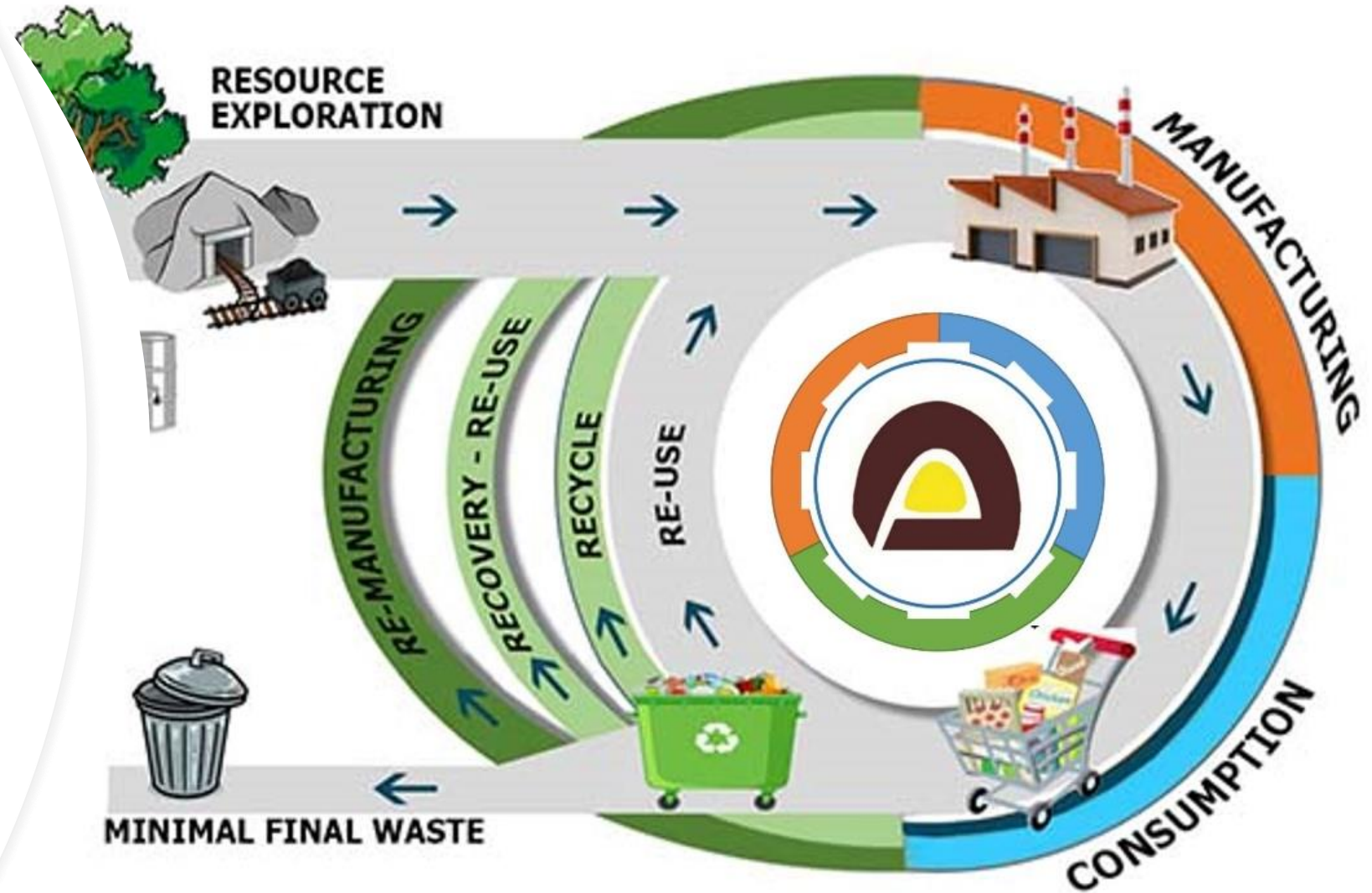
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ESG IMPACT FUND-1

AE CARBON CAPITAL LTD
Executive Summary

ESG IMPACT FUND-1

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



Prepared by
THE MANAGEMENT
MARCH 2021

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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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- ❖ Projection and forward-looking assessment inherently contain forward looking statement or of like nature. All statement that address expectation or projection of future event, including statement about project developments, market position, expected expenditures and financial results, are forward looking in nature and inherently contain element of uncertainty, risk and assumption.
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1. Background Information

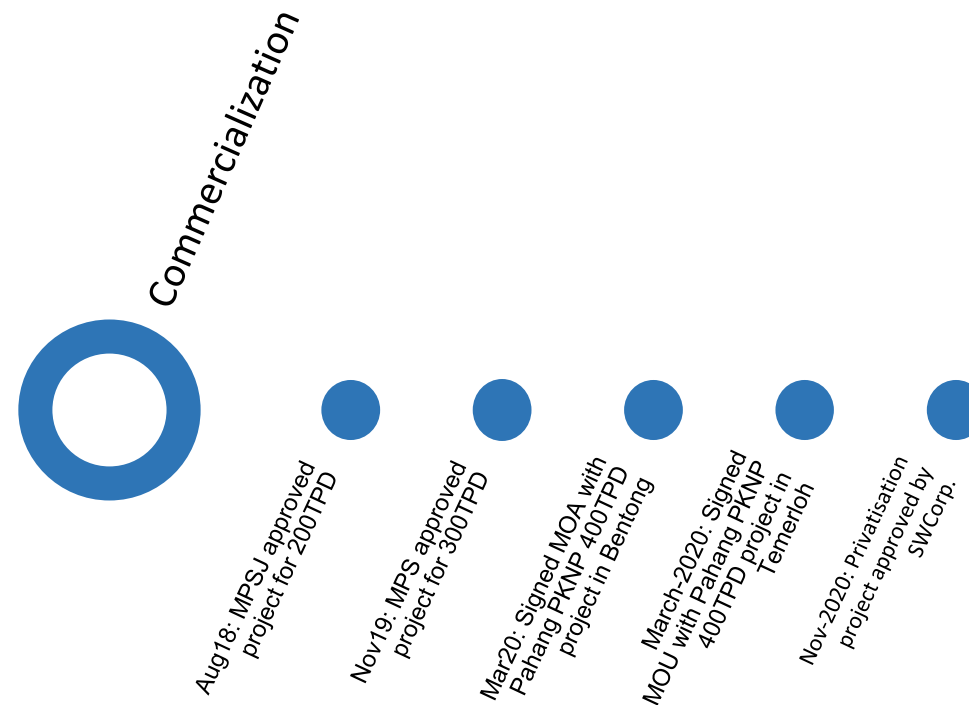
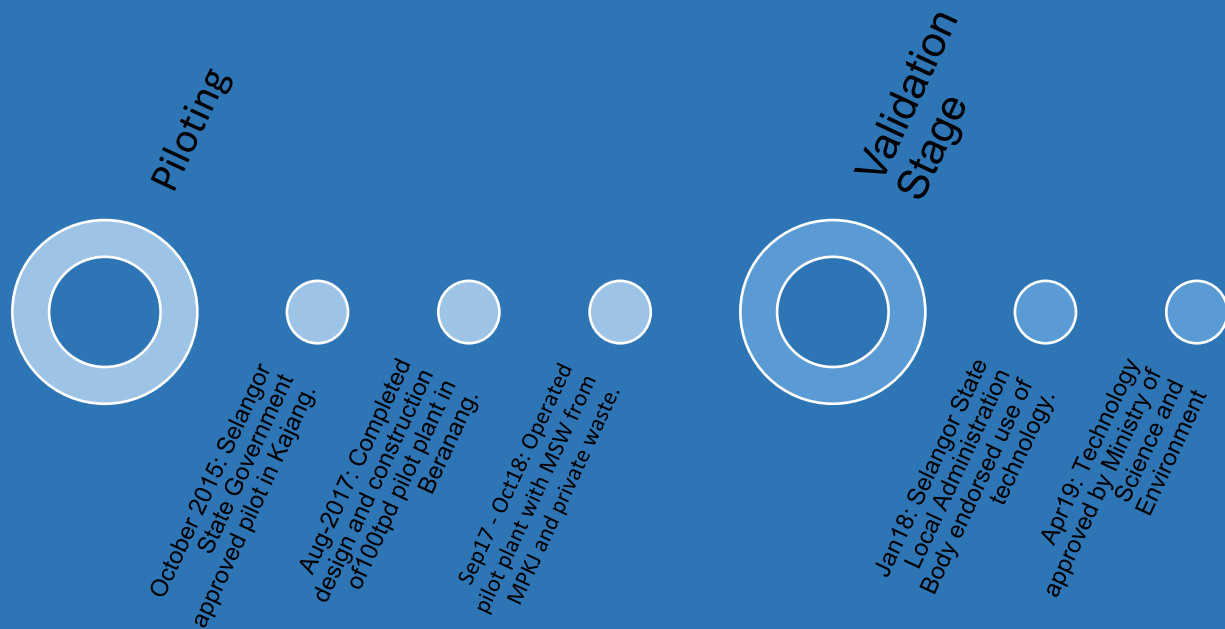
- By virtue of the letter dated 1st October 2015, the Selangor State Government has approved a pilot waste management project to be initially carried out in the municipality of Kajang.
- Working with approval of MPKJ and Department of Environment (DOE), AECC used its own fund to construct a 100 metric-tons 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 signed a MOA with PKNP to jointly 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	Y0 ^E	Y1 ^E	Y2 ^E	Y3 ^E	Y4 ^E	Y5 ^E	Y6-10 ^E	Y11-20 ^E	Y21-30 ^E
Projected Revenue	2,949,863	0	30,730	32,241	35,374	37,047	41,509	303,452	973,532	1,495,978
% Growth (Avg)	N/A	N/A	N/A	5%	10%	5%	12%	126%	22%	5%
EBITDA	2,607,531	(1,702)	25,466	26,802	29,448	30,263	34,651	262,767	854,868	1,344,968
% EBITDA	88%	N/A	N/A	83%	83%	82%	83%	87%	88%	90%
PAT	1,911,865	(9,987)	13,470	15,533	19,034	19,798	24,344	234,871	608,411	986,391
% PAT	65%	N/A	44%	48%	54%	53%	59%	77%	62%	66%
Free Cash Flow	1,847,774	(84,180)	20,250	21,543	29,326	11,389	34,095	205,735	599,484	1,010,132

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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

88%



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

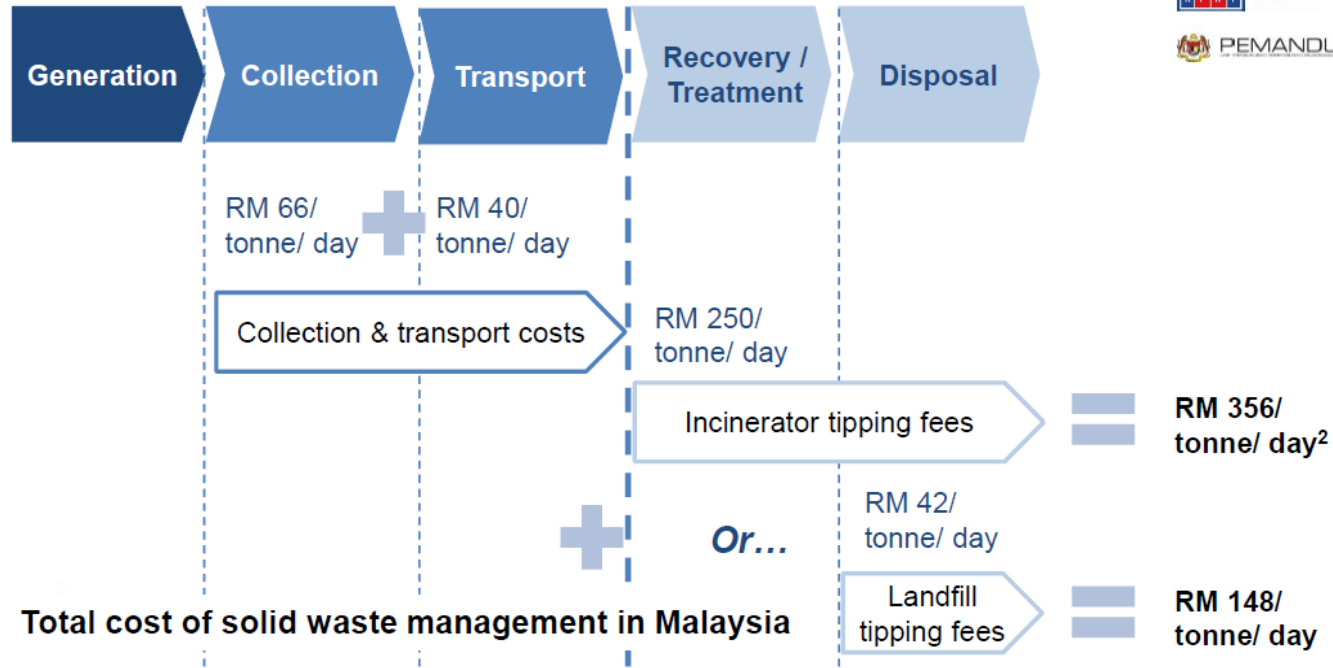
- 1) 2,200 metric ton of municipal solid waste (MSW) a day is a big public health and environmental problem in Penang.
- 2) Lots of money is spent to haul and dump them to Pulau Burung landfill creating zero economic benefit for the local community
- 3) Waste incineration – disposal technique used in 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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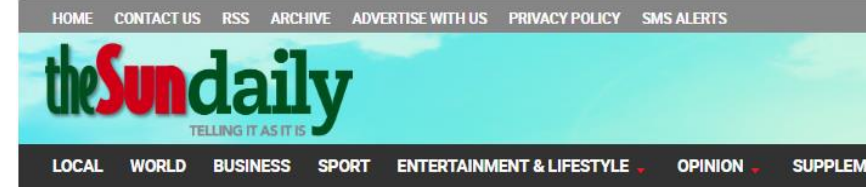
4 Current estimated cost for solid waste management in Malaysia is RM 148/ tonne/ day¹ – Significant opportunity to reduce costs by minimizing waste at point of generation



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

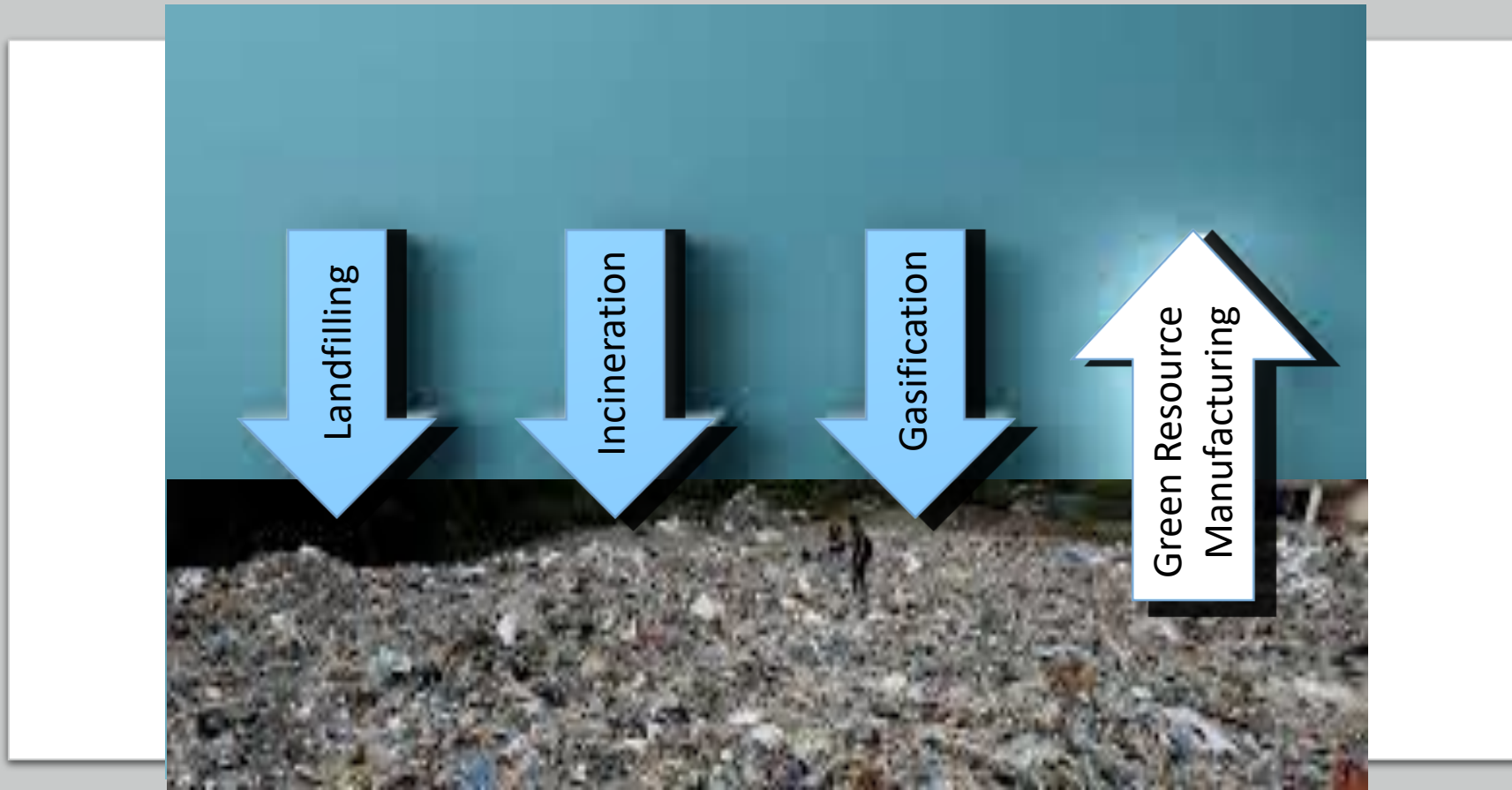
Productive and environmental-friendly solution with social & economic wellbeing



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 Advantages



Competitive Matrix

Contract Procurement

Tipping Fee requirement

Land requirement

Technical Efficiency

Incineration

Gasification/Pyrolysis

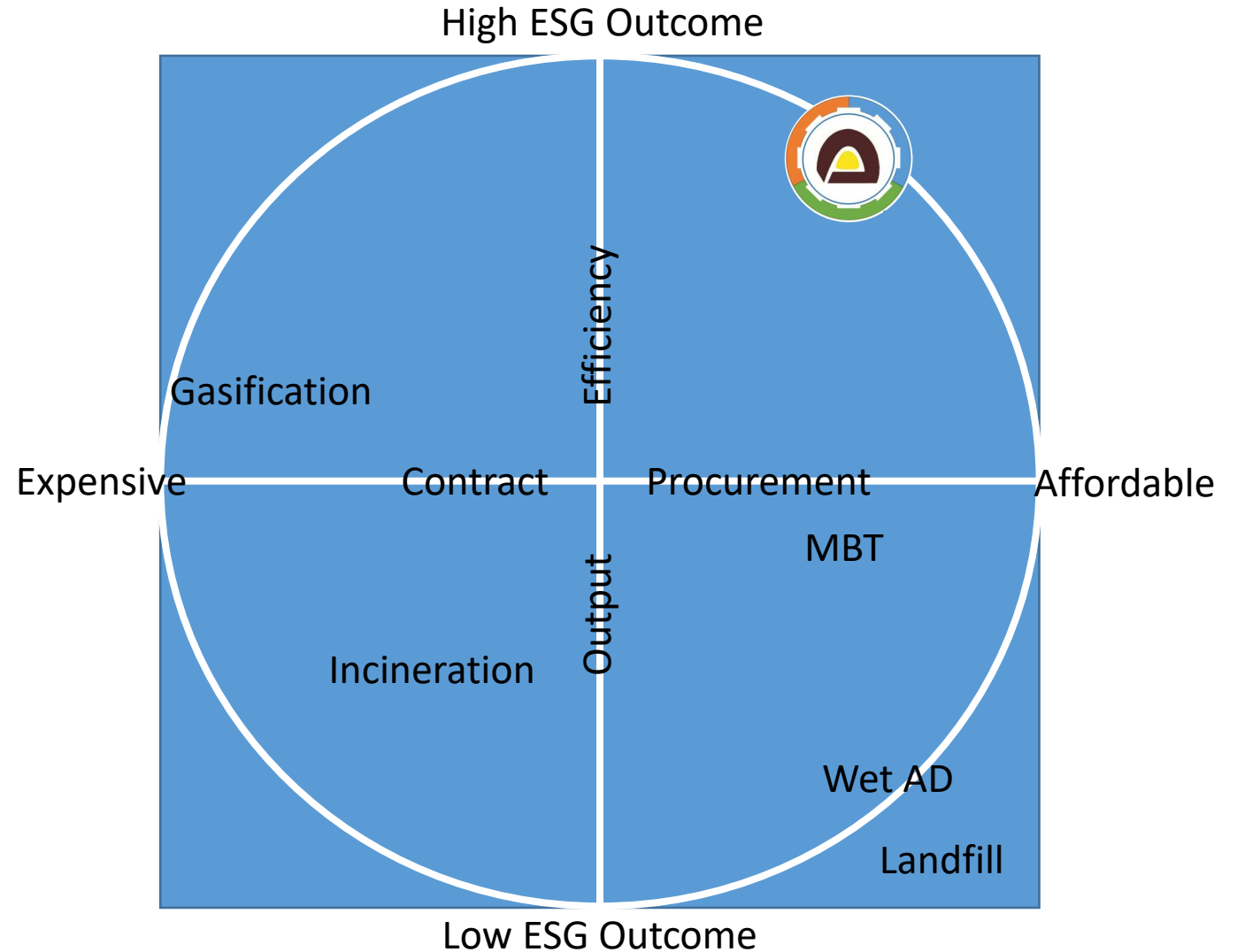
MBT

Wet AD

Social-Environmental Impact

Social acceptance

Environmental Cost





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



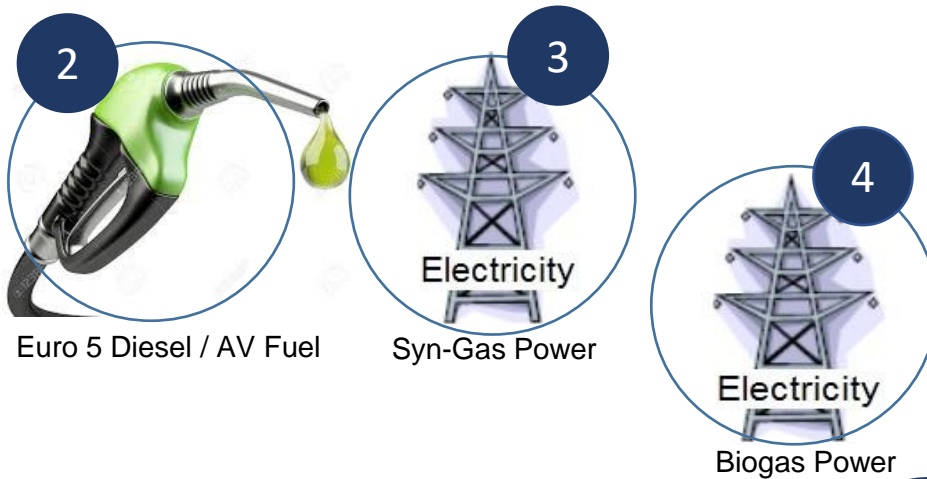
Zero Waste Method > Support Green City Agenda and Sustainable Development Model



96% Odor Treatment > Public Health Endorsement



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



1 Tipping Fee



Others

Steam / heat/ Hot Water for Food Industry

Superior Revenue Model



5 Recyclable



6 Farm product



9

Eco-Park consultancy services



8

Lease Income



7

RE Fuel Briquette / Pellet

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



Low Risk Revenue Model

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

Strengths

Weaknesses

- 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

- 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

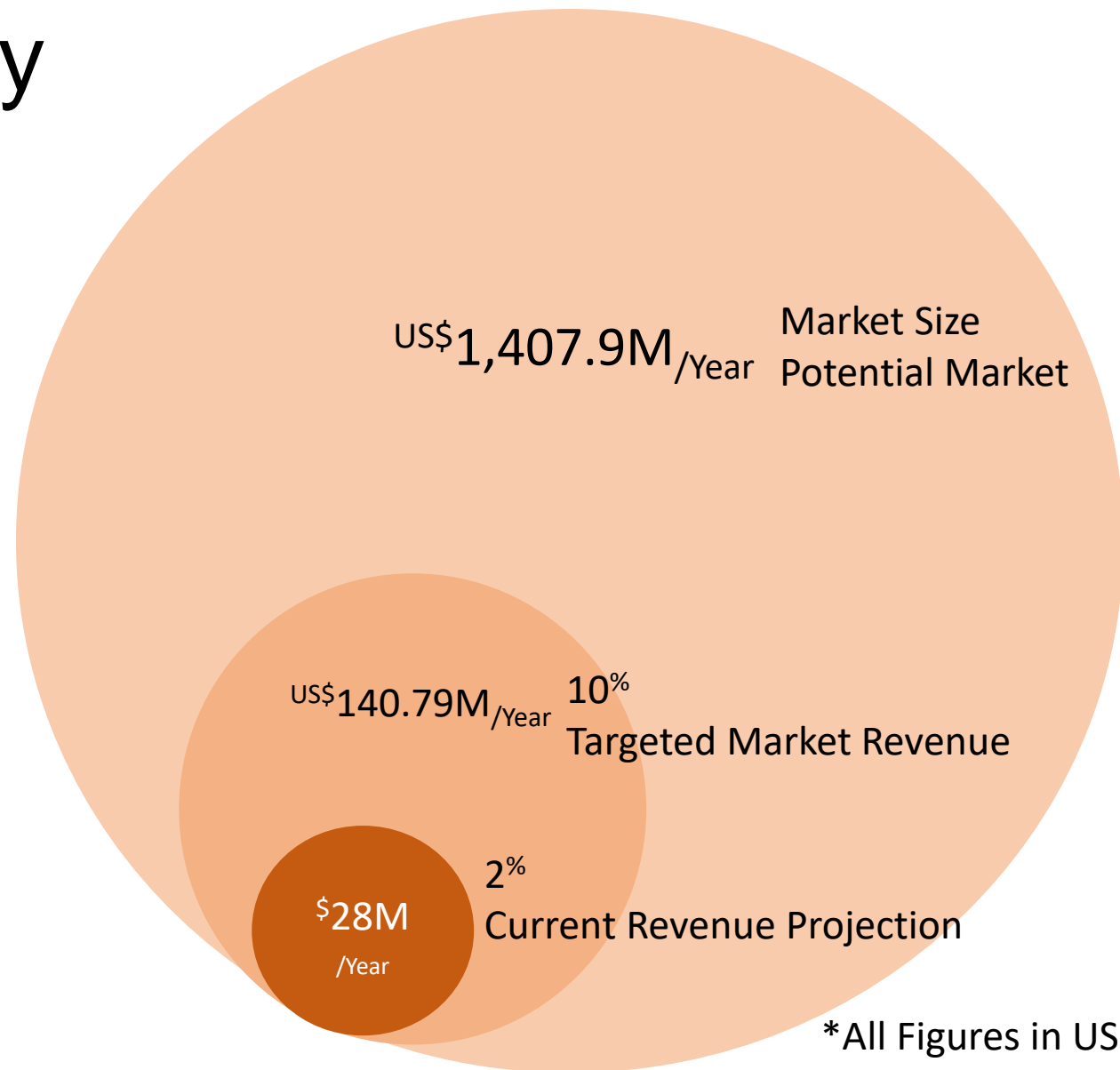
- New Environmental Regulation
- General Commodity Market Fluctuation
- Exchange Risk

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
**Diagram not in scale

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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:

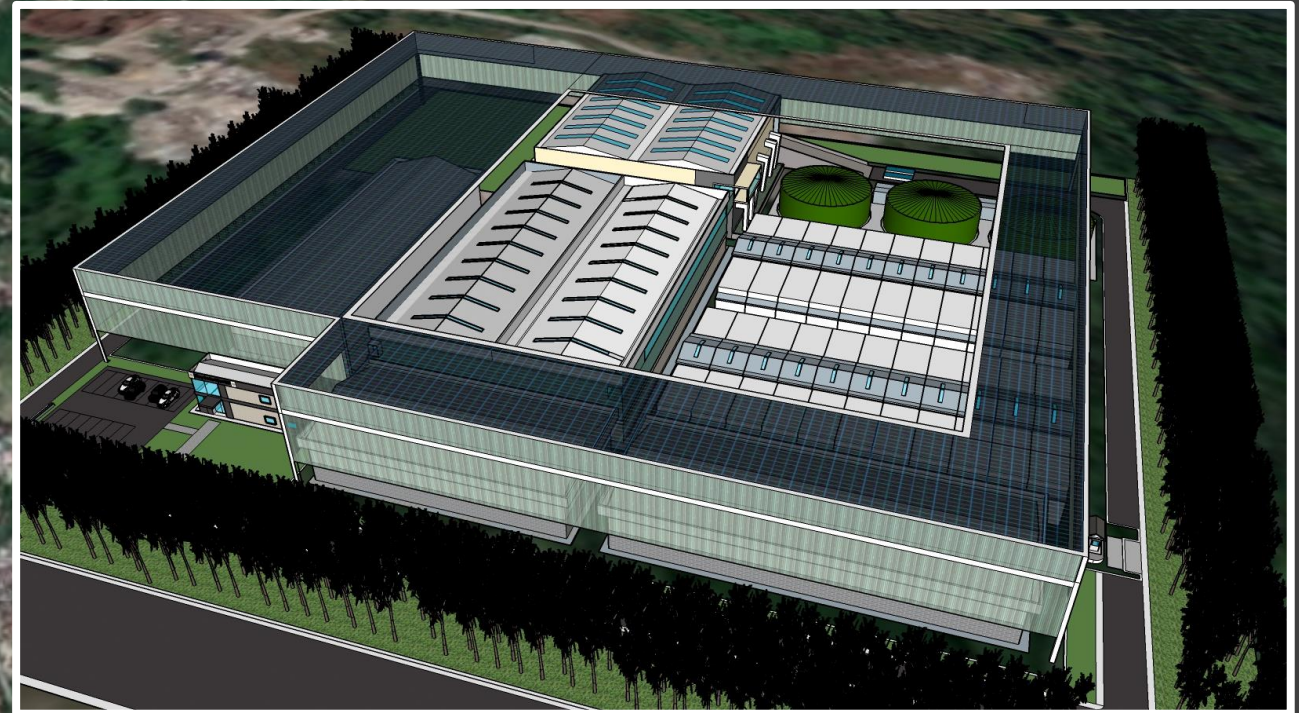
- To develop waste processing capacity of processing about 292,000 TPY MSW a year with reserve capacity for expansion to 365,000 TPY
- To produce secondary material for downstream manufacturing.



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	30,730	32,241	35,374	37,047	41,509
Cost of Goods Sold	(6,072)	(6,212)	(6,533)	(7,448)	(8,025)
Gross Profit	24,658	26,029	28,841	29,599	33,484
Operating Expenses	(1,965)	(1,978)	(1,994)	(1,794)	(1,838)
EBIT	22,693	24,051	26,847	27,805	31,646
EBITDA	25,466	26,802	29,448	30,263	34,651
% EBITDA	83%	83%	83%	82%	83%
Financing Cost	(9,223)	(8,518)	(7,813)	(8,007)	(7,302)
Profit after Tax	13,470	15,533	19,034	19,798	24,344
% PAT	44%	48%	54%	53%	59%

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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	27,011	44,728	65,417	87,932	124,812
Long Term Loan	52,852	46,979	41,107	38,744	32,871
Shareholders' Equity + Liabilities	79,863	91,707	106,524	126,675	157,683
Total Fixed Assets	78,261	80,915	78,565	87,868	85,450
Total Current Assets	1,602	10,792	27,959	38,807	72,233
Total Assets	79,863	91,707	106,524	126,675	157,683

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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.*
- *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⁾	USD 202,576,000
Total number of issued Ordinary Shares	24,374,706 unit
Particulars	
a) Assessed Ent. Value per unit of Ordinary Share	USD 8.31/unit
b) Entry Price ^[2]	USD 1.00/unit

Note:

(1) Enterprise value is assessed based on updated project cashflow with 800TPD capacity base on WACC at 12.68% by Grant Thornton Consulting

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

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Potential Share Price



Potential Share Price Appreciation:

- Projected Exit valuation at industrial average PE ratio of 13.44 calculated on the enlarged ordinary shares*:-

A) Upon Year-1 operation: PAT^E \$13.470M @ 13.44x = USD **3.33**/unit

B) Upon Year-3 operation: PAT^E \$19.034M @ 13.44x = USD **4.70**/unit

“E” means estimate

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

“Enlarged-Share” is calculated on assumption of full conversion of all 30,000,000 units of RCPS.





Exit Strategy



Redemption or Conversion

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

Each RCPS unit is eligible for conversion into one unit of Ordinary Share at a negotiated discount on the value as assessed by a competent valuer at the time of conversion.



Potential Trading Gain

Each Fund Unit is tradable (when listed) on Bloomberg Global PE-Fund trading platform.



Acquisition:

Potential Suitors in Government and conglomerates



IPO:

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



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