

The Evergreen Investment

Golden Agro presents an opportunity for investors to partake in the evergreen oil palm industry.

By Tony Goh

Incorporated on 30 December 2009, Golden Agro Plantation (Mukah) Bhd's principal activities include developing oil palm plantations, carrying out oil palm plantation activities, and operating and managing oil palm plantations and the Golden Agro Plantation Growers Scheme (GAGS).

Golden Agro Growers Scheme (GAGS) is a regulated oil palm investment interest scheme which allows the public to reap profits from the lucrative oil palm industry in Malaysia by subscribing in the grower plots. General Manager Moo Kim

Seng talks to us about GAGS as an alternative investment option and his thoughts on the future of the oil palm industry.

Smart Investor (SI) - What are the details of the land ownership and the mechanism on how the scheme works?

Moo Kim Seng (MKS) - The Land, which is owned by Golden Agro Plantation (Mukah) Bhd, measures approximately 5,096 hectares (12,587 acres) and is held under Lot No. 3, Block/Section No.2, Baoh Land District, Mukah Division, Sarawak.

The land is surrounded by other mature plantations, owned and managed by subsidiaries of large listed companies such as Tradewinds and WTK. These plantations are growing well and are profitable.

GAGS, which was approved by Companies Commission of Malaysia on 12 Nov 2012, is designed to give individuals an opportunity to participate in the oil palm industry without having to worry about plantation management.

Launched in November 2012, a total of 41,772 growers' plots have been created for this investment



scheme with 70% or 29,240 of the plots offered to general public on a subscription basis and the remaining 30% or 12,532 plots are held by the management.

Growers are guaranteed a net profit of 7% per annum from Nov 2012 to Nov 2017, payable at 3.5% every six months. From Nov 2018 to 2032, growers will receive the net profit of the plantation, proportional to their plot(s). In 2032, an independent auditor will be appointed to conduct a valuation on the plantation. The plantation will be then be sold and growers will receive the capital returns and appreciation from the sale of the plantation.

SI - How can GAGS provide an attractive alternative investment instrument for the public?

MKS - GAGS provides the land, and performs the planting, harvesting and managing of the plantation over the period of 20 years. The investor will reap the benefits of a plantation owner without going through the hassle of plantation management.

Investing in GAGS is safe because it is an investment in a proven industry. Palm oil is a food source commodity and plantation is a land based investment. It is also the main contributor to our nation's GDP.

As compared to the other investment products in the market, we are the attractive alternative investment because investors enjoy higher returns compared to fixed deposits and a lower risk compared to the share market. Compared to property, it is easier to participate in GAGS and investors do not need to worry about location.

SI - There are concerns among investors over the failure of similar schemes in the past. How do you address these reservations among potential investors and has this issue been a hindrance to Golden Agro's growth prospects?

MKS - All investments have risks, even the safest ones. Nonetheless, for GAGS, there are sufficient checks



Plantation Manager Garin Banjit

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and balances to make sure that the management company performs its duties. The scheme is approved and regulated by SSM under Section 90 of the Company Act, 1965.

GAGS is one of the most prudent and sustainable interest schemes in the market. We offer investors a guaranteed return for up to five years. The guaranteed returns are backed by cash, which is deposited in a trust account and managed by an approved trustee.

We fix the returns for five years because we know that the palm trees have to be at least six years old before we can start to depend on them for decent profits.

GAGS shares 100% of the audited net profits of the plantation with

investors. Unlike other interest schemes, we do not offer a fixed return based on crude palm oil (CPO) price. Having a minimum return tied to CPO price is a risk to the scheme, as we have no control over CPO price. There may be a mismatch between the revenues generated and the ability to pay steady dividends.

GAGS' business plan ensures that the management company's interest is aligned with the interest of the investors and that it is a win-win situation for all.

In my opinion, other similar oil palm schemes offered by other management company in the past have not failed. Being the first oil palm interest scheme in Malaysia, we felt that Country Heights Growers

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Scheme (CHGS) has done their part in ensuring that they fulfil their obligations to their investors.

CHGS investors enjoyed an average of 10% return over the five years duration and receive a refund of 100% of their capital. Being a regulated product, SSM has done a good job in ensuring that the interest of investors are well protected. It is unfortunate that the scheme has to be terminated prematurely.

We felt that the premature termination was because of poor management and an unsustainable business plan.

SI- What will be the mid and long term goals of Golden Agro in terms of business sustainability? Can we expect the company to seek public listing as part of capital raising and rewarding shareholders’ initiatives?

MKS - Our primary goal for the time being is to ensure that the farm is well planted, maintained and fully planted on schedule. Phase 1 of our plantation estate, consisting of 3,646 acres or 35% of the total plantation area was completed well ahead of schedule. We have cleared another 4,013 acres in Phase 2 and the planting is progressing well.

At the same time, we are focusing on marketing our grower plots to discerning investors. Our target is to raise RM230 million for the development of the plantation. Our long term goal is to deliver a sustainable oil palm plantation that will deliver an average double digit returns to investors over the period of 20 years.

If the plantation fulfils public listing requirements in the future, we may propose the option to list the

plantation on KLSE and reward our investors. However, it is subject to approval by majority of investors and relevant approval authorities and it is not our main priority at the moment.

SI - How does the company foresee the oil palm plantation in the foreseeable future? What are the possible solutions to the main problems faced by the industry today e.g. labour shortage and environmental concerns?

MKS - Malaysia’s oil palm industry holds great promise for the future, and Golden Agro presents a

great opportunity for investors to participate in this lucrative industry.

In terms of workforce management, besides having a competitive pay and reward program, we believe in taking good care of our employees’ welfare by providing them with proper housing and good infrastructure, so we can retain and attract more workers into our plantation.

We are committed to achieving and maintaining environmental sustainability. To address the challenges of environmental concerns, we perform regular environmental impact assessment to ensure that our oil palm estate exceeds the requirements of local authorities.

Furthermore, our team is working very closely with the government and communities to achieve sustainable projects by integrating and optimising economic, social and environmental development. **SI**

