

Empowering Sabah's Indigenous Communities

Improving farmer livelihoods
through value-added processing

Global Leaders Programme

Feb 2024 | Sabah Malaysia

Honest Inquiry • Asia's Worldview • Ideas to Action



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Executive Summary (1/2)

Overview of challenges

Indigenous farming communities in Sabah face many challenges. These challenges include rising vulnerability to climate change, increasing encroachment of modern development on traditional ways – including farming practices – of indigenous communities, lack of adequate land, low income and resources, poor infrastructure, limited access to education and unaffordability of basic farming equipment.

Farmers heavily depend on costly and environmentally unfriendly chemical inputs to increase their agricultural output; yet they are unable to fully utilise available resources and maximise the value of their produce due to the lack of the knowledge on the produce's market value and its processing potential to enhance its value. Their harvest is limited and erratic, making it difficult to meet the stable and consistent quantity and quality demanded by contract farming.



A new farmer-centric venture

The proposed business model brings together small farmers, private investors and PACOS Trust with the shared objectives of increasing farmers' income, strengthening sustainable farming practices and preserving Sabah's unique indigenous culture. A new company named "Original Sabah" will be set up to implement the proposed business model. This strategy aims to repurpose the 27 Community Learning Centres ("CLC") managed by PACOS Trust into Community Learning & Processing Centres ("CLPC"). Original Sabah will equip these CLPCs with the necessary machinery, enabling farmers to convert their fresh produce into value-added products like ginger and turmeric powder. These products will then be purchased by Original Sabah.

A distinctive feature of the proposed business model is the opportunity for farmers to own shares in the venture through CLPC Holdings. Moreover, farmers are not required to invest their own funds for the initial capital expenditure for farming equipment or processing machinery. Processing machinery is free to use at CLPCs and farming equipment is available to rent.

Original Sabah will provide operational benefits to the CLPCs by

- Leveraging logistics know-how and consolidating "milk-run" activities to achieve best practice and maximise efficiency.
- Bundling sourcing and maintenance of processing machinery to enable cost effective operations for the newly established processing activities
- Offering training in food safety and processing techniques to farm workers, thereby elevating the skill set of the farmers.

Executive Summary (2/2)

Preserving Sabah's indigenous culture

The new venture – Original Sabah - will cultivate indigenous agricultural products with an emphasis on authenticity, sustainability, and cultural heritage. The company will connect with eco-conscious consumers seeking healthy, sustainable products.

Through strategic collaborations with hotels, food companies, targeted marketing initiatives, and a compelling message on environmental responsibility, Original Sabah will position its products as symbols of Sabah's rich heritage and pure nature.



Financial Projections

The project has multiple phases. It is proposed to start from a group of 7 CLCs around Kota Kinabalu and Kota Belud in year 1 as a pilot project and steadily expand to 27 CLCs in year 3. Each CLC serves around two to three villages.

Two scenarios are modeled in the financial analysis: base scenario and growth scenario. The base case assumes that 7% of the indigenous farmers participated whereas growth case assumes 21%. In both scenarios, initial funding will be used to fund the procurement of machinery for processing food such as slicing machines, refrigerators, grinders, and packaging machines.

No funding is required for facilities, as operations will begin by using the existing CLCs. Investment highlights are summarised below:

In MYR'000	Base Case	Growth Case
Initial investment	325	770
Total investment for 3 years	1,250	2,970
NPV for 3 years	176	1,310
IRR	16.2%	28.3%
Payback period (year)	2.5	2.2
Total net income for 3 years	1,172	3,902
Value-add unlocked ¹	2,662	8,090

Note 1: Value-add refers to processing products such as ginger powder. The value-add will result in additional income earned by the farmers.



INTRODUCTION

Global Leaders Programme



The Global Institute For Tomorrow (GIFT) is an independent pan-Asian think tank that provides content-rich and intellectually challenging executive education from an Asian worldview. GIFT's methodology invites participants to build greater self-awareness and test personal resilience whilst creating robust new business models linked to contemporary challenges and opportunities.

The Global Leaders Programme (GLP) is GIFT's flagship experiential programme designed for managers from leading global organisations to think critically about the drivers of change in the 21st century and develop new business models that address the defining challenges of our times.

Project Team

- A cohort of 25 participants from 6 companies and 2 government bodies representing 10 countries and regions joined the Global Leaders Programme in Hong Kong, China and Sabah, Malaysia from February 19th to March 2nd, 2024. The cohort convened in Hong Kong from 19th – 23rd February for classroom sessions, followed by site visits and business planning sessions in Sabah, Malaysia, from February 24th to March 2nd.
- Participants produced a business plan to empower smallholder farmers to improve their livelihoods. The project team were not domain experts in this area but applied diverse professional expertise. The new entity seeks to help farmers achieve scale in production, support farmers' integration into the modern value chain and provide greater access to the market in Sabah, Malaysia.



LIXIL

American Standard 美标

LIFE. LOVE. HOME

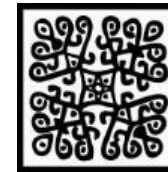
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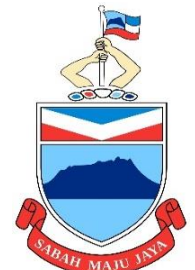
Good Shepherd Services



SEG
AUTOMOTIVE

SMS Finance
a member of ORIX

ORIX



A solution for agricultural services developed by a team of international executives

Project Partner

PACOS Trust is a community-based voluntary organization dedicated to raising the quality of life of indigenous communities in Sabah. Although officially registered in 1997, PACOS Trust has been actively involved with indigenous communities since 1987. Its influence has reached 25 geographical areas covering 23 districts and 95% of indigenous residents in Sabah.



Project Scope

Programme Objectives

- To develop a business model which enables indigenous small farmers to maximise the value of their produce.
- Provide training to educate indigenous farmers to use chemical inputs responsibly and efficiently, which simultaneously helps farmers reduce farming related carbon emissions and increase climate resilience.
- Leverage a novel commercial venture to preserve the unique indigenous culture of Sabah.
- The programme prioritises the 250 villages of Sabah's indigenous communities which PACOS Trust works closely with. These villages have an estimated total population of 50,000.

Methodology for Field Project

- Site visits, meetings, and focus groups with a diverse array of stakeholders, including NGOs, small farmers, and local governments. This was crucial for gathering valuable insights, building relationships, and fostering collaboration.
- Information gathering, analysis, business model generation, and business planning sessions in-country for small farmers in Sabah.

Outcome

- Development of a business plan and the necessary institutional arrangements with analysis of key areas: Business Model, Organization & Governance, Production & Operations, Financial Analysis & Investment, Marketing & Distribution, Community Benefit & Environment Impact, and Policy Recommendations.
- Presented the business plan to representatives from communities, business councils, investors, and other associated stakeholders in the value chain. In future, engaging these stakeholders will be a critical step to garner support, secure investments, and build partnerships for implementation.





CURRENT SITUATION AND CHALLENGES

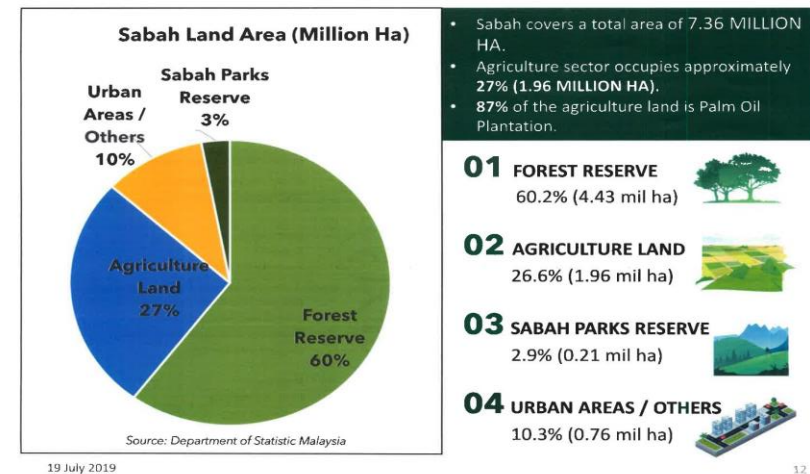
Sabah's Agricultural Productivity (1/2)



Palm oil is the main agricultural output of Sabah and has a significant impact on the state's economy. In 2021, Sabah's record-breaking total trade of RM 87.2 billion was attributed to the increased exports of palm oil and crude petroleum, but this comes at a cost to food self-sufficiency levels (SSL). Due to the proliferation of palm oil production, Sabah's SSL has dropped, with rice SSL decreasing from 50% in 1980 to 25% today. As the second largest state in Malaysia, but the fourth largest contributor to Malaysia's agricultural GDP, Sabah is also comparatively less productive, domestically and internationally.



Agriculture occupies 27% of the State in 2016



- Sabah's 2023 total GDP output: **RM 81.9 Billion.**
- Percentage of GDP contributed by Sabah's agriculture: **15.2% (RM 12.4 Billion)**
- Sabah covers a total area of **7.36 Million HA.**
- Agricultural sector occupies 26.6% (**1.96 Million HA**) of Sabah's land

Sabah's Overall Agriculture Output Efficiency: GDP/Million HA = RM 6.3 Billion

Sabah's Agriculture Productivity (2/2)

Sabah's RM 6.3 billion in annual agriculture productivity (GDP billion/ million hectares) falls behind other locations.



RM 6.3 Billion



RM 18.8 Billion



RM 76.2 Billion



RM 18.7 Billion



RM 14.2 Billion



PADDY

- Paddy yields are much lower than other locations and limits Malaysia's aspirations to achieve food self-sufficiency



8300 Kg/Hectare



4600 Kg/Hectare



VEGETABLES

- Vegetable yields much lower than other locations, restricting the nutritional value of food for local people
- Higher imports versus exports also indicate self-insufficiency for food, despite the region's wealth of potentially productive land



27 Kg/Hectare



13 Kg/Hectare

Sabah underperforms in productivity and has potential to improve agricultural output

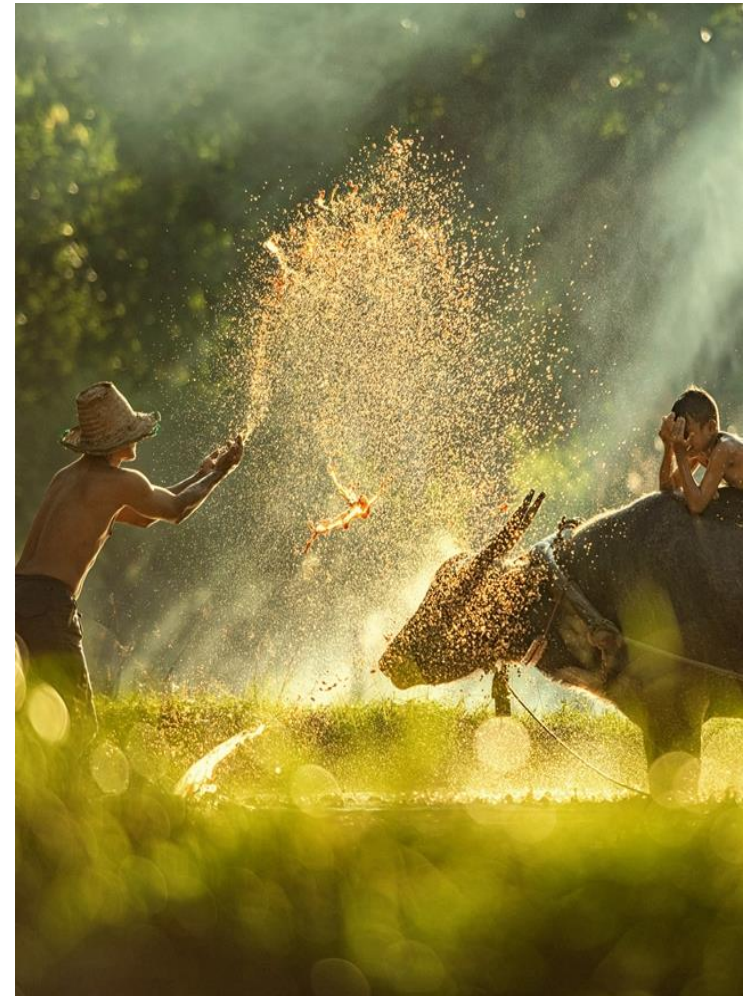
Challenges: Subsistence Farming



Sabah, known as Malaysia's "Land Below the Wind," has a significant population that practices subsistence farming.

In addition to not producing large surpluses of food, subsistence farmers struggle with low and unstable incomes due to limited access to markets, fluctuating crop prices, dependence on traditional crops, inefficient distribution methods, and low product quality such that buyers reject produce.

Furthermore, those who move to urban areas seeking to access free education, and thus set themselves up for alternative incomes, the high cost of urban living may offset the benefits of free education.



Subsistence farmers experience low and unstable incomes and often lack other options

Challenges: Socio-economic development

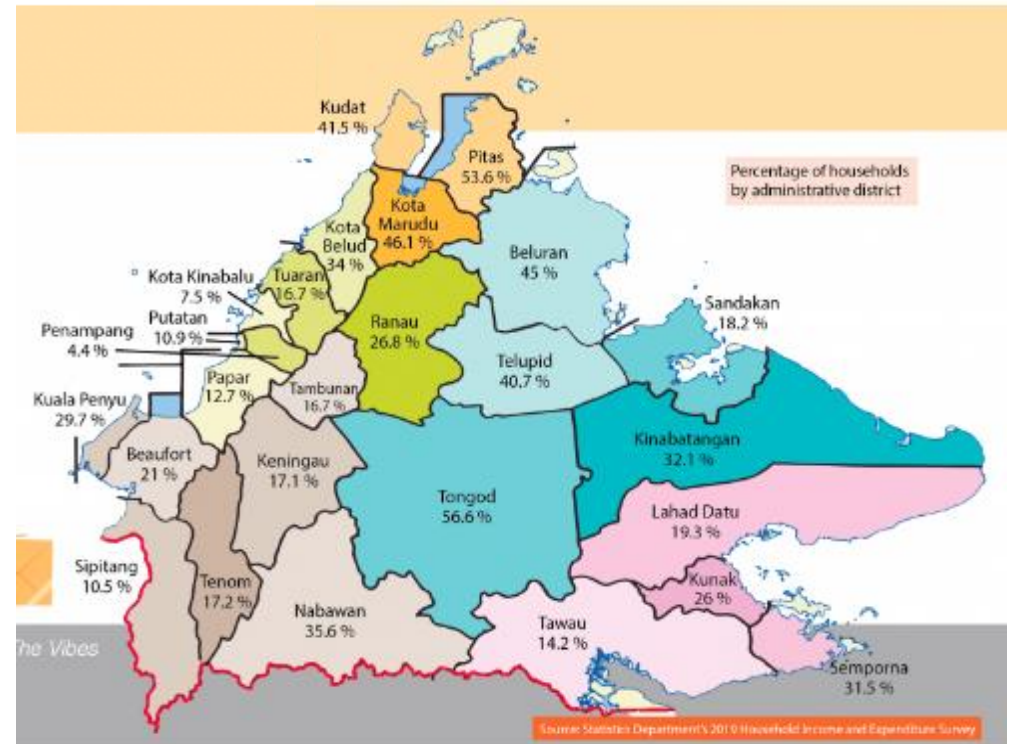
Incidence of poverty :

Sabah's poverty rate is 19.7% (2022), the highest of any state of Malaysia

Despite being Malaysia's second largest state, Sabah is one of the poorest states in the country. Only 60% of Sabahans are in the productive working force and Sabah held the record for the highest average unemployment rate in Malaysia from 2012 to 2021.

62% of Sabah's population are indigenous and women make up most of the agriculture workforce in many districts. Enhancing female productivity and their market access therefore underscores their role in advancing Sabah's socio-economic development.

Typically, women are the primary providers of food security through subsistence farming, while their husbands work as labourers in nearby towns. With their labour often being unrecognised and their rights unprotected, women are forced to also take up jobs related to childcare or that do not require investment capital, such as selling raw produce in markets, cooking and cleaning. It means they often cannot meet microfinancing requirements and therefore face significant barriers to starting a business.



The state's 40-plus indigenous communities predominantly reside in the interior regions of Sabah.

Given their role in agriculture, women are key to advancing Sabah's socio-economic development

Sources: Statistics Department's 2019 Household Income and Expenditure Survey

<https://www.thestar.com.my/news/nation/2023/07/30/data-crucial-in-shaping-policies-to-raise-income>

<https://ova.galencentre.org/new-report-underscores-role-of-women-girls-in-advancing-sabahs-socioeconomic-development/>

Challenges: Lack of Access

Lack of technology

Smallholder farmers in Sabah have limited access to modern farming inputs and tend to use outdated techniques. The lack of mechanisation and advanced farming methods further hampers productivity growth and dramatically increases labour intensity. With low income, technology often becomes inaccessible.

Land rights and size

The lack of land titling continues to be a problem amongst indigenous people of Sabah despite government efforts to reform land administration in Peninsular Malaysia. Studies have shown that land productivity significantly decreases when the rural poor are not given land titles.

Without titles, they are also unable to apply for loans or sign farming contracts for their work. Furthermore, although some might have larger plot sizes, the farmable land within plots is small. Most small farmers operate on less than two hectares.

Access to necessities

Remote locations mean that road networks are lower quality and transportation costs are higher. Distribution of products is more difficult and costly, and education is harder to access. Whilst Sabah has the lowest literacy rate in Malaysia, indigenous people also face disrupted electricity and water supply, along with poor water sanitation.



Awareness of available resources

There are efforts via government programs to enhance agricultural productivity, provide technical assistance and promote diversified income sources. However, the general awareness of these programs and knowledge remains low amongst the indigenous community.

Challenges in accessing technology, land and government programs limit smallholders

Opportunities: Adding Value and Accessing Markets

The indigenous community, especially remote indigenous farmers, face substantial challenges to earn better livelihoods. Whilst the project team duly recognised that solving land titling issues in Sabah were fundamental to improve incomes, these avenues were deemed too intractable for the scope of the project.

Instead, because of the insight that indigenous farmers find it hard to access markets and do not process their products, and because a number of the project team had expertise in supply chain management and logistics, it was determined to focus on the opportunity to add value to produce, increase productivity and address the market access problem.

Subsistence farming and low incomes are a huge challenge for indigenous farmers, affecting their ability to sell excess produce, acquire farm equipment, get loans, select cash crops and still be productive enough to feed themselves. When the team saw indigenous farmers not able to fully capitalise on excess produce (either thrown or given away because they could not sell or get it to market), they realised that adding value to existing produce and solving market access to increase incomes presented an opportunity. Upon recognising farmers' constraints, the team sought to prioritise easy-to-implement, low-investment solutions that leverage existing behaviors and practices, but still carry significant potential to enhance livelihoods.

PACOS' existing operational set up presented an opportunity to repurpose community learning centres (CLCs) as farmer production hubs due to their proximity to villages, and thus the potential to use them as vehicles for improving livelihoods. As a result, integrating farmers, PACOS and its community learning centres with the market became a hallmark of the following business model.



An opportunity was identified to add value to existing crops and expand market access



BUSINESS MODEL

Business Model - Summary

Two new companies are proposed: Original Sabah and Community Learning and Processing Centres Holdings (CLPC Holdings). Original Sabah's mission is to improve the livelihood of indigenous farmers by purchasing their produce and provide various value-add, market access and education services. Farmers join the model as members and the proposed organisational structure provides ownership to farmers, allowing them to participate in company growth. Through education, Original Sabah will also help to reduce the environmental impact of farming practices. CLPC Holdings is a vehicle to allow farmers to own shares in Original Sabah.

Shareholder Structure ①

“Original Sabah” is to be owned by PACOS, CLPC Holdings, private investors and strategic investors who can also be customers for the processed products. It is proposed that existing CLCs found a common holding company to enable indigenous farmers to become shareholders, and to secure their interests and representation in Original Sabah. All shareholders will receive dividends.

Farmer community ②

To supply produce to and receive services from Original Sabah, farmers must be a member of their local CLPC, which belongs to CLPC Holdings. Via CLPC Holdings, farmers receive dividends from Original Sabah.

Services to the farmer community ③

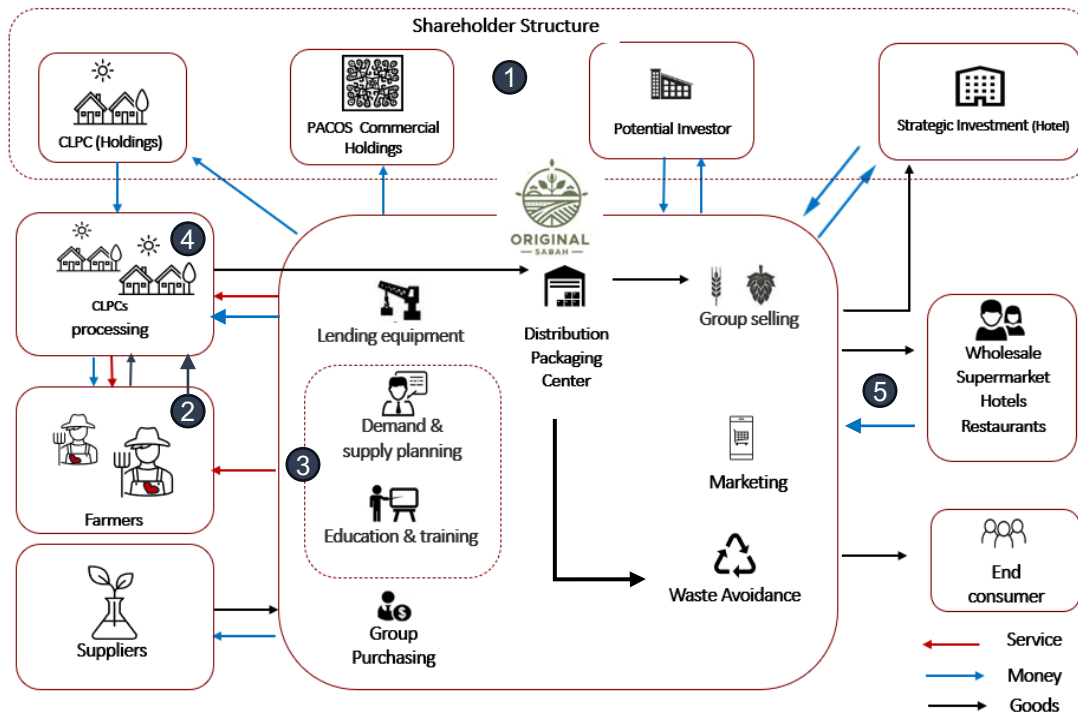
“Original Sabah” provides various services to its farmer community. It especially provides demand forecasting to farmers which allows them to produce products that will be bought and processed by “Original Sabah”. Training is provided and basic farming equipment is lent to help improve productivity and yields.

Operations ④

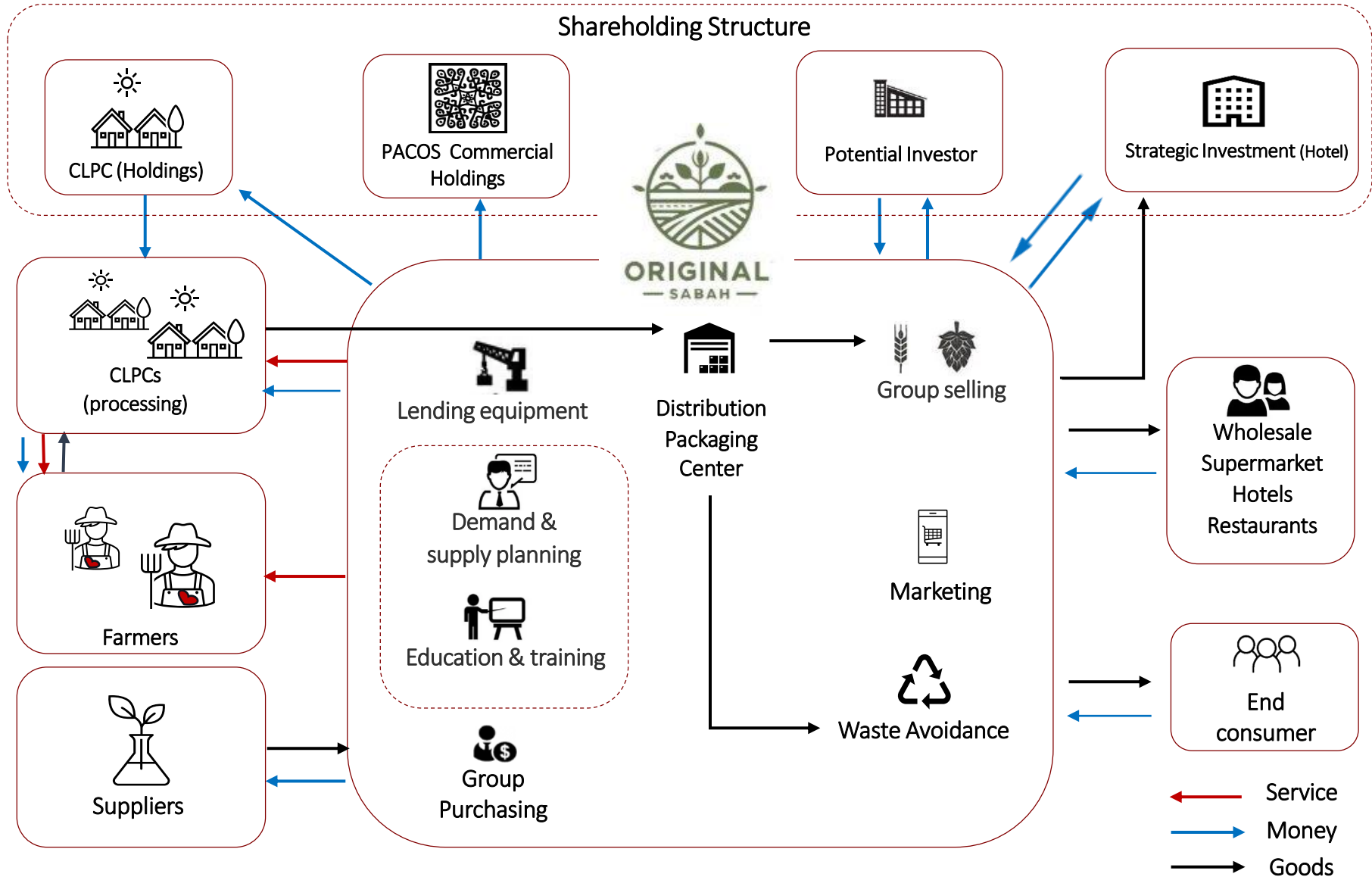
Farmers use Original Sabah owned processing equipment to process and add value to their produce. Original Sabah purchases processed raw material from the farmer community via CLPCs, picks them up from CLPCs to package at distribution centers and sells to customers.

Customers ⑤

Final products are exclusively sold to business customers (Wholesale, Stores, Hotels, Restaurants).



Business Model - Overview



Business Model – Operations

Original Sabah’s main operation is to handle and sell processed products from CLPCs to business customers, then distribute them from newly established Distribution Centers (DCs).

Produce to CLPCs ①

Farmers deliver their raw produce to their local CLPC and conduct preliminary inspections and processing without machines.

Processing ②

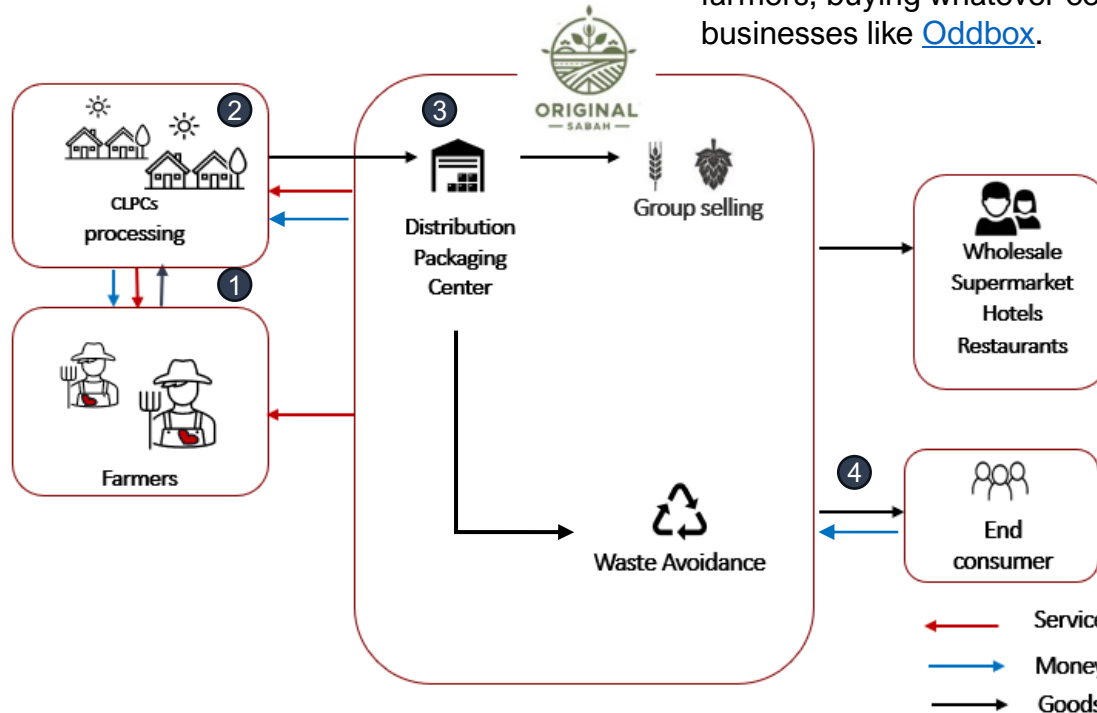
Farmers process raw produce at CLPCs, thereby adding value to it. Machines to process raw material are provided and maintained by Original Sabah to the CLPCs. These include basic drying, chopping, grinding and packaging equipment. The costs for processing within the CLPC is added to the raw material costs and defines the selling price to Original Sabah.

The “milk run” (see page 36 for more details) ③

Original Sabah conducts a milk run: processed goods are collected with a truck from the CLPCs, then delivered to Original Sabah’s DCs. At the DC, the processed goods will be portioned, packed, labelled and finally sold to customers.

Waste Avoidance ④

To further reduce waste, processed goods not sold to business customers will be either used as samples for promotions or packed and sold for a reduced price to consumers in “Surprise Boxes”. To prevent wastage, these consumers understand they are supporting farmers, buying whatever could not sell, as consumers do with businesses like [Oddbox](#).



Business Model – Services

Original Sabah provides various services to farmers.

Demand and Supply Planning ¹

Currently, farmers largely plan and manage their production independent from demand and from each other. Original Sabah will perform market research and translates that into demand and supply planning intelligence for the farmers.

Lending farming equipment ²

For many smallholder farmers, purchasing basic farming equipment is unaffordable, making it harder for them to increase productivity and reduce labour. The company owns and maintains specific basic farming equipment that farmers can have access to for a fee, helping them to increase yields.

Training ³

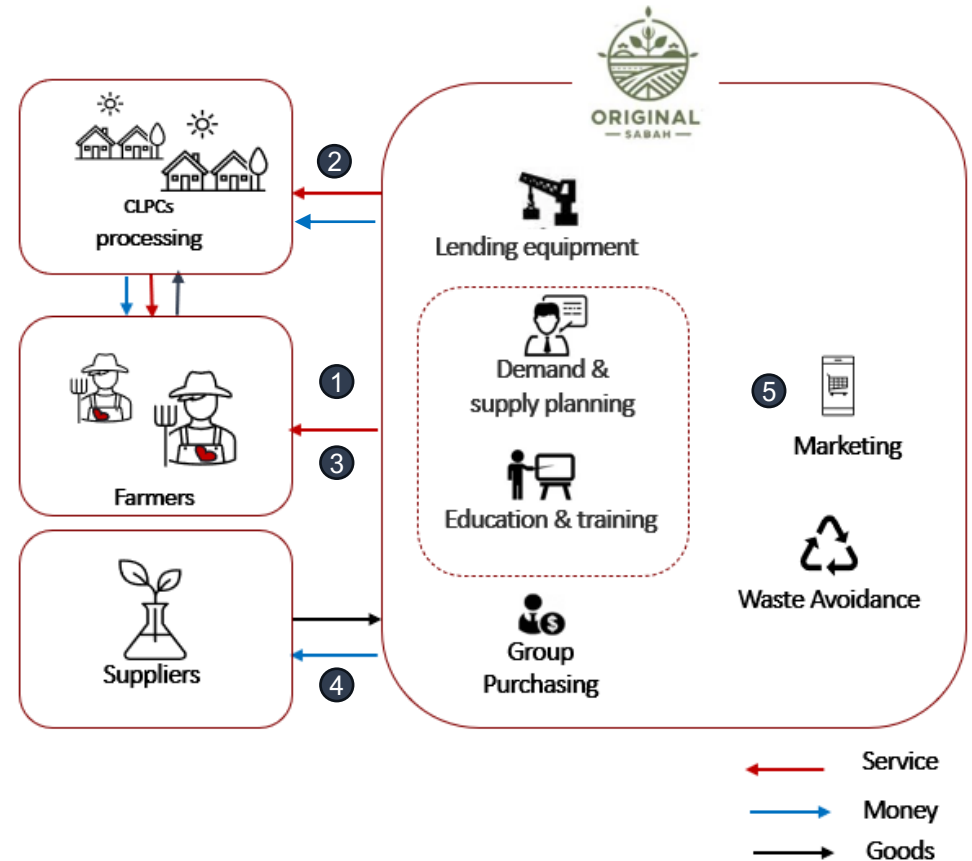
Original Sabah provides specific training to farmers to operate farming and processing equipment.

Group Purchasing ⁴

The new company buys farming equipment, machinery and specific required inputs for the farmers in bulk, therefore accessing lower prices than individual farmers could otherwise receive. Original Sabah passes price advantages to farmers

Marketing & Branding ⁵

Original Sabah will be established as a brand, which improves access to new customers and markets, such as hotels, restaurants, airlines and supermarkets.





ORGANISATION & GOVERNANCE

Overview

Governance and organisational structure are foundational aspects of any company, as they provide the structure through which strategy is set, operations are controlled, and oversight is maintained.

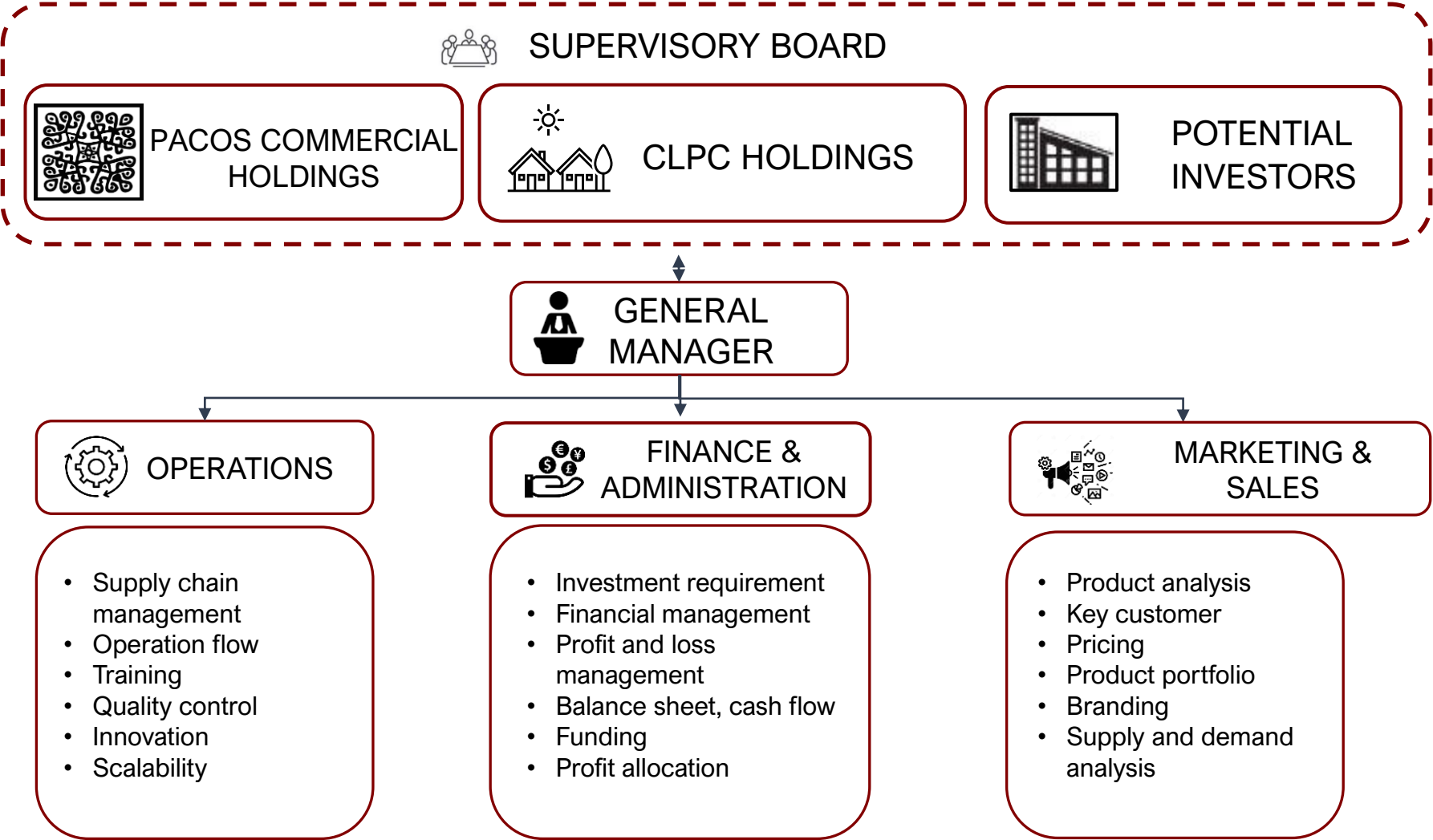
For Original Sabah, a proposed governance framework is designed with the following objectives in mind:

- **Improve indigenous farmer livelihoods:** Empowerment programs to ensure fair compensation and income growth opportunities for Indigenous farmers.
- **Promote environmentally friendly land management:** Advocate for sustainable agriculture techniques, engage in conservation efforts, and provide training to promote eco-friendly farming practices.
- **Ensure farmers have decision-making influence:** Guarantee representation for farmers within the company's governance structures. CLPC Holdings company will be created so their voices are heard and considered in company decisions.
- **Protect investor interests:** ensuring that their financial contributions to Original Sabah are managed responsibly and provide a fair return on investment in the context of a socially-oriented company.



A governance structure designed to empower farmers towards earning better livelihoods

Original Sabah - Organisation Structure



Shareholder Composition & Board

The shareholder and board composition consists of members from PACOS, investors and CLPC Holdings



Position	Description
PACOS Commercial Holdings	PACOS Commercial Holdings is a new commercial entity aligned with PACOS Trust and them to conduct new innovation initiatives outside of the legal construct of an NGO. A delegate from the holdings company will serve to represent the interests of PACOS Trust.
Investors	Investors provide capital to the company in exchange for equity and with the expectation of achieving a financial return. Their investment helps fuel growth, development, and innovation within the company. Possible investors for Original Sabah are Hotels, Wholesalers and Restaurants, who would also be customers for finished products. Thus it is proposed that part of the board be comprised by investors
CLPC Holdings	CLPC Holdings is the financial vehicle that owns shares in Original Sabah and ensures that farmers have an ownership stake in the company. A delegate from CLPC Holdings will serve to communicate the farmers' perspectives and advocate for CLPC's interests within Original Sabah.

Supervisory board comprised of farmers, NGO and private investor interests

Roles and Responsibilities

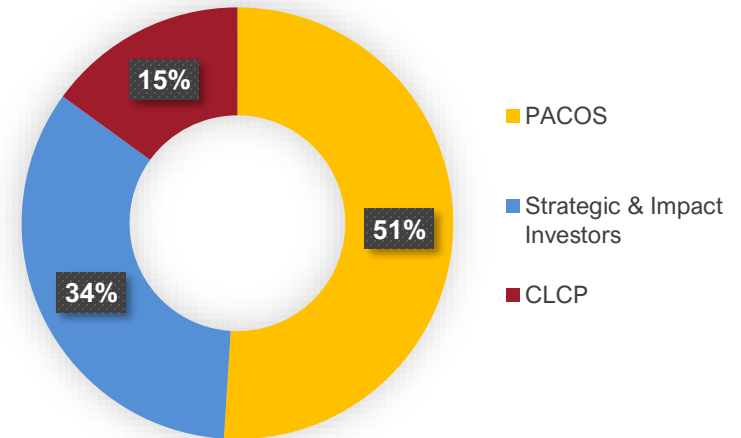
PACOS Trust is proposed to take the lead to set up key roles in the new organisational structure

Roles	Responsibilities
Board of Directors	Manages decisions at the highest level and is responsible for its strategic direction and supervising financial resource allocation to achieve organisational goals.
General Manager	Hired by the Board of Directors, he/she takes charge of executing decisions made by the Board and managing the organisation.
Operations	Directs daily business activities, manages company resources, optimises processes, and ensures efficiency and quality in product and service delivery.
Finance	Overseeing budgeting, forecasting, accounting, and reporting, while ensuring compliance with financial regulations and seeking avenues for growth.
Marketing	Drives and analyses market trends, steers the company's promotional activities to increase engagement and sales, drives brand strategy, and oversees campaign execution.

Ownership Structure & Profit Allocation

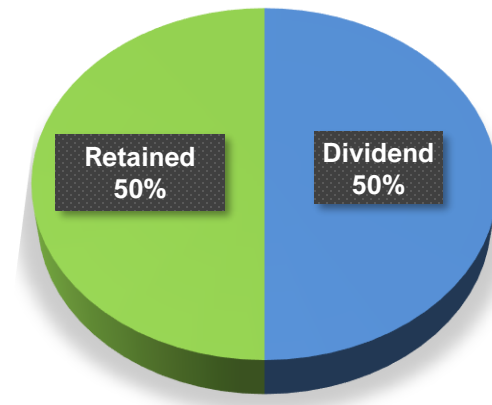
To harmonise stakeholder objectives, uphold superior operational standards, and include farmers strategically in ownership at Original Sabah, the following ownership structure is suggested:

1. PACOS will be granted a controlling interest by holding 51% of the shares to maintain majority ownership given its essential role in cultivating relationships with farmers.
2. External investors will be invited to contribute financially, collectively holding a 34% minority stake in the company.
3. A dedicated 15% share allocation will be reserved for the farmers under the stewardship of CLPC Holding.



To safeguard shareholder interests and maintain a high level of incentive, dividends will be distributed in a consistent and structured manner as follows:

1. 50% of dividends will be paid out proportionally to all shareholders based on their respective share ownership percentages.
2. The remaining 50% of profits will be retained by the company for reinvestment and future growth.
3. To further reinforce financial stability and growth prospects, dividends will not be issued until the company has achieved profitability for three consecutive years. This grace period is designed to bolster the company's capital base, ensuring a solid foundation for future earnings and dividend payouts.



CLPC Holdings – a company to serve farmer interests



Organise CLCs into CLPCs



The CLPC ecosystem will be made up of five zones, each containing a network of Community Learning Centres (CLCs) with their own governing committees. Zone chairs, elected by the CLCs' collective membership, represent the collective interests of the CLCs in their zone.

Form a new entity



PACOS is recommended to harness this existing CLPC structure to form a new entity, **CLPC Holdings**, which will serve as a financial vehicle for the farmers' interests.

Vest ownership



Ownership and management of CLPC Holdings will vest in the hands of the five elected zone chairpersons. This means these zone representatives will play pivotal roles in the ownership and governance of CLPC Holdings.

Alignment within Original Sabah

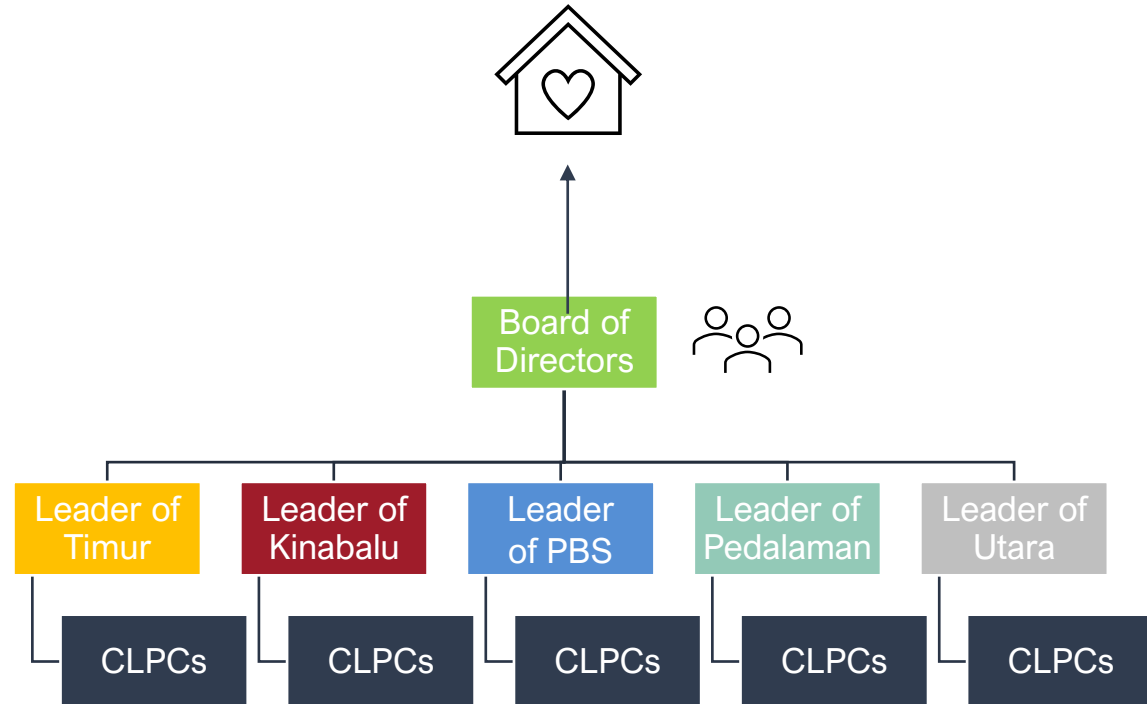


Such a configuration ensures that CLPC Holdings operates with a consolidated oversight and speaks with one voice at the organisational level, aligning the aspirations and goals of the individual zones with those of Original Sabah.

CLPC Holdings represents the interests of farmers by holding shares in Original Sabah.

Company governance ensures farmers are represented

- **CLPC Board of Directors:** The CLPC Holdings' governance structure is anchored by a Board of Directors. They are responsible for overseeing financial distributions within CLPC Holdings.
- The board is comprised of five leaders (zone chairs), who each lead their respective CLPC networks in their regional zones
- The Board's role is critical to ensure that the financial health of the holding is maintained and that the profits are managed and distributed fairly.
- The Board of Directors holds a mandate: they must ensure that the benefits are **equitably** shared among all members.
- Every two years, the CLPC Board of Directors will **elect** the appointment of one member to serve as the representative on the Original Sabah Board.



Profit-sharing approach is designed to reflect the cooperative spirit of CLPC Holding

Transfers of shares & voting rights

- To reinforce stability and maximise benefits for CLPCs and their farmer members, it is proposed that PACOS systematically transfers shares to CLPC Holdings.
 - 1st year:** CLPC Holdings will maintain its initial 15% shareholding without any changes.
 - 2nd year and onwards:** PACOS will commence the process of transferring shares, diminishing its stake to eventually reach 15%. Simultaneously, CLPC Holdings will incrementally increase its shareholding by up to 4% each year until it acquires a majority stake of 51%. This systematic transfer of shares is designed to ensure a smooth transition of ownership that secures the long-term interests and governance of the company by prioritising the interests of farmers.



- To ensure the company maintains fair and equitable decision-making, it is proposed to allocate one voting right per share. It is advised to consult with a corporate lawyer or a company secretary in Malaysia to ensure compliance with all legal requirements and when deciding on the number of shares to be issued.

Shareholder	VOTING RIGHTS: one vote per share
PACOS Commercial Holding	Ownership: 51% = x shares Voting rights: X votes out of the total of Shares.
Investors	Ownership: 34% = x shares Voting rights: X votes out of the total of Shares.
CLPCs Holding	Ownership: 15% = x shares Voting rights: X votes out of the total of Shares.



OPERATIONS

Overview

This section of the report will focus on several key operational elements for Original Sabah.

To best suit the needs of the business, specific operational processes and recommendations for individual units will need to be assessed and devised as the business structure, products and partnerships are created. The first set of operational recommendations has three key elements:

- **New supply chain model leveraging existing CLCs**
 - CLPCs and Original Sabah offer logistical support, including transportation, packaging and storage facilities to ensure the best final price for produce.
 - Existing CLCs will be transformed into CLPCs to only process non-fresh produce into packaged products.
 - Processed produce will be transported to DCs, which will then proceed to package and distribute produce.
- **Introduction of a new manufacturing & quality assurance process**
 - Implement quality control measures to ensure freshness and quality of products.
 - Food safety & processing training
- **Launch and expansion plan**
 - Evaluate the long-term viability and growth potential of the selected products in the context of changing market dynamics, consumer preferences, and regulatory requirements.

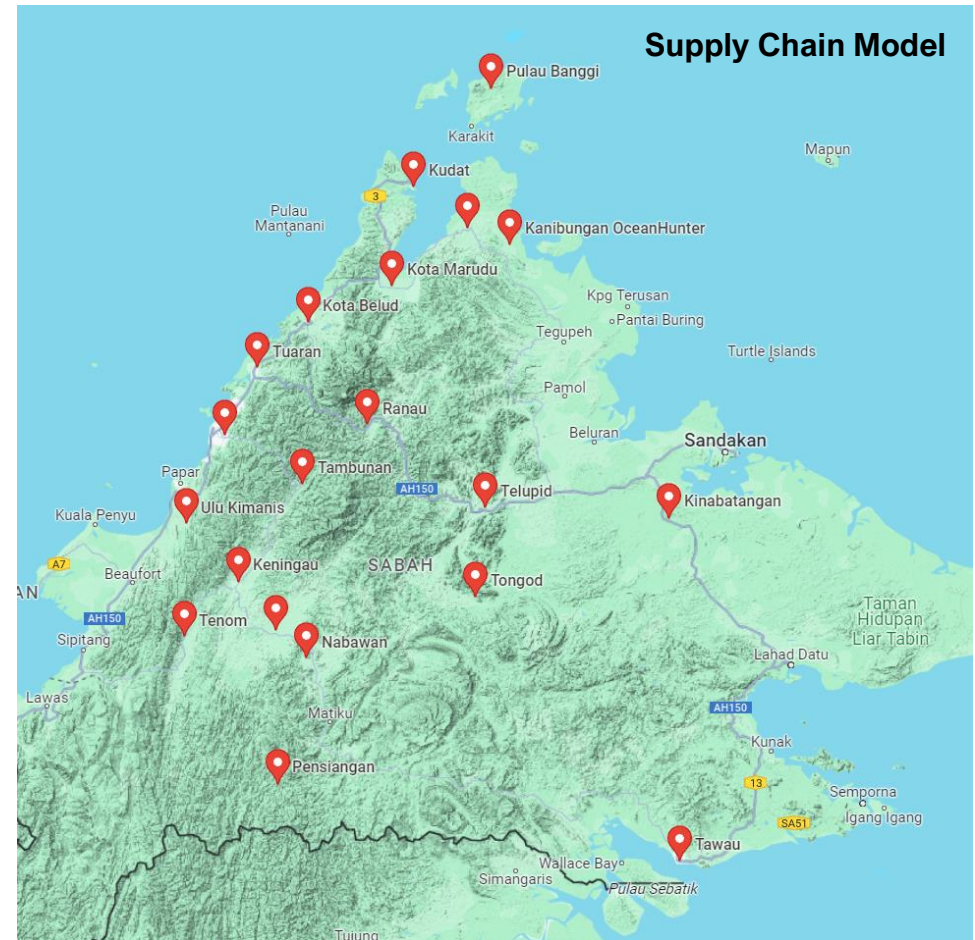
Recommended Product Types

Dried/Powder, Fruit Jam, related packaged products.



Supply Chain Model: de-centralized operations integrated into village CLCs

- Due to mountainous topography and lack of infrastructure, many indigenous farming communities cannot be reached easily or fast enough to transport and process fresh produce without significant cost.
- The 27 existing community learning centres (CLCs) operated by PACOS Trust will be supporting processing of produce by providing:
 - Limited electricity to power processing machinery (drying, slicing, blending etc.)
 - Manpower for supporting farmer training and processing activities
 - Space for temporary storage of processed goods and required materials, thus transforming CLCs into CLPCs
- Original Sabah will provide unique operational advantages to those upgraded CLCs by
 - Bundling sourcing and maintenance for processing equipment to enable reduced operational costs
 - Providing ample training for food safety and processing to upskill farm workers
 - Leveraging logistics know-how and consolidating milk-run (see page 36) distribution activities for efficient, best practice supply chain logistics.

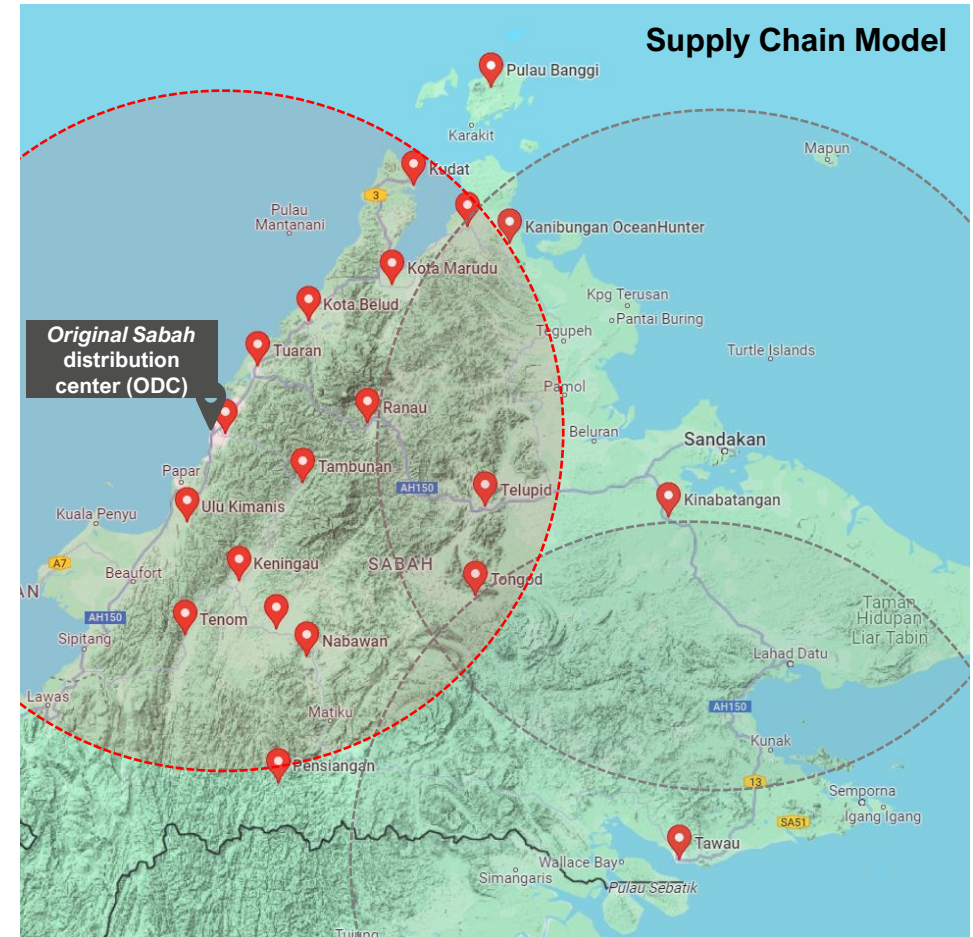


CLPCs process raw materials, add value to products to improve farmer livelihoods

Supply Chain Model: distribution centers near population hubs

In the longer term, lean distribution centers will be established in optimal proximity to key population hubs of about 500,000 inhabitants in Sabah:

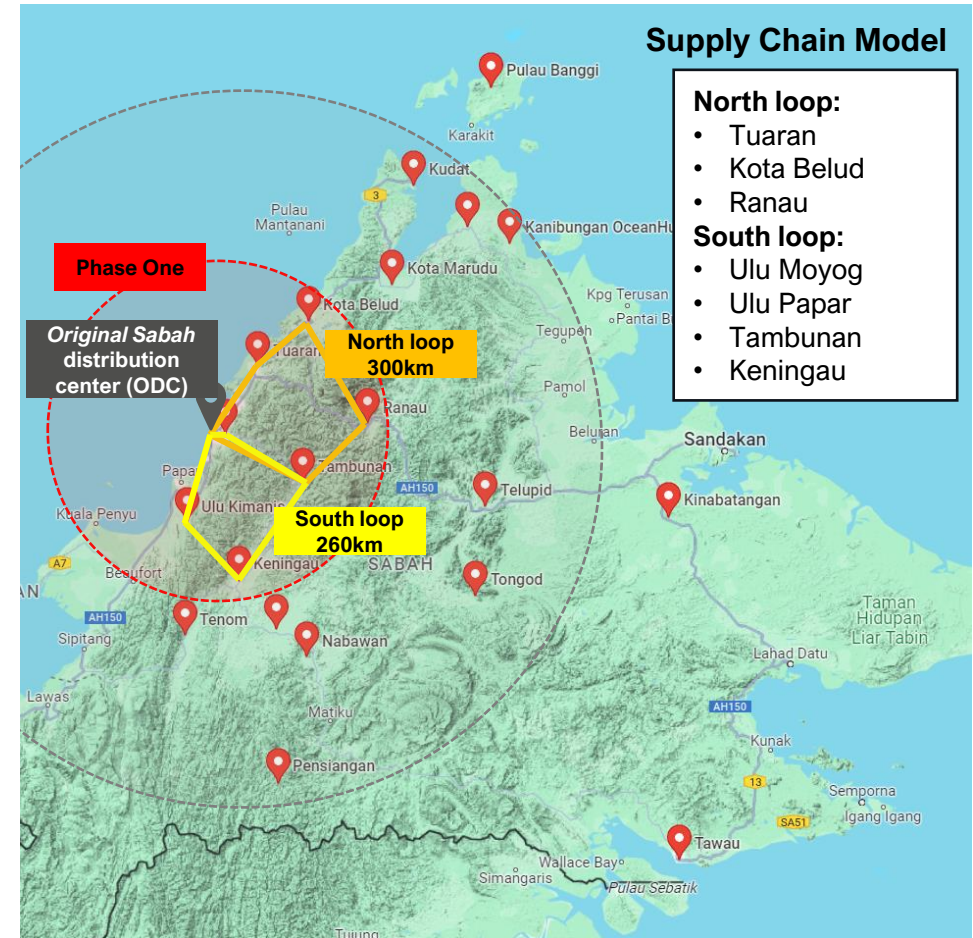
- Kota Kinabalu (KK)
 - Tawau
 - Sandakan
 - Keningau
- The KK area is a prime location as central distribution hub:
 - More than 60% of potential CLPC's are closer to KK than to any of the other population hubs.
 - KK is Sabah's capital and its heart for tourism and gastronomy.
 - Proximity to Keningau allows Original Sabah to serve both highly populated areas.
 - In phase one, for lean operations and to minimize start-up costs, basement space at PACOS' KK headquarters can serve as Original Sabah's first and central distribution centre ("ODC") to:
 - Label processed goods collected from the CLPC's farming communities.
 - Finalize portioning and packaging of all processed products.
 - Distribute Original Sabah branded food to an expanding customer base.



Phase one: easy-to-scale business operations with minimal setup costs, starting in KK

Supply Chain Model: first phase distribution logistics

- The area of focus to launch the first phase of the business is a 100km radius around KK. Seven CLPCs in two loops are connected in a north and south loop, with Original Sabah's Central Distribution Center (ODC) at PACOS headquarters in the center.
 - **North loop (300km):**
Tuaran – Kota Belud – Ranau
 - 7 hours driving by truck
 - 3 CLPC pickups per hour
 - Duration: 10 hour loop
 - **South loop (260km):**
Ulu Moyog – Tambunan – Keningau – Ulu Papar
 - 5 hours driving by truck
 - 4 CLPC pickups per hour
 - Duration: 9 hour loop
 - Truck costs: 600-700 RM per loop (per day)
- Any agreed produce ready for delivery can be loaded at the CLPCs, because no limits will be set for the amount of work in process that can be in the system (PUSH principle). When volumes vary significantly, information is provided prior to milk runs to allow truck capacities to be aligned.
- Unsold surplus is kept at the ODC and will be used in other ways to prevent food wastage, such as promotions.
- Drivers will collect on north and south loops on alternating days



A north and south loop will ensure operational efficiencies to maximise value to farmers

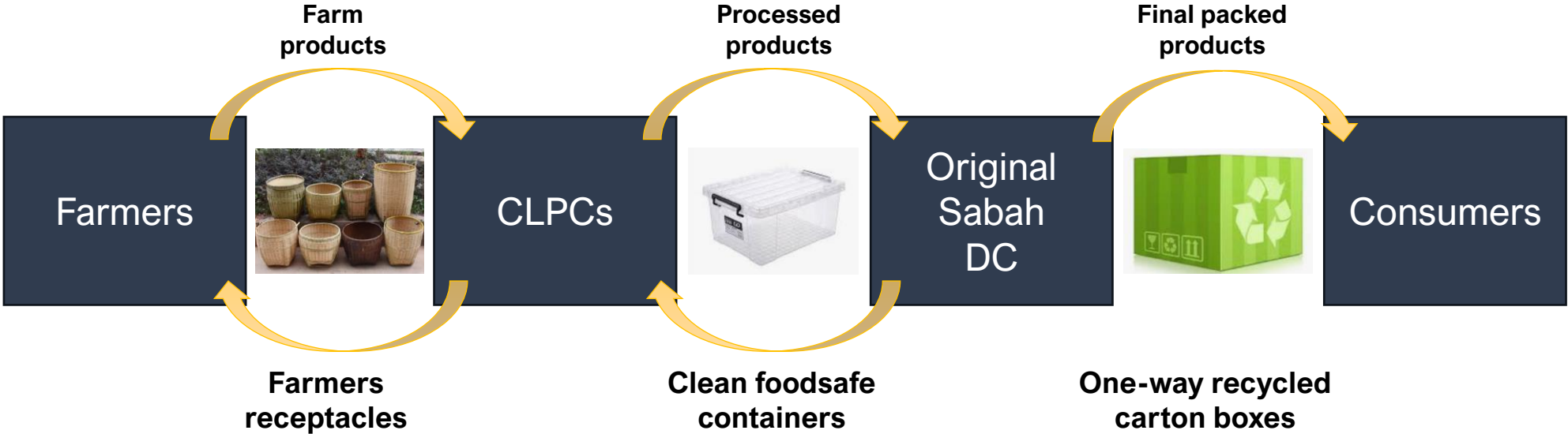
Supply Chain Model: “Milk run” pick-up and delivery method

Definition

The term “Milk Run” originated in the dairy industry when milk carriers would drive a route to both deliver milk and pick up empty bottles. It is a delivery method that can be used to transport mixed loads from various CLPCs to Original Sabah’s distribution centre, and at the same time return empty containers to the CLPCs.

Application

Apart from reducing carbon dioxide emissions from empty truck runs between CLPCs and the ODC, utilizing milk runs allows more environmentally friendly logistic operations by re-using hygienic containers between the CLPCs and the central distribution hub, thus reducing waste.



Enables smart routes, re-usable containers and recycled carton packaging

Supply Chain Model: Upskilling indigenous farmers

- One of the underlying requirements for Original Sabah to operate and execute its supply chain model (and therefore business model) is farmers being capable of adding value to their produce via processing at CLPCs. Thus, Original Sabah's success is highly dependent on upskilling indigenous farmers.
- The company will provide specific training and capacity-building programs to farmers on best agricultural and processing practices, technical training and quality standard assessments to improve farming practices, enhance yields, and ensure product quality.
- This training may include on-site demonstrations, workshops and seminars on topics such as organic farming methods, pest and disease control, processing techniques, equipment usage training and food safety.
- Original Sabah will focus on farmer needs, listening to their feedback, continuously seek to improve their engagement and success.



On-site demonstrations



Train the trainer sessions

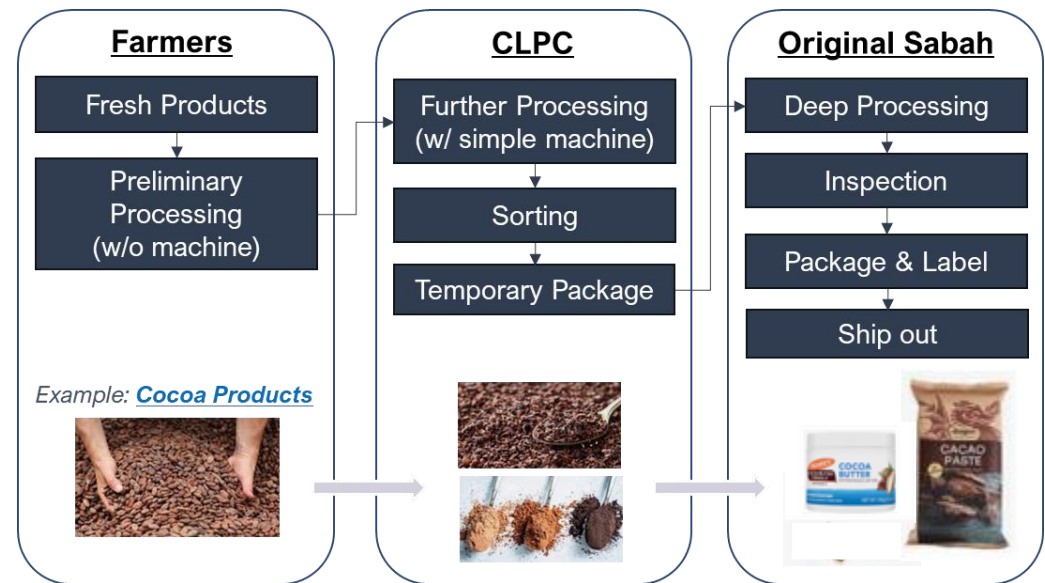


Workshops and seminars

Delivering knowledge and skills to improve yields, process products and ensure quality

Supply Chain Model: Setting farmers up for success

- All food processing will be managed at the CLPC using existing facilities and performed by farmers trained to process raw materials.
- By processing the farm produce at the CLPCs, farmers can benefit from turnkey operations, economies of scale, and access to value-adding services.
- This approach not only makes a new place of work accessible to farmers, but also boosts income by adding value to produce.
- Driven by a bold vision to enable sustainable livelihoods and economic development in the region.



Original Sabah's usage of CLPCs integrates farmers in the economic value chain

Quality Assurance Process: boosting quality of produce

The aim of setting up Quality Assurance Processes is to enforce stringent quality control protocols to oversee and uphold the quality of both raw materials and final products. This could include carrying out frequent inspections, sampling for tests, and offering feedback to farmers to enhance their agricultural methods, thereby consistently delivering products of high quality.

Location	Farmer	CLPC		Original Sabah	
Process	Raw material production	Washing, Peeling & Drying	Grinding & Temp Pack	Production & Final Packaging	Logistics & Distribution
Key activities	<ul style="list-style-type: none"> Plant/ harvest Initial screening 	<ul style="list-style-type: none"> Training Quality risk analysis Quality assurance plan Standardization Inspect produce 	<ul style="list-style-type: none"> Outgoing inspection Equipment Health & Safety Site audit and inspection 	<ul style="list-style-type: none"> Standard operating procedure system Equipment Calibration Final inspection Certification Health & Safety 	<ul style="list-style-type: none"> Storage condition management On time delivery Health & Safety
Quality requirements	<ul style="list-style-type: none"> Knowledge of crops and farming Skill to use tools Inspection skills 	<ul style="list-style-type: none"> Material knowledge and farming skill training Site audit and incoming inspection Farming process standardisation Equipment calibration Ensure inspection for semi-finished goods Health and safety control 		<ul style="list-style-type: none"> QA system and order system Robust quality standard Skill to maintain and repair the equipment Certification (GMP, Halal, MeSTI , Buatan Malaysia) EHS Knowledge 	
Person in Charge	Farmer	Farmer/ trainee		Employee/ trainee	



A robust quality management system enhances product quality and trust with customers

Launch and Expansion Plan

Original Sabah will launch and expand operations in various phases, starting with a pilot in phase one.

Phase One

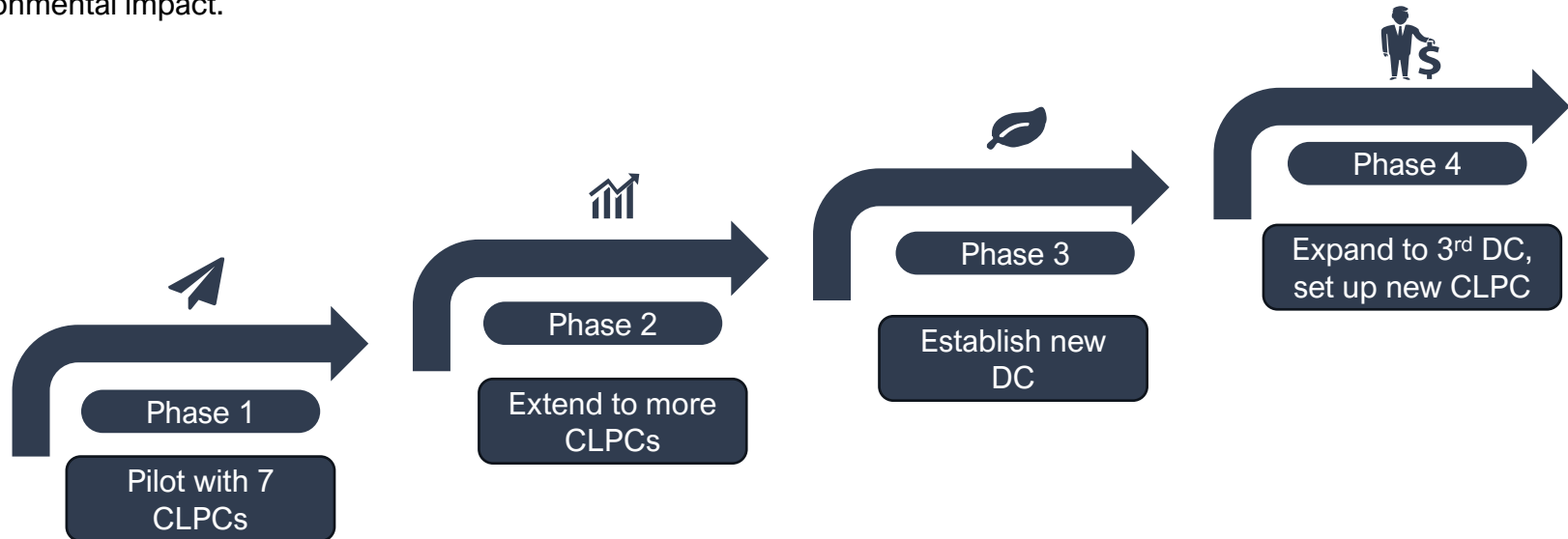
- Conduct pilot tests and trial runs with a small batch of the selected 7 CLPCs to assess and validate feasibility, market acceptance, and production scalability. If pilot tests are successful, the focus can shift towards efficiency and scaling in phase two.

Phase Two onwards

- Monitor production capacity and demand to identify opportunities for expansion. Invest in technology and automation to improve efficiency and scalability.

Continuous Improvement

- Gather feedback from buyers, consumers, and stakeholders to identify areas for improvement (e.g. bigger packaged products, preferred new flavors etc.), then refine the product offerings accordingly.
- Explore new technologies, practices, and crop varieties that can improve crop yields, increase the outcome and mitigate environmental impact.



New venture recommended to manage risks by starting with small-scale trials



MARKETING & BRANDING

Marketing Strategy

The Original Sabah marketing strategy for indigenous farming products focuses on **authenticity, sustainability, and cultural heritage**. The company aims to connect with eco-conscious consumers seeking sustainable products. Through strategic collaborations with hotels, food companies, targeted marketing initiatives, and a compelling message on environmental responsibility, Original Sabah aims to position products as symbols of Sabah's rich heritage and pure nature.

Original Sabah is recommended to launch two distinct product lines: one aimed at tourists, which will be available in local souvenir shops at major tourist destinations, restaurants, airports, and hotels to attract visitors; and another with simpler packaging, targeted at the local market and sold in supermarkets and food stalls. This approach ensures products resonate with both international tourists and local consumers.



A focused marketing strategy to promote authenticity, sustainability and cultural heritage

Crop analysis

Fresh produce

Fresh produce is mainly cultivated by smallholder farmers and directly sold to consumers or wholesalers. The average earnings from planting and selling fresh produce ranges between RM800-RM1,500 per month. To increase the incomes of smallholders, it is important to process and add value to products.

High-value crops which can be further processed

Four crops have been identified that are already commonly grown by indigenous farmers and can be further processed into semi-processed or processed products.

Cocoa: Cocoa beans can be processed to produce a variety of products, including cocoa powder, used in baking and beverages, and cocoa nibs for luxurious cocoa butter, a key ingredient in chocolate.

Coffee: Grown on the island of Borneo, Sabah coffee benefits from the region's fertile soil and favorable climate conditions. It is appreciated for its distinct taste, often described as having a rich aroma and a balanced flavor profile.

Ginger: a versatile crop that can be processed into various products, including aromatic ginger tea, spicy ginger powder for culinary uses and medicinal ginger supplements.

Turmeric: This can be transformed into vibrant powder for cooking and coloring, healing supplements, soothing teas, and pastes for culinary and medicinal uses.



Small farmers should focus on high-value crops which can be further processed

Creating Higher Value-Added Products

- The table below illustrates how processing enhances margins for farmers

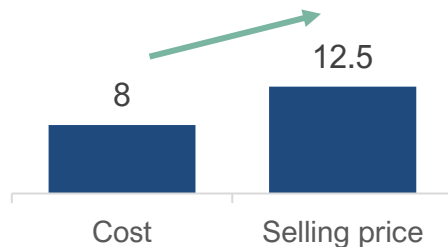
Raw material			Processing	End product	
Raw material	Volume per year /kg *	Purchasing Price /kg	Processing cost /kg	End product	Selling Price /kg
Tumeric	1,800	RM 8-10	RM 10-12	Tumeric powder	RM 130
Ginger	60,000	RM 10-15	RM 5-10	Ginger powder	RM 130
Coffee	360	RM 12	RM 13	Roasted Coffee bean	RM 60
Cacao	792	RM 24	RM 16	Cocoa nibs	RM 75

*Assumption based on one CLC representative sample

NOTE: Preliminary attempt by PACOS had no plan/management

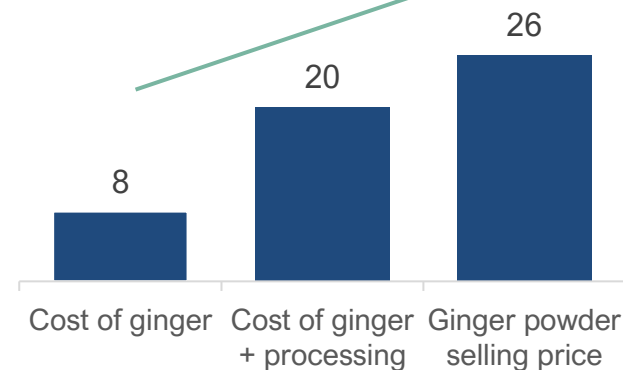
Mark up price for unprocessed Ginger (RM/kg) yields a margin of RM 4.5

Value-add: 56%



Ginger selling price(RM/kg) increases with processing to ginger powder, increasing margins from RM 4.5 to RM 18 (26 – 8)

Value-add: 325%

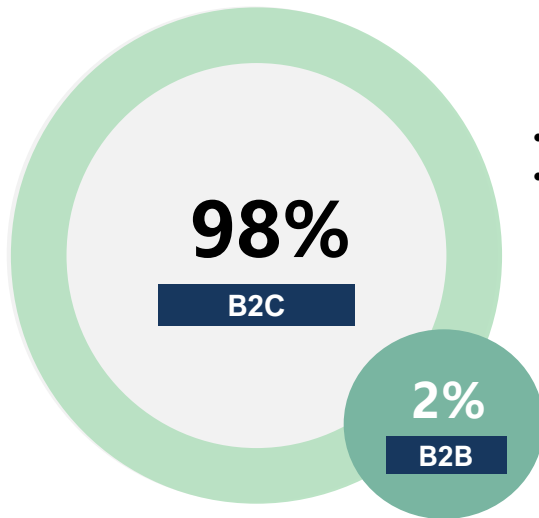


Significant value-add can be unlocked by processing fresh produce

Enabling Farmers to Move from B2C to B2B

Enabling farmers to sell to businesses (B2B) is crucial for farmers who struggle to reach big markets. By opening the door for farmers to sell B2B, Original Sabah helps them sell more of what they grow on their land. This approach ensures that farmers earn the most out of their harvest and reduce wastage. Original Sabah plans to do this by enabling farmers to move from selling just fresh produce to also offering processed items like ginger powder and cocoa nibs. These products last longer and have higher margins, improving farmer incomes.

Current customer structure



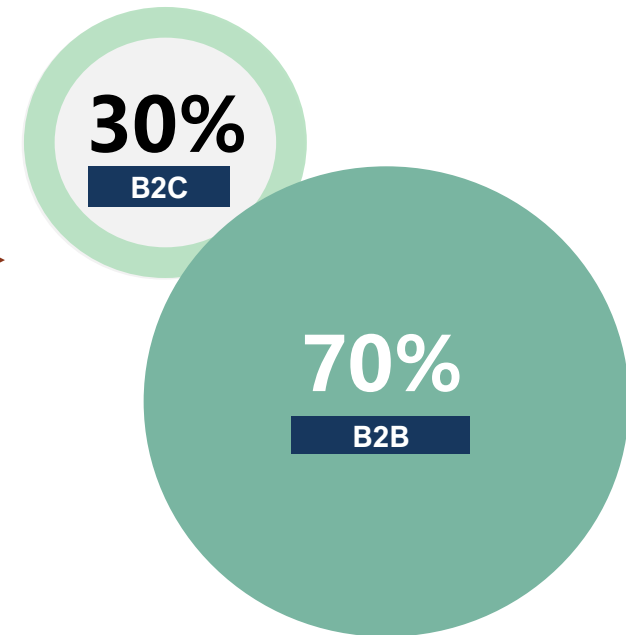
- From fresh produce to processed items
- Expand customer coverage



Customer segments:

- B2C
 - Market (end consumer)
- B2B
 - Hotel
 - Supermarket
 - Restaurant
 - Food processing
 - Souvenir shop
 - Airport

New customer structure



Processing produce enables farmers to expand to B2B market

Key customers for Original Sabah's products

Existing business activity

Fresh Produce	Local Market
Coffee, Cocoa, Turmeric, Ginger	●

Proposed new business model

Processed Goods	Local Market	Hotel	Super market	Restaurant	Souvenir shop	Airport	Lembaga Koko Malaysia ¹
Roasted Coffee Bean	●	△	△	△	△	△	
Turmeric powder	△	△	△	△	△	△	
Cocoa nibs	△	△	△	△	△	△	△
Ginger powder	△	△	△	△	△	△	

△ New customer coverage

● Current customer coverage

Note 1: Due to limited processing technology, farmers cannot directly sell ground cocoa to consumers. Instead, it is proposed they sell it to Lembaga Koko Malaysia (Malaysia Cocoa Board) for advanced processing into finer powder.

Shifting from B2C to B2B allows Original Sabah to quickly grow a customer base



BRANDING *Original Sabah*

- *Unlocking Indigenous Value*

Logo & Brand Design Idea



Logo Interpretation

- The graphic combines the stylised forms of "O" and "S" to reflect the brand's name.
- Three colors are utilized to represent different product lines:
 - **Black** symbolizes the traditional agricultural line
 - **Brown** represents Sabah's local specialty economic crop line
 - **Green** signifies the emerging line of organic products
- Intersecting patterns of crop fields in the center of the logo depict the brand's grounding in **farmers, land, and crops**, embodying a **down-to-earth brand philosophy**.
- The plant at the top symbolizes **growth, nature, and vitality**, emphasizing the brand's support for sustainable agriculture and ecological concern.
- The two horizontal lines separating the crops and the plant symbolizes a road in a Sabah village.
- This logo conveys a **pure, organic, and close-to-nature** brand image, while accentuating the origin and authenticity of its products. The design effectively appeals to consumers seeking high-quality, natural, and sustainable products.

Brand Slogan

Green Farming, Better Living: Nurturing Our Land,
Preserving Our Roots

Brand Pyramid



Core Values

Authenticity, sustainability and culture

Brand Personality

Indigenous and pure

Brand Advantage

Affordable price, fresh with high quality

Branding Position

Middle segment

Coffee beans

Cocoa nibs

Turmeric powder

Ginger powder

Product series



FINANCIAL ANALYSIS

Financial Model Overview

- In a base case investment model scenario, a modest initial investment of MYR 325,500 is required to initiate phase one (pilot) of Original Sabah, with a total investment required of MYR 1.25M.
- To determine the initial investment required, the key factors of the proposed business model were accounted for in the financial analysis, including free processing machinery provided to farmers, participation rates in membership and the cost base and selling price of processing produce and selling to Original Sabah.
- Two business cases (Base and Growth) were developed to project different growth scenarios of the business. The Growth scenario differs from the Base in terms of a larger initial investment size and significantly greater sales volume by year five. The key outperformance of the Growth scenario is due to:
 - 3x farmer participation in processing and selling
 - 2.4x initial investment size for the same number of 7 CLPCs
 - 1.4x additional investment in year two
 - 5% efficiency improvements in operations
 - 263x larger sales volume in year five
- Assumptions for key parameters were as realistic as possible but also conservative, especially for the Base scenario, given many uncertainties that one would only find when doing a validation with key stakeholders to test the idea.
- Desktop research and consulting with a Sabah Government representative and PACOS Trust team members were used for gathering data to help with making assumptions.
- Details on profitability of the four products, plus crop production data used as inputs into the financial model can be found in the appendix (“Premises of the Business Case”).



Assumptions Financial Analysis

1 Scenarios:

- **Base Scenario:** 7% of farmers within a CLPC area participate in processing and selling
- **Growth Scenario:** 21% of farmers participate in processing and selling

Scale of Investment

- **Pilot investment (7 CLPCs):** MYR 325,500
- **Base case total investment:** MYR 1,255,500
- **Growth case total investment:** MYR 2,970,000

Investment in Equipment and Machinery

- Used for equipment and machinery for processing
- Processing machinery is provided free of charge to farmers

2 Product Profitability (base scenario)

- Initial analysis shows that turmeric powder, ginger powder and coffee is profitable. Cacao has a negative net profit. At a high level, this is because the markup price for processed cacao is not far from unprocessed cacao, in addition to factoring transportation and processing costs

1 Investments

	Year 0	
Slicing Machine	MYR	87.500
Dryer&Dehydrator	MYR	105.000
Grinder	MYR	28.000
Pakaging Machine	MYR	28.000
Chiller	MYR	63.000
Office Euqipment	MYR	14.000
Total (Required Investment)	MYR	325.500

2

Net Profit (in %)	Year 1	Year 2	Year 3
Tumeric Powder	8,7%	10,7%	16,0%
Ginger Powder	8,7%	11,4%	17,3%
Coffee	-0,5%	1,7%	11,1%
Cacao	-13,8%	-10,6%	-1,9%

Investment requirement of MYR 325,500 required to start operating in 7 CLPCs

Summary: Base Scenario

1 Net Income

Year 1: +6,1%, +101,437 MYR
Year 3: +12,6%, +801,762 MYR

2 KPIs

- Net Present Value (NPV) Year 3 at MYR 175,884 (discount rate 10%)
- Internal rate of return (IRR) at 16.2% and payback of the overall investment after 2.5 years

Benefits for Farmers

- Farmers receive processing machinery free of charge to process raw material
- Payment for processing to Farmers:
Year 1: MYR 338,162
Year 3: MYR 1,497,195

1

In MYR	Year 1	Year 2	Year 3
Revenue	1.650.000	3.300.000	6.364.286
Less: Cost of Goods Sold	(1.272.930)	(2.467.087)	(4.613.631)
Less: Indirect Costs	(241.821)	(474.343)	(681.639)
Profit before Interest and Tax	135.249	358.570	1.069.016
Less: Tax	(33.812)	(89.643)	(267.254)
Net Income	101.437	268.928	801.762
Net Margin	6,1%	8,1%	12,6%
Additional Benefit for the Farmer	388.162	776.323	1.497.195

2

	Metrics	Results	Pilot
Total Investment Required	MYR	1.255.500	MYR 325.500
Net Present Value	MYR	175.884	
Internal Rate of Return (undiscounted)		16,2%	
Payback Period		2,5 Years	
Avg Gross Margin (%)		25,2%	
Avg Net Profit (%)		9,0%	

Business case shows payback in less than 3 years, with further improvement potential

Summary: Growth Scenario

1 Investment Demand

Required (variable) investment increases to MYR 770,000 for the Pilot. Overall investment requirement increases to MYR 2,970,000

2 Net Income

Year 1: +7,5%, MYR +377,670

Year 3: +13,3%, MYR +2,573,749

Benefit to Farmers

Year 1: MYR 1,179,773

Year 3: MYR 4,550,552

1 In MYR	Year 1	Year 2	Year 3
Revenue	5.002.920	10.005.840	19.296.977
Less: Cost of Goods Sold	(3.855.540)	(7.472.998)	(13.976.009)
Less: Indirect Costs	(643.819)	(1.265.639)	(1.889.303)
Profit before Interest and Tax	503.561	1.267.204	3.431.665
Less: Tax	(125.890)	(316.801)	(857.916)
Net Income	377.670	950.403	2.573.749
Net Margin	7,5%	9,5%	13,3%
Additional Benefit for the Farmer	1.179.773	2.359.546	4.550.552

2	Metrics	Results	Pilot
	Total Investment Required	MYR 2.970.000	MYR 770.000
	Net Present Value	MYR 1.309.679	
	Internal Rate of Return (undiscounted)	28,3%	
	Payback Period	2,2 Years	
	Avg Gross Margin (%)	25,3%	
	Avg Net Profit (%)	10,1%	

Business case shows payback in less than 3 years, with further improvement potential

Key Financial Assumptions – Base Scenario

Revenue Assumptions

Selling Price

Turmeric Powder: MYR130/kg

Ginger Powder: MYR130/kg

Coffee Beans: MYR60/kg

Cacao Nib: MYR75/kg

Production Volume (Year 3, base)

Turmeric Powder: 1,389kg

Ginger Powder: 46,286kg

Coffee Beans: 486kg

Cacao Nib: 1,833kg

Operating Assumptions

- 7 CLPCs started in year 1
- All raw materials will be processed at CLPC and sold as powder
- Yield rate for turmeric and ginger is 20%. Coffee and cocoa is 60%
- Transportation is outsourced. MYR650 per Milk Run, 64 transportation trips in Year 1

Scale of Operations

- Number of CLPCs to increase from 7 in Year 1 to 27 in Year 3
- Total Assets of “Original Sabah” are MYR4.3 million in Year 5.
- Sales volume of four products are 49,993kg in Year 5
- Involving 500-800 small farmers in this business in Year 1

Cost Assumptions

Direct Material Cost

Turmeric Powder: MYR45/kg

Ginger Powder: MYR62.5/kg

Coffee Beans: MYR20.0/kg

Cacao Nib: MYR40.0/kg

Processing Costs

Turmeric Powder: MYR55.0/kg

Ginger Powder: MYR37.5/kg

Coffee Beans: MYR21.67/kg

Cacao Nib: MYR26.67/kg

Investment

- Initial investment of MYR 325k to cover investment in slicing machines, refrigerators, grinders, packaging machines, chillers and office equipment in 7 CLPCs.
- Additional MYR 0.93 million is invested with the expansion of the business in Year 2
- Total investment is MYR 1.26million

Key Financial Assumptions – Growth Scenario

Revenue Assumptions

Selling Price

Turmeric Powder: MYR130/kg

Ginger Powder: MYR130/kg

Coffee Beans: MYR60/kg

Cacao Nib: MYR75/kg

Production Volume (Year 3, base)

Turmeric Powder: 4,166kg

Ginger Powder: 138,857kg

Coffee Beans: 4,860kg

Cacao Nib: 5,499kg

Operating Assumptions

- 7 CLPCs started in year 1
- 5% efficiency improvement
- All raw materials will be processed at CLPC and sold as powder
- Yield rate for turmeric and ginger is 20%. Coffee and cocoa is 60%
- Transportation is outsourced. MYR650 per Milk Run, 64 transportation trips in Year 1

Scale of Operations

- Number of CLPCs to increase from 7 in Year 1 to 27 in Year 3
- Total Assets to “Original Sabah” are MYR12.9 million in Year 5.
- Sales volume of four products are 13,167,946kg in Year 5
- Involving 500-800 small farmers in this business in Year 1

Cost Assumptions

Direct Material Cost

Turmeric Powder: MYR45/kg

Ginger Powder: MYR62.5/kg

Coffee Beans: MYR20.0/kg

Cacao Nib: MYR40.0/kg

Processing Costs

Turmeric Powder: MYR55.0/kg

Ginger Powder: MYR37.5/kg

Coffee Beans: MYR21.67/kg

Cacao Nib: MYR26.67/kg

Investment

- Initial investment of MYR 770k to cover investment in slicing machines, refrigerators, grinders, packaging machines, chillers and office equipment in 7 CLPCs.
- Additional MYR 1.3 million invested with the expansion of the business in Year 2
- Total investment is MYR 2.97million

Income Statement Projection

In MYR	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	1,650,000	3,300,000	6,364,286	6,364,286	6,364,286
Less: Cost of Goods Sold	(1,272,930)	(2,467,087)	(4,613,631)	(4,476,524)	(4,346,272)
Less: Indirect Costs					
Sales & Marketing	(18,000)	(36,000)	(69,429)	(69,429)	(69,429)
Administrative Wages and Salaries	(18,000)	(36,000)	(69,429)	(69,429)	(69,429)
General and Administrative	(18,000)	(36,000)	(69,429)	(69,429)	(69,429)
Utilities	(16,800)	(33,600)	(64,800)	(64,800)	(64,800)
Transportation	(40,821)	(81,643)	(157,454)	(157,454)	(157,454)
Depreciation	(130,200)	(251,100)	(251,100)	(251,100)	(251,100)
Profit before Interest and Tax	135,249	358,570	1,069,016	1,206,122	1,336,374
Less: Interest	-	-	-	-	-
Less: Tax	(33,812)	(89,643)	(267,254)	(301,531)	(334,093)
Net Income	101,437	268,928	801,762	904,592	1,002,280
Net Margin	6.1%	8.1%	12.6%	14.2%	15.7%
Additional Benefit for the Farmer	388,162	776,323	1,497,195	1,871,493	1,871,493
Average Gross Margin (%)	27.4%				
Average Net Margin (%)	11.4%				

Net income should steadily increase and exceed MYR 1.0 million by year five

Balance Sheet Projection

ASSETS	Year 1	Year 2	Year 3	Year 4	Year 5
Current Assets					
Cash	231,637	751,664	1,804,526	2,960,218	4,213,598
Non-current Assets					
Slicing Machine	140,000	235,000	167,500	100,000	32,500
Dryer&Dyharderator	168,000	282,000	201,000	120,000	39,000
Grinder	44,800	75,200	53,600	32,000	10,400
Pakaging Machine	44,800	75,200	53,600	32,000	10,400
Chiller	100,800	169,200	120,600	72,000	23,400
Office Eqiupment	22,400	37,600	26,800	16,000	5,200
Total Assets	752,437	1,625,864	2,427,626	3,332,218	4,334,498
LIABILITIES and SHAREHOLDER'S EQUITY					
Current Liabilities	0	0	0	0	0
Trade and other payables	0	0	0	0	0
Non-current Liabilities	0	0	0	0	0
Long-term loan	0	0	0	0	0
Total Liabilities	0	0	0	0	0
Total Shareholder's Funds	752,437	1,625,864	2,427,626	3,332,218	4,334,498
Total Liabilities and Shareholder's Funds	752,437	1,625,864	2,427,626	3,332,218	4,334,498
Return on Capital Employed	17.97%	22.05%	44.04%	36.20%	30.83%
Average Return on Capital Employed:	30.22%				
Gearing Ratio:	(Cash amount exceeds the debt)				

Average return on capital employed over the life of the project should exceed 30.22%

Cash Flow Projection

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Received from Customer		1,650,000	3,300,000	6,364,286	6,364,286	6,364,286
Less Cash Paid for:						
Direct Cost		(1,272,930)	(2,467,087)	(4,613,631)	(4,476,524)	(4,346,272)
Sales & Marketing		(18,000)	(36,000)	(69,429)	(69,429)	(69,429)
Administrative Wages and Salaries		(18,000)	(36,000)	(69,429)	(69,429)	(69,429)
General and Administrative		(18,000)	(36,000)	(69,429)	(69,429)	(69,429)
Utilities		(16,800)	(33,600)	(64,800)	(64,800)	(64,800)
Transportation		(40,821)	(81,643)	(157,454)	(157,454)	(157,454)
Interest		0	0	0	0	0
Tax		(33,812)	(89,643)	(267,254)	(301,531)	(334,093)
Cash Flow from Operation:	0	231,637	520,028	1,052,862	1,155,692	1,253,380
Slicing Machine	-87,500	(87,500)	(162,500)	0	0	0
Dryer & Dehydrator	-105,000	(105,000)	(195,000)	0	0	0
Grinder	-28,000	(28,000)	(52,000)	0	0	0
Pakaging Machine	-28,000	(28,000)	(52,000)	0	0	0
Chiller	-63,000	(63,000)	(117,000)	0	0	0
Office Equipment	-14,000	(14,000)	(26,000)	0	0	0
Cash Flow from Investing:	-325,500	(325,500)	(604,500)	0	0	0
Debt issued	0	0	0	0	0	0
Equity issued	325,500	325,500	604,500	0	0	0
Loan Repayments	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Cash Flow from Financing:	325,500	325,500	604,500	0	0	0
Beginning Cash	0	0	231,637	751,664	1,804,526	2,960,218
Change in cash	0	231,637	520,028	1,052,862	1,155,692	1,253,380
Ending Cash	0	231,637	751,664	1,804,526	2,960,218	4,213,598

Cash flow from operations is positive from year one



COMMUNITY BENEFITS AND ENVIRONMENTAL IMPACT

Community Benefits and Environmental Impact

- With a social and economic mission, PACOS Trust is well known for having supported indigenous people for 30 years. Having built a comprehensive network in Sabah, PACOS builds and enhances the capacity of its representatives to address the various issues that their communities face.
- To support PACOS and its stakeholders to achieve their goals, a new organisation is needed to provide a vehicle for change and do things PACOS has not been able to accomplish by itself before. In this regard, it is expected that Original Sabah will be a driving force that can make a positive impact.
- PACOS can play a crucial role in supervising and helping Original Sabah to **create economic, social and environmental value**.
- Original Sabah's goal is to create a positive impact on both communities and the environment. The company aims to raise farmer incomes, make agriculture as a profession more attractive and easier to work in, and improve health and wellbeing for the indigenous community. These aims are all in alignment with the Malaysian Government's strategy for developing agriculture and communities.
- If Original Sabah and PACOS Trust can find investors and execute on the plans that have been proposed, there is an opportunity to create positive community and environmental benefits for marginalised indigenous communities, the Sabah government and the broader community, as projected in the next section.



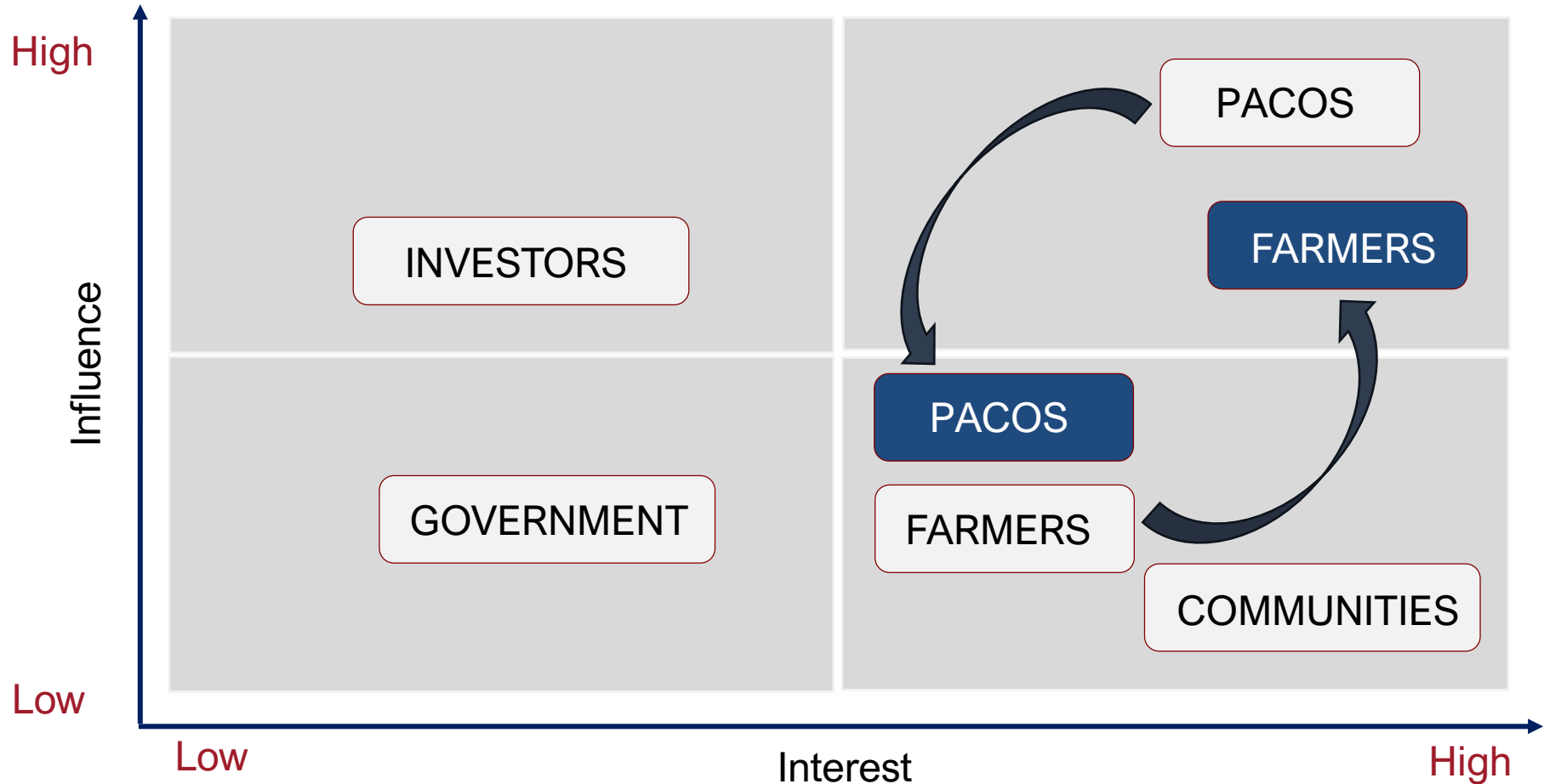
Estimated impact from Original Sabah's training activities and engagement

Original Sabah provides various education and training programs to its community to help improve livelihoods. In Phase One, the company expects to have the following impact through four key activities:

Activity	Frequency	Expected outcome	Estimated impact
Training and education	Monthly	Farmers can execute on required processing operations and remain engaged with Original Sabah.	1200 people
Monthly activity and progress update and future planning	Quarterly	Farmers feel encouraged by their achievements and are motivated for further engagement and opportunities in next quarter	75% of farmers
Free healthcare awareness programme and farm tours	Monthly	Social engagement of existing and future generation	2000 people
Collective farming awareness programme	Multiple areas per month	Increased synergy and motivation to improve farming productivity and connection to indigenous practice and culture	20% of population

Stakeholder Interest and Influence

PACOS is uniquely positioned to influence farmers and help them achieve greater self-sufficiency. In future, it is hoped that farmers will have higher influence, interest and self-sufficiency, reducing the required influence from PACOS as it fulfils its mission.



Targets for social, economic and environmental impact

- Monitoring and measuring the social, economic and environmental impact within PACOS Trust's communities is necessary to determine the impact of the new Original Sabah company. It is recommended that experts be engaged to help with monitoring.
- Based upon Original Sabah's value-adding processing, education on best practices in agriculture, marketing campaigns and its partnership with PACOS Trust in its education and training activities, the following four areas are where Original Sabah should target and focus its monitoring efforts to make a positive impact within the community:



Economy

Increase GDP within 3 years: 10% per year



Production

Increase of yields by 7 to 10% per year



Environment

Decreased chemical usage and better soil health



Demographics

+7.2% Next Generation farmer involvement

Original Sabah a vehicle to enable measurable improvements in indigenous communities



POLICY RECOMMENDATIONS

Policy Recommendations Focused on the Indigenous Community

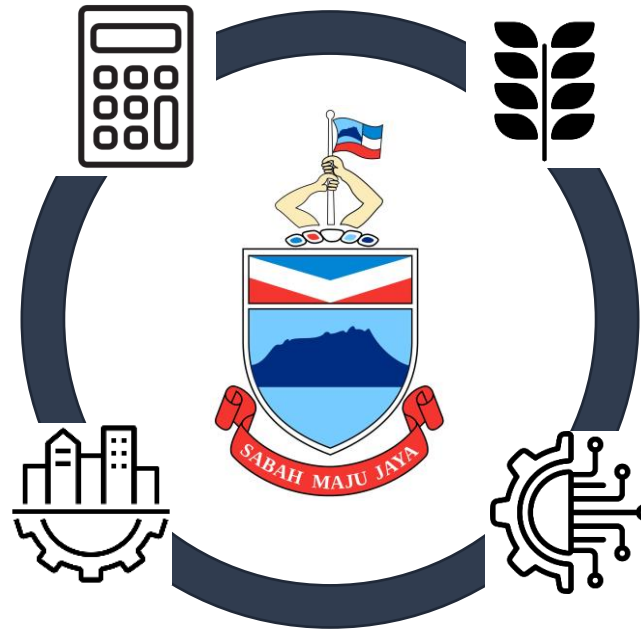
These four policy recommendations can provide enhancements to the existing Third Sabah Agricultural Policy

Provide tax incentives

for small-scale indigenous-owned and operated companies and cooperative endeavors.

Invest in essential infrastructure for rural development

such as irrigation facilities, electricity coverage, storage facilities, and processing centers to improve the ability of small farmers to process and sell their produce efficiently and profitably.



Encourage diversification of crops and value-added processing through education

for long-term viability and growth amidst changing market dynamics and environmental impact.

Provide incentives for mechanisation

to enable farmers to better access key modern farming tools and encourage technology aided farming

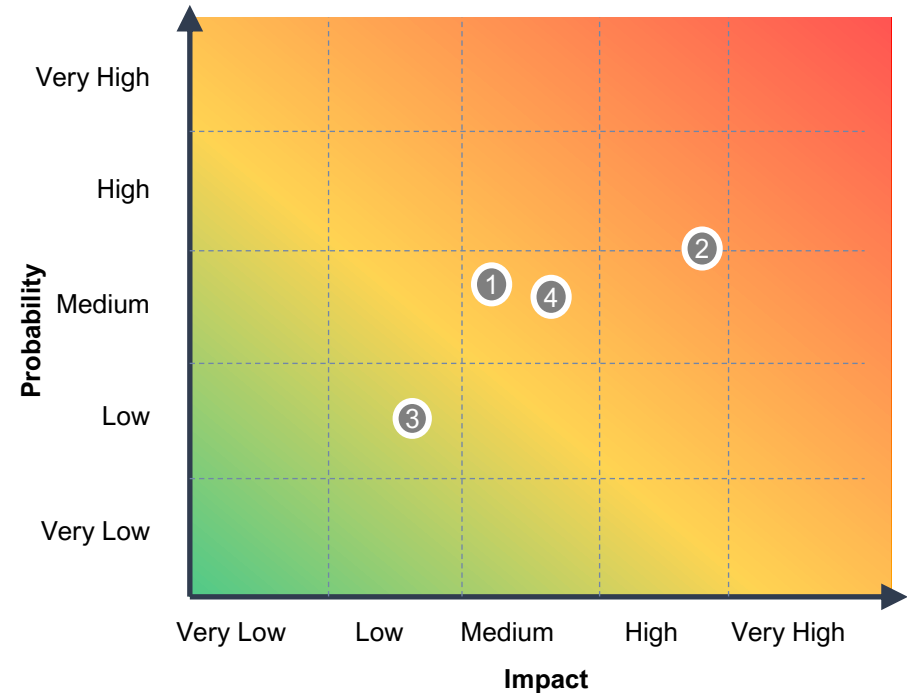
Enabling policies critical to facilitate success for the venture and improve farmer livelihoods



RISK ANALYSIS AND MITIGATION

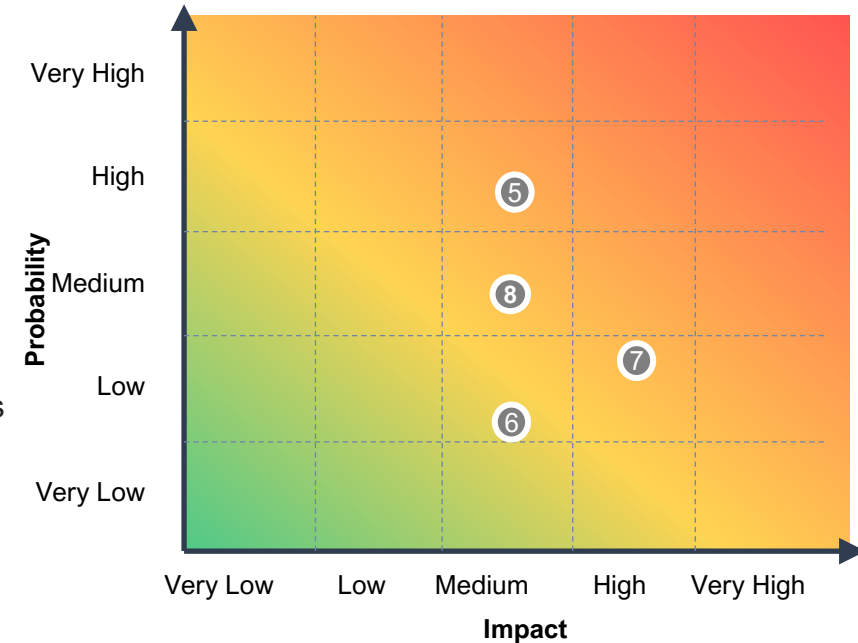
Risk Analysis & Mitigation (1/2)

- 1 Risk:** One of the parties fails to fulfill the contract terms and conditions
Mitigation: Ensure back-up plans to supply from other sources
- 2 Risk:** Difficulty in securing investment
Mitigation: find different funding sources and support from financial institutions
- 3 Risk:** Mismanagement of funds (dividend to CLPCs to farmers)
Mitigation: Provide internal audit from PACOS Commercial Holdings and external audit
- 4 Risk:** Demand for agricultural products and packaged goods can be unpredictable, leading to overproduction or underproduction scenarios that may strain financial resources.
Mitigation: Demand and supply planning, doing promotions and waste avoidance



Risk Analysis & Mitigation (2/2)

- 5 **Risk:** Total number of farmers declines: there are no interested successors, and the next generation are not interested to continue
Mitigation: Provide retention plan and develop next generation farmers with a solid plan
- 6 **Risk:** Lack of collaboration between stakeholders and farmers.
Mitigation: Building business with transparency, clear communication, and close relationships with potential partners and NGOs
- 7 **Risk:** Market Acceptance: There may be uncertainty about the market acceptance of products or experiences associated with the new brand, particularly if targeting niche or specialized markets
Mitigation: Conduct thorough market research to understand consumer preferences, trends, and potential demand for indigenous cultural products or experiences
- 8 **Risk:** Competitive Landscape: The new brand may face competition from existing brands or similar initiatives promoting indigenous products or culture
Mitigation: Differentiate the brand by emphasizing unique selling points such as authenticity, sustainability, and community involvement. Propose other proof points and conduct farm visits.





IMPLEMENTATION TIMELINE

Implementation Timeline

Focus Area	Key Activities	Y1			
		Q1	Q2	Q3	Q4
Organization & Governance	Establish Original Sabah as well as CLPC holding company. Announce the Organization Structure, Leadership & Management system				
	Define the company's core values, vision, and mission to guide behavior, shape culture, and inspire stakeholders				
	Develop governance policies and procedures for both companies to guide decision-making, risk management, and compliance with regulatory requirements				
	Define the R&R of Management, Employee, Farmer Communities and Farmers in overseeing the company's affairs and safeguarding stakeholders' interests				
	Establish mechanisms for monitoring performance, evaluating outcomes, and addressing conflicts of interest or ethical concerns				
Finance	Secure financing through equity investment, loans, or grants to fund startup costs, equipment purchases, and working capital needs				
	Establish budgets for various operational expenses, including raw materials, labor, marketing, and overhead costs				
	Implement cost-control measures to optimize expenses and improve profitability while maintaining product quality and customer satisfaction				
	Implement accounting systems to track financial transactions, monitor cash flow, and generate financial reports				
Operation	Infrastructure setup at selected CLPC & Distribution Center with necessary equipment & utilities for Phase I implementation				
	Develop & train staff on SOP for each product processing, general testing and quality standards & safety protocols				
	Implement logistics and inventory management systems to manage stock levels and facilitate timely deliveries				
	Start Phase I pilot with selected CLPC and Distribution Center				
	Phase II - planning and roll out to another CLPC & distribution center				
Marketing & Branding	Develop marketing and branding strategies that highlight value proposition of the products				
	Explore diverse market channels, including e-commerce platforms, specialty retailers, foodservice providers.				
Legal, Compliance & Advocacy	Determine the specific certifications and licenses required for establishing the plant for specific markets				
	Apply for certifications and licenses				
	Policy recommendation and follow up				

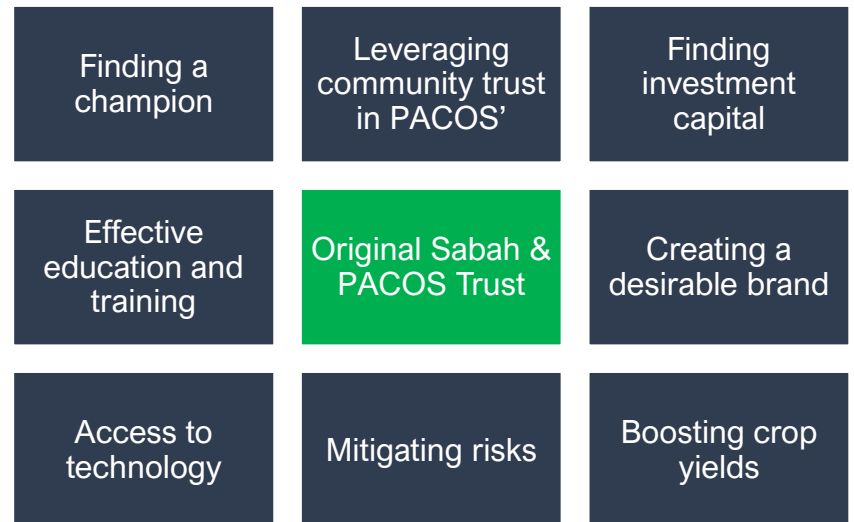
An implementation timeline to prepare for and ensure a smooth launch



CONCLUSION

A bold, socially-beneficial commercial venture to improve livelihoods

- Empowering farmers and enabling value-added processing marks a transformative step towards better livelihood.
- By integrating modern farming techniques, facilitating market access, and fostering community cooperation, Original Sabah will not only boost farmer incomes but also enhance their resilience against environmental challenges.
- The pilot model shows significant promise for scalability and replicability across Sabah. This approach not only aims to preserve indigenous cultures but also aligns with principles of sustainability, ensuring that future generations inherit a Sabah with an indigenous community that is empowered and included in the economy.
- Several key drivers for success include:
 - Finding the right champion within PACOS Trust to own and kickstart the Original Sabah company initiative.
 - Effectively leveraging the trust that PACOS has built with the community over the last 30 years so that all stakeholders are willing and motivated to participate.
 - Finding investment capital and appropriate investment partners to fund the launch of Original Sabah and CLPC Holdings companies.
 - Providing effective education and training programmes to both equip farmers with the right skillset to process produce, but also to understand the strategy behind their new activities.
 - Creating a differentiated, desirable and recognized brand that connects with business customers.
 - Making farming and processing equipment more accessible to small farmers to reduce labour and enable food processing.
 - Identifying and mitigating known and arising risks effectively.
 - Enabling farmer productivity to grow beyond subsistence farming with education and equipment.





APPENDIX

Premises of the Business Case

Volumes

Product / Service	KG/year/CLC	Productivity	Output/CLC	Year 1	Year 2	Year 3
Turmeric(powder)	257	20%	51	360	720	1.389
Ginger(Powder)	8.571	20%	1.714	12.000	24.000	46.286
Coffee(Bean)	30	60%	18	126	252	486
Cacao(Nib)	113	60%	68	475	950	1.833

Product / Service	KG/year/CLC	Productivity	Output/CLC	Year 1	Year 2	Year 3
Turmeric(powder)	771	20%	154	1.080	2.160	4.166
Ginger(Powder)	25.714	20%	5.143	36.000	72.000	138.857
Coffee(Bean)	300	60%	180	1.260	2.520	4.860
Cacao(Nib)	339	60%	204	1.426	2.851	5.499

Productivity improved assumed: +5% YoY

Premises of the Business Case

Profitability Year1

Tumeric (in MYR/KG)

Price	130,00
Direct Costs	45,00
Processing	55,00
Indirect Costs	18,66
Margin	11,34
Margin (in %)	8,7%

Coffee

Price	60,00
Direct Costs	20,00
Processing	21,67
Indirect Costs	18,66
Margin	(0,32)
Margin (in %)	-0,5%

Ginger Powder

Price	130,00
Direct Costs	62,50
Processing	37,50
Indirect Costs	18,66
Margin	11,34
Margin (in %)	8,7%

Cacao

Price	75,00
Direct Costs	40,00
Processing	26,67
Indirect Costs	18,66
Margin	(10,32)
Margin (in %)	-13,8%