MINORITY SHAREHOLDER WATCHDOG GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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Another one bites the dust

Golden Palm Growers Scheme terminated after seven years

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PETALING JAYA: Another local oil palm growers scheme, Golden Palm Growers Scheme (GPGS), bites the dust after seven years in operation.

This comes four years after the collapse of Country Heights Growers Scheme (CHGS), Malaysia's first oil palm farm-sharing investment scheme, which created an uproar among its investors back in 2013.

So far, GPGS investors have ploughed an estimated RM212.4mil into the scheme, which made its debut in 2010 and pocketed a guaranteed return of 6% a year plus a discretionary bonus during its first phase from Aug 20, 2010 to Aug 19, 2016 as stated in the original agreement.

Now the scheme is in its second phase – Aug 20, 2016 to Aug 19, 2033 – whereby investors were promised a proportionate share of returns from the plantation's audited net profit. Investors were also entitled to receive a minimum return based on the average crude palm oil prices.

However, on Sept 6, the investors of GPGS received a proposed early termination notice for the 23-year collective scheme by its management company, Golden Palm Growers Bhd.

A source told *StarBiz* that GPGS "grower" investors were taken by surprise by the early termination of the scheme, which has another 16 years to go, according to the original agreement.

"In fact, most investors were looking forward to reaping their annual returns this month."

Given the sudden turn of events, the source added that the affected GPGS investors were now seeking the assistance of the Minority Shareholder Watchdog Group, given its experience in handling the previous CHGS case to reach an amicable solution with the regulator and the scheme's management company.

It is believed that there are five such collective schemes in operation under the purview of the Companies Commission of Malaysia.

Golden Palm Growers has also called for a meeting with its GPGS investors on Oct 2 to explain the rationale for the proposed early termination of the scheme.

Golden Palm Growers is 99.7% owned by Australia Stock Exchange-listed Sterling Plantations Ltd, with the remaining stake being owned by Saham Bangga Sdn Bhd.

Sterling Plantations, in turn, is 50.46% owned by Duplex Fame Sdn Bhd. One of Duplex Fame's major shareholders is Datuk Paragash CR Suberamaniam, who is also Sterling Plantations chairman and executive director.

He is a private equity investor involved in infrastructure and property for over 16 years. In the past, Paragash had worked with Sime Darby Bhd.

To recap, Golden Palm Growers was granted a 90-year concession by Perbadanan Pembangunan Ladang Rakyat Negeri Kelantan in 2007 to develop, manage and maintain an oil palm plantation on 11,280 acres in Gua Musang.

The company then designated 11,000 acres of this land for GPGS, whereby each such interest (Grower Plot) entitled the owner of a Grower Plot (Grower) to the net yield for a 23-year period.

A total of 44,000 Grower Plots were created

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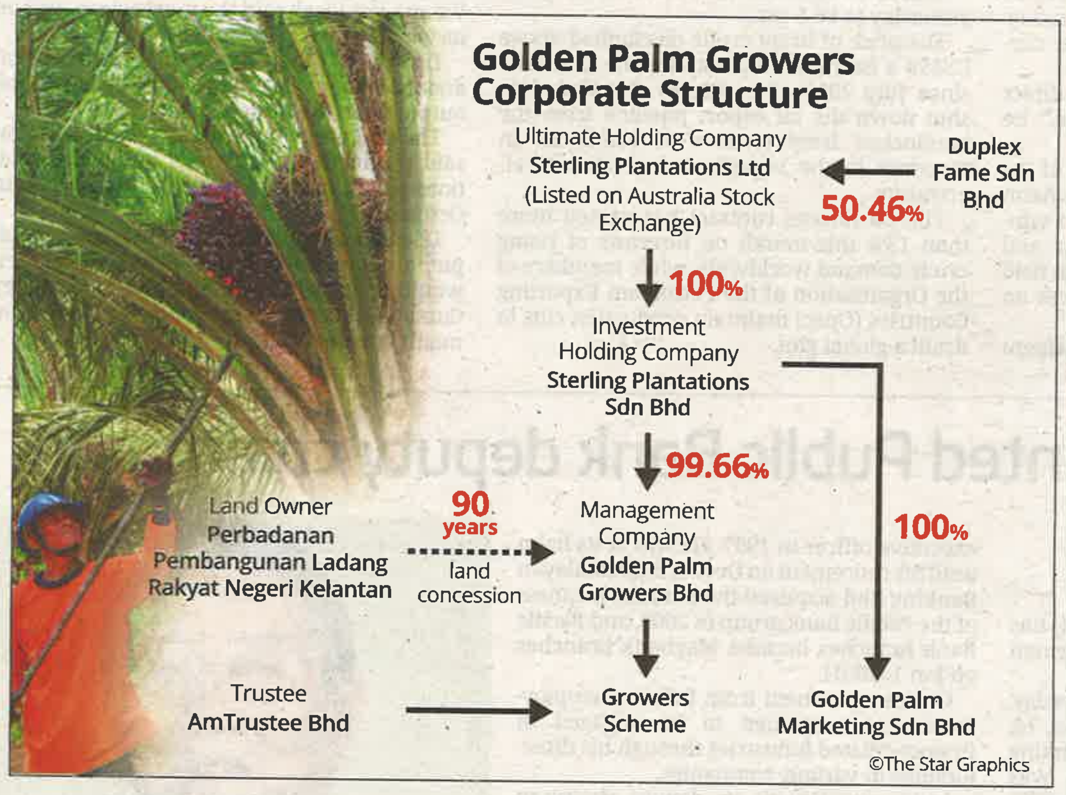

'Unforeseen challenges' delayed profit path

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with respect to the 11,000 acres, of which 39,600 Grower Plots (90%) were offered to the public.

Each Grower Plot related to a quarter acre, with the cost starting from RM7,000 per plot in 2010 and rising up to RM9,600 per plot currently.

As at Aug 20, a total of 26,550 Grower Plots (60.3%) had been sold to investors, while the management company retained the remaining 17,450 Grower Plots (39.7%). The management company said the Gua Musang plantation is currently valued at about RM220mil.

Golden Palm Growers said in its notice to investors that unanticipated challenges had delayed the path to profitability, which, in essence, put a strain on the current cash flows of the plantation.

These challenges include the worst floods in Kelantan's history followed by a severe drought caused by the *El Nino* effect, erratic supply and availability of labour, increasing labour cost due to the devaluation of the ringgit, the implementation of the minimum wage policy and an increase in labour-processing costs.

In addition, there was a scarcity of experienced and skilled estate management personnel, persistent mammalian attacks exacerbated by rapid development in surrounding areas as well as unforeseen logistics issues, including high transportation cost due to the remote location of the plantation.

In the case of CHGS, its management company, Plentiful Gold-Class Bhd, managed to compensate its investors within the agreed six-month time frame as opposed to the initially proposed 24 months.

According to news reports in August 2013, investors were paid a total return of 48% over a five-year period, which was made up of an annual return of 8% for the first three years, and 12% over the next two years. It paid a total net yield of RM78.5mil for the period between 2007 and 2011.

Coupled with the RM25mil goodwill payment and full refund of investors' fee in line with the termination of the scheme, subscribers received a total of RM319mil, compared with the total raised funds of RM215.5mil when the scheme made its debut in 2007.