

**SHARE FARMING INTEREST SCHEME:
CASE STUDY OF COMPANY-XYZ BERHAD**

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LIST OF ABBREVIATIONS

AGM	Annual General Meeting
BNM	Bank Negara Malaysia
CCM	Company Commission of Malaysia
CHGS	Country Heights Grower Scheme
COPPS	Central Oil Palm Planter's Scheme
CPO	Crude Palm Oil
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
EFB	Empty Fruits Bunches
EIA	Environment Impact Assessment
FAQ	Frequently Asked Questions
FDA	Foods and Drugs Association
FFB	Fresh Fruits Bunches
FIMM	Federation of Investment Managers Malaysia
GAGS	Golden Agro Growers Scheme
GAPKI	Gabungan Pengusaha Kelapa Sawit Indonesia (Indonesia Palm Oil Association)
GDP	Gross Domestic Product
Ha.	Hectares
HQ	Head Quarter
IMF	International Monetary Fund
MOF	Ministry of Finance
MPOB	Malaysia Palm Oil Board

MPOC	Malaysia Palm Oil Council
mT	Metric Tonnes
OER	Oil Extraction Rate
OPF	Oil Palm Fronds
POME	Palm Oil Mill Effluent
R&D	Research and Development
RSPO	Roundtable on Sustainable Palm Oil
SC	Security Commission
SSM	Suruhanjaya Syarikat Malaysia
Ton	Tonnes
USP	Unique Selling Proposition

ABSTRAK

Kajian perintis ini menilai Central Oil Palm Planter's Scheme (COPPS) – satu skim pelaburan kelapa sawit terkawal yang diperkenalkan oleh syarikat XYZ Berhad sejak tahun 2011. Siasatan kualitatif telah dijalankan melalui analisa Porter Five dan SWOT. Data primer dikumpulkan melalui temu bual peribadi dengan pengasas dan pegawai eksekutif kanan organisasi, dan disokong oleh data sekunder sumber-sumber global.

Selain pulangan tetap yang terjamin, COPPS adalah skim pulangan berkongsi yang tidak memerlukan pengetahuan khusus berkaitan penanaman. Walau bagaimanapun, COPPS menghadapi tahap risiko tertentu akibat turun naik pasaran kelapa sawit, potensi hasil yang kurang stabil dan risiko-risiko industri yang melibatkan risiko operasi, risiko alam sekitar, risiko kewangan serta risiko undang-undang dan peraturan. Semua elemen yang kurang menentu tersebut telah menimbulkan kebimbangan pelabur tentang keupayaan pembayaran dividen. Di samping itu, pertumbuhan skim Ponzi yang memakai modul perniagaan serupa makin meluas turut menjejaskan keyakinan terhadap pelaburan COPPS.

Analisis kajian ini menunjukkan bahawa kecekapan pengurusan, kemahiran pengurusan krisis, pendekatan pemasaran berasaskan pendidikan adalah langkah-langkah yang perlu diambil untuk meneguhkan kedudukan kewangan XYZ Berhad dan mengukuhkan reputasi COPPS. Kejayaan COPPS menunjukkan bahawa pendekatan skim pulangan berkongsi boleh menjadi model perniagaan yang menjanjikan untuk sebuah entiti perniagaan yang diurusbaik. Syarikat XYZ Berhad seharusnya dicontohi untuk menjana keyakinan orang ramai terhadap 'pelaburan skim' dan konsep keusahawanan lestari harus dipupukkan.

ABSTRACT

This pioneer study assesses the Central Oil Palm Planter's Scheme (COPPS) – a regulated share farming scheme which introduced by Company-XYZ Berhad since 2011. A qualitative investigation was conducted using the Porter's Five Forces and SWOT analysis. Primary data was gathered through personal interviews with founders and senior executive officers within the organization, and supported by secondary data that collected from global sources.

Apart from the fixed and guaranteed returns, COPPS is an interest-sharing scheme that does not required specific knowledge of planting. Nevertheless, COPPS does possess certain degree of risks due to oil palm market volatility, uncertain yield potentials and the industry risks, namely the operation risks, environmental risks, financial risks as well as the legal and regulatory risks. All these uncertain elements have raised the investors' concern of dividend payout capability. In addition, mushroomed of Ponzi scheme that adopted similar business module causes prospects doubt over the business motives of COPPS.

The analysis reveals that proper management, efficient crisis managing skills, educational marketing approach are essential steps taken to define Company-XYZ Berhad's financial status and strengthen COPPS' reputation. Despite the challenges mentioned, the Company-XYZ management team has tried their best efforts to ensure COPPS success. The success of COPPS implies that interest scheme approach could be a promising business model for a new business entity if properly managed. Company-XYZ has also set a positive example to regain public confident towards 'investment scheme' and the concept of sustainable entrepreneurship should be promoted

CHAPTER 1

INTRODUCTION

This chapter provides the overall viewpoint of the case study started with the background introduction of the study. Moving on to problem statement, which will further discuss about the issues and threats faced by Company-XYZ while dealing with their core financial product, COPPS. Further to the issues and threats, approaches that are taken by the management company to strengthen company image and the scheme reputation are briefly explained in this chapter. Research objectives are listed in this chapter as well, which enable the readers to understand the purpose about this study.

1.1 Background of the Study

With intense diversified financial economic environment nowadays, relatively dull and subdued investments seem to be tough attracting quality investors. Company-XYZ, the management company is well aware that the key to stands out in the market is having the ingredients of alternative for the public. This well-equipped innovative business model could act as a successful business factor for this newly developed oil palm company. Rather adhered to the conventional old fashioned way of raising capital through business engagement with financial institutions, Company-XYZ being bold by taking a different path of raising big sums of initial capital for their oil palm plantation via interest scheme, which turns out that it brings more benefit for the organization than what a common conventional business simply does.

To stay competitive and continuous to strike for survival in the challenging market, the founders understand that they have to offer product featured with competitive advantage in order to stand out in the market. Hence, born Central Oil Palm Planter's Scheme (COPPS) that tied closely with Company Commission of Malaysia (CCM) as a regulated share farming scheme, under the approval of Part IV Division V Company Act 1965. Under this regulatory, public raised capital is kept safe by appointed approved trustee - TMF Trustees Malaysia Berhad, a trust entity that fully registered under security commission (SC) acting as stakeholder securing the capital with the responsibility of ensuring the management company use the raised capital allocated efficiently and effectively. Whereas, the management company, Company-XYZ acting as an operational management and plantation company that manage the agricultural land size of 15,725 acres that located at Ranau, Sabah. Also, in charge of managing the marketing agency that solely promote COPPS.

There were four (4) companies introduced oil palm share farming schemes: Plentiful Gold-Class Berhad (2007), Golden Palm Growers Bhd (2010), Company-XYZ (2011) and followed by Golden Agro Plantation Berhad (2013). Based on introductory years in sequential manner; Plentiful Gold-Class Berhad was the pioneer who first commenced oil palm share farming scheme, named Country Heights Grower Scheme (CHGS) with its plantation geographically located at Kelantan in the year 2007. Three years later after its introduction, Golden palm Growers Berhad came into the market with their oil palm plantation located side by side with Plentiful Gold-Class Berhad, adopting the similarity business model of profit sharing up to 23 years. However, Plentiful Gold-Class Berhad announced scheme termination in the year 2013, which is during the sixth years of its operation. Full capital was refunded to the investors within six (6) months after its termination declaration made to the public.

Although Golden Palm Growers Berhad oil palm plantation is located side by side with Plentiful Gold-Class Berhad, however Golden Palm Growers Scheme is still active and investors still getting their yearly dividend since its introduction. More than 20 years long term profit sharing concept of oil palm share farming scheme was later followed by Golden Agro Plantation Berhad – Golden Agro Growers Scheme (GAGS). Golden Agro plantation is located at East Malaysia - Mukah, Sarawak. GAGS is the latest oil palm share farming scheme that is available in the market after COPPS. Unlike the other three (3) companies, Company-XYZ took a different business model by setting COPPS as a short to medium term, six (6) or eight (8) years investment scheme; instead of adopting long term twenty years profit sharing concept. COPPS was designed to adapt with current market needs and wants by listening to the majority 85% public choice towards their investment preference with quarterly paid out dividend and full capital protection upon maturity.

With the purpose of helping the rural individual smallholders for better quality of life, influential background of Company-XYZ directors bring more advantages to the Sabah plantation venture business for the rural. The extensive amounts of vacant agricultural lands was gifted to the local's communities as a token of appreciation by ^[1]Tun Datu Haji Mustapha bin Datu Harun, the first governor of the Malaysian state of Sabah during 1963. In exchange with the land titles, the locals who obtained the assigned agricultural lands must fulfill the requirement of making the full usage of the land for agricultural related purpose. However, due to the reasons such as lack of know-how and financial constraints. The locals have no choice but left the assigned land vacant. In relation to the mentioned Company-XYZ oil palm plantation business

^[1]Tun Datu Haji Mustapha bin Datu Harun or Tun Mustapha for short, was the first governor of the Malaysian state of Sabah. He was also the third Chief Minister of the state from 1967 to 1975, and was the president for the political party United Sabah National Organisation (USNO). He is known to some as the "father of Sabah's independence" and also the "father of Sabah's development"

venture arises with the purpose of assisting the rural individual smallholder obtaining the agriculture land titles.

Strong plantation related expertise background, knowledge in plantation management and experience dealing with government authorities of the founders, served as a strong foundation platform for the business. More than just monetary driven business model, Company-XYZ uphold the beliefs in social consequences manner. With the vision of becoming the largest oil palm plantation investment company in Malaysia, the setting up is more than economic advantages of oil palm plantation business focused. The born of Company-XYZ are primarily focused on improving standard of living, provides employment opportunities for the rural residents, develop better infrastructures using profits derived from the business. With constructive infrastructures and better standard of living, children will have better access to the school, obtaining equal educational opportunity for a better future.

Establishing the business venture into oil palm agriculture rather than venture into other types of agricultural business such as cocoa, rubbers is mainly due to greater economic of scales of the crops, additional to the supportive government tariffs and control towards palm oil export. Besides, geographical suitability of Borneo's land towards oil palm plantation is another strategic advantage. Last but not least, knowledge and expertise in plantation of more than 30 years will led Company-XYZ towards a bright future in the competitive golden crops industry.

1.2 Problem Statement

Globalization, international open market have widen nations exposure and increase the level of willingness to accept new financial innovation. People is aware that they have more than conventional options they can opt for investment portfolio diversification. Relation to financial investment, everyone has their preferable investment appetite ranging from low risk (fixed deposit), low to medium risk (trust funds) or high risk investment (equity). In order to fulfill large pool of investors' appetite, banking and financial institutes keep innovate and be creative with different investment portfolio to cater to the different market needs and wants. When COPPS was first launched in the market during 21 September 2011, the rejection rate towards COPPS was higher than the management expectation. Well, same scenario happened to unit trust when it was being introduced to the Malaysia market more than 40 years ago, public possesses almost the same doubt level towards unit trusts performance and its credibility. But now, unit trust is treated as a common investment tool.

“Enterprise creative” of Malaysians have more talents to offer in this field, various interest scheme mushroomed in the financial related investment in the country – from farming categories: Arowana (catfish) rearing, Swiftlet (bird nest) to plantation (palm oil, jatropha, agarwood, sandalwood); leisure and property development (hotels, lands developments and holiday homes), equipment (ICT, water vending machines, ice cream), seaweeds, memorial park investment, gold, e-money games and many more. Moreover, the growing numbers of financial scam, which also known as Ponzi scheme (also known as bogus scheme) is being categorized under the umbrella of interest scheme as well. Thus, improper management of regulated and non-regulated interest

scheme in the event of company's winding up or scheme termination will lead to the misconception towards the "scheme".

There are a lot of offered scheme that sounds to be alike with COPPS business model. Awareness campaigns were initiated by the ministry to hamper the traps set by the financial scam bodies, people still tempted towards the attractively-packaged financial investment terms offered by scam's scheme. The risk of involving in non-regulated scheme is often being denied over the attractiveness of the get-rich-quick offering with high promised return, until unpleasant encounter kicks in. Commission legal services division director Mohamed Sufyan Mohd Mokhtar said the number of the illegal schemes rose from 120 in 2009 to 151 in 2010 and 150 in year 2011, illegal interest schemes have fleeced of at least RM 620mil from 2009 to 2011 (Wen 2012), as of 2015 the amount could even be higher. Such consequences have done more harm than good to the nations, causing irreversible financial loss of their life savings. Culprits that affect the perception of regulatory financial investment are perceived as an illegal financial providers that are acting as a double edged sword for the financial investment industry who created loss of trusts and fear towards accountability and trustworthiness towards genuine companies' who offer scheme's financial investment. Such perceptive categorization is unfair to the regulated interest scheme parties as well.

Besides financial scams, fluctuation of CPO price is another issue that concerned Company-XYZ. Turbulence of CPO price could affect revenue, operation and business. Market supply and demand, export tax and tariffs are the key factors that determined the crude palm oil price. Moreover, the degree of competition among other oils such as soybean, corns, sunflowers, peanuts and rapeseeds contribute to the fluctuation as well. Price competition is a common challenge in commodities sector, each oil is an essential economy driver for the countries. Yet palm oil extensive

capabilities have made itself as an unreplaceable commodity that possess mass economic value as world's source of fuels and edible oils, biodiesel and biodegradable fertilizers.

Besides industrial related challenges, Company XYZ has to ensure that cost and plantation related issues are properly managed. For instance, possible hike of labor cost in the near future, higher machinery investment cost, palm oil miller building cost and transportation cost and other industrial related cost that could possibly increase the operational cost of Company XYZ. Sufficient funds to be made to the investors every quarter and for the next eight years of the scheme tenure is crucial to protect Company XYZ reputation. Besides cost, pest and diseases outbreak, labor hiring constraint and government restriction towards hiring or work permit application, government taxes legislation are issues that Company XYZ have to deal with. These are undeniable concerns that are closely related to COPPS sustainability. Despite challenges await, Company-XYZ stands firm in the name of being accountability and professionalism took in the noticeable issues and make efforts to embrace the management team to be sensitive to market changes, invest wisely and provide security to the investors through sinking funds that enable the company to fulfill their promises made to the investors.

Setting aside those non-regulated scheme that are available in the market, which too many to name and totally non compatible to be discussed under regulated financial investment categories. After all, oil palm share farming scheme like COPPS is one of the kind and opposed to other investment tools that commonly known as unit trusts funds, stocks, savings, fixed deposit and hedge funds that market by financial institutions. It is a blessing that Malaysia possess geographical advantages, especially Borneo, where the soil texture, climates and temperature are ideal for oil palm growth. This advantaged Company-XYZ in its oil palm business venture.

Research Objectives

There are three objectives of this case study. The first objective is to evaluate the business model of the oil palm share farming scheme, Central Oil Palm Planter's Scheme (COPPS) purpose and competitive advantage compared with its existing share farming competitor. The second objective is further analysis of COPPS key challenges, the skills and ability that are equipped by the management company to overcome the issue and strengthen the scheme status quo. The third objective is discover the management company underlying strengths and opportunities in oil palm plantation sector that could strengthen Company-XYZ positioning, contribute to its continuous business sustainability and achieve business agility in such a competitive sector.

Research Questions

- (1) Why is the management company choose to raise capital via oil palm share farming scheme, while there are other common conventional choices of raising capital, such as engaging financial loan with financial institutions or through public listing.
- (2) How does Company-XYZ position itself compared to its current active competitor – Golden Agro Plantation Berhad?
- (3) What are the major threats and challenges faced by COPPS?
- (4) When COPPS being categorized by the public as just another type of bogus investment during the period of Ponzi scheme swage, what are the efforts taken by Company-XYZ to retain public confidents towards COPPS?
- (5) What are the tools that adopted by the management company to measure sustainability and realizing the strengths, opportunities?

CHAPTER 2

ORGANIZATION BACKGROUND AND INTEREST SCHEME

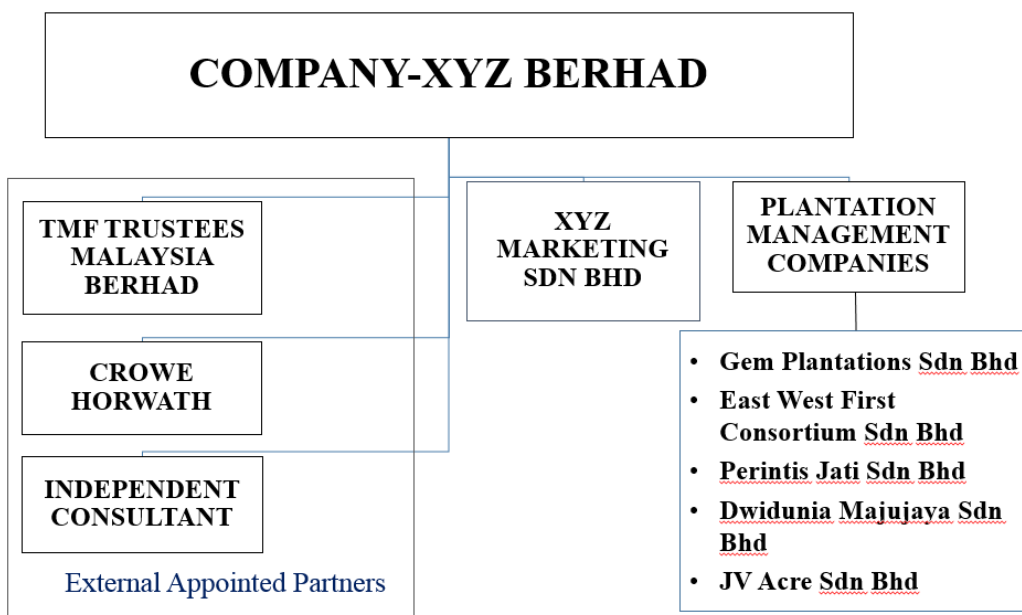
2.1 Organizational Profile of Company-XYZ Berhad

The management company – Company-XYZ Berhad founders are made of three of the directors who have profoundly more than 30 years experience in managing rubber and oil palm plantation business. Due to their passion and vision towards palm oil prospect, the opportunity and entrepreneurial spirit have realised Company-XYZ. Company-XYZ is a non-listed public company engaged in oil palm plantation management and development business in nature, focusing on developing its agricultural land bank of approximately 25,000 acres in Ranau, Sabah. Company-XYZ was incorporated on 29 July 2004. The head quarter is located at Kota Kinabalu, Sabah, Malaysia. XYZ Marketing Sdn Bhd was established as sole appointed marketing agency for the share farming scheme on 1st September 2011, located at Selangor, Wilayah Persekutuan. Follow up by the official launched of COPPS since 21 September 2011, marketing offices have expanded their sales and marketing support across peninsula Malaysia by setting up branches at Penang, Malacca and Perak.

2.1.1 Corporate Structure

The corporate structure of Company-XYZ (*Figure 1*) showing that the management company is handling external and internal partners. The external Ministry's appointed partners consist of TMF Trustees Malaysia Berhad, Auditor – Crowe Horwath, independent consultant. They do not interfere with the agenda of XYZ marketing and plantation management companies. These group of external partners are acting as moderator, auditor and advisor to the management company with their own duties to perform according to the trust deed. However, they are required to adhere to the management company code of conducts and their conducts have to be align with the management company vision, culture and missions. Whereas, internal divisions that are directly fall under close supervision of the management company are XYZ Marketing Sdn Bhd and Plantation Management Group of Companies that made up by five individual plantation company that handle assigned agricultural lands.

Figure 1: *Company-XYZ Berhad Corporate Structure*



Source: COPPS Prospectus (2015)

The management of Company-XYZ Berhad comes with largest responsibility acting as the umbrella to all the internal and external business partners. Their duties are more than operational management, it consists of close monitoring due diligents of XYZ Marketing Sdn Bhd and Plantation Mangement Companies. Also, dealing with CCM closely to enusre regulatory requirements are met by ensuring all the necessary approvals, license, permit, consent, legal policies and other required practicable code for the scheme are fulfilled. Besides dealing with the Ministry, the management company is working closely with trustee, auditor and consultant overseeing the progress, making sure planting deadline is met, seedlings nursery is well maintained, plantation land caveation fulfill EIA requierements, labour welfare are well handled.

Agriculture lands are assigned for the plantation management group of companies - Gem Plantations Sdn Bhd, East West First Consortium Sdn Bhd, Perintis Jati Sdn Bhd, Dwidunia Majujaya Sdn Bhd and JV Acre Sdn Bhd, which consists of total 15,725 acres that scattered around Ranau, Sabah. The agriculture lands were leased from the individual smallholders to developed into oil palm plantation with the contract of leasehold 30 years with optional extendable 30 years. These plantation companies carrying the responsibility of taking care investors interest through proper plantation management including forest clearing, cultivate oil palm crops, harvest scitivity, thereafter process the harvest oil palm fresh fruit bunches (FFB) at the nearest mills. The plantation management companies must keep Company-XYZ abreast with the progressive update, carry out land caveation of the allocated agricultural land according to EIA standard of conducts. The most important, Company-XYZ will provide fundings and management expertise to develop the lands into a fully planted oil palm plantation.

Effort of inviting public investment on the 15,725 acres of land is carry out by the XYZ One marketing agency, a sole assigned marketing body for promotional activities, such as event planning and execution, proactively involve in investor engagement activities to stimulate revenue and “seeds money” growth. Consultant recruitments, training and development are part of the marketing agency reponsibility as well. The management company will acts as the moderator valuing consultant ethical code of conducts and align with company vision, mission and goals. Above all the mentioned responsibilities of different department, execution must be fulfilled in the favor of the management company authority according to the trust deed.

2.1.2 Company-XYZ Berhad Corporate Culture

Vision	To be the leading Investment Management Company in our core business by providing products and services of superior value and by sustaining consistent long term growth in the agricultural industry.
Slogan	You Reap What You Sow
Core Values	<p><i>INTEGRITY</i> - Which is essential and cannot be compromised.</p> <p><i>COMMITMENT</i> - As we do what we say we will do.</p> <p><i>LOYALTY</i> - Is crucial because we are one team sharing one vision.</p> <p><i>EXCELLENCE IN EXECUTION</i></p> <p>- As our commitments can only be realized through actions and results.</p> <p><i>SPEED</i> - Or timeliness in response is important in our ever changing business environment.</p> <p><i>INNOVATIVENESS</i> - To provide us additional competitive edge.</p> <p><i>COST EFFICIENCY</i> - Is crucial as we need to remain competitive.</p>

2.2 Interest Scheme Introduction

Interest scheme is a type of financial investment other than debentures and shares involving consolidate public funds to finance a company or business activities. In exchange with the “interest” of participating in the scheme, investors will be offered return in the form of money, facilities and services or other benefits as stated in the agreement of the scheme. According to provisions of Company Commission of Malaysia (CCM):

“Interest” is defined under section 84 of the Company Act 2965 as ‘A right to participate or interest in any:

(a) profits, assets or realization of a business

(b) common enterprise with expectation of profits, rent or interest

(c) time sharing scheme

(d) investment contract

Management Company of an interest scheme must register their said scheme under the provisions of Division 5 of Part IV of the Companies Act 1965, before it could offers the scheme to the public. Only public companies, or public but not listed companies in Bursa are allowed to offer and participate in interest scheme. A copy of half yearly valid prospectus that contains progress and financial updates about the scheme must be attached upon public presentation. In addition, to ensure the interest of the public towards the scheme is protected. A fully registered trustee with Security Commission (SC) will be appointed under the advice of Ministry of Finance (MOF) for the scheme, together with a trust deed that binds the obligation of the management company’s offered scheme with its stakeholders.

2.2.1 Types of Regulated Interest Scheme

Table 1: *Types of Regulated Interest Scheme Approved by CCM*

Categories	Descriptions
Gold, Marina and Recreation Clubs	Offer of membership subscriptions of more than 12 months by Golf Clubs, Yacht Clubs, Recreational Clubs and Fitness Clubs.
Time Sharing Scheme	Hybrid ownership of rights to occupy unit of real estate property such as vacation home or condominium for a specified separate time period, with the rights to occupy 2 or more during the agreed tenure.
Share Farming Scheme	Agreement involving two or more parties on agricultural business for commercial purposes, without forming a partnership as company shareholders.
Memorial Park	Offer to purchase urns, burial plots and columbaria.
Equipment Sharing Scheme	Established based on Shariah principles - Mudharabah Al-Mua'ddat' where investors invest in a business that is Shariah compliance but the investors are not involved in day to day business management.
Property Scheme	Such scheme also known as land banking scheme. Purchaser is being offered to purchase plots of reserved land the expected profit derived from the land appreciation sale or through the efforts of land rezoning under the said companies or third parties perusal.

Under the general persuasion, the scheme involving public might be perceived differently among the investors due to different demographic background, profession and investment appetite. Thus, easy reference is made to the public by CCM for a better understanding about how regulated interest scheme functioned. Firstly, investors are not company shareholders and do not involved in day to day business of the management companies. Secondly, the “interest” is referring to investor’s interest in the asset, profits of a scheme. Thirdly, scheme’s business could be located in Malaysia or elsewhere. Fourth, in return of obtaining the interest, payment is required upfront to participate in the said scheme.

The four mentioned general explanation are basic elaboration about interest scheme. Nevertheless, investors are advised to carefully analyze the interest scheme features, company background to get better understanding about the scheme before making financial investment decision that best suit their investment portfolio and risks profile.

2.3 Oil Palm Share Farming Scheme - COPPS

21 September 2011, Company-XYZ offered its unique Central Oil Palm Planters Scheme (COPPS) to the public under the same approval and policy guidelines of Company Commission of Malaysia (CCM) business module, Part IV Division V of Company Act 1965 with the other three oil palm share farming scheme. The management company, entered the leased agreement with Sabah rural stakeholders on 16 March 2009. Total land size of 15,725 acres agricultural land that were acquired and allocated for COPPS for a period of 12 commencing years from the initial launch date is located at Ranau district, Sabah. Investors are not entitled to the share of the land, they are only involving in the share of monetary interest with COPPS. Thus, investor of the scheme are not being called shareholder but stakeholder.

Table 2: Fixed Annual Returns Based on Investment Categories Offered by COPPS

Categories	Investment Amount (RM)	Years to Maturity	Annual Return (%)	Monthly Net Return Payment (Fixed Date)
PREMIER	58,888	8	First 5 years - 8% 6th year - 10% 7th year - 14% 8th year-16%	31 st March 30 th June 30 th September 31 st December
GOLD	28,888	6	8% annually for 6 years	
SILVER	10,000	8	First 5 years - 8% 6th year - 9% 7th year - 11% 8th year -12%	
BRONZE	5,000	8	8% annually for 8 years	

Source: COPPS Prospectus (2015)

2.3 The Stakeholders Involving in COPPS

There are six main stakeholders involving in the scheme, COPPS.

Individual Smallholders. The individual smallholders are made up by the rural who have direct interest with Company-XYZ, this group of stakeholder is the beneficial land owners who entered the sublease agreement with the management company. After twelve commencing years of the scheme, this group of stakeholder will be benefited from the gross profit distribution generated from the oil palm plantation.

TMF Trustees Malaysia Berhad (TMF Trustees). TMF Trustees Malaysia Berhad is managed under the international management flag of TMF group. TMF Trustees Malaysia Berhad is an independent global service provider which has been operating in Malaysia since 1992, it is a regulatory body under Security Commission as fully registered trustee. TMF Trustees is appointed as the trustee of the scheme, under Section 85, 86 and 87 of the Company Act 1965. The Trustee is acting as stakeholder with the vital role of protecting the rights and interest of the investors. It is the key legal stakeholder for COPPS, appointed under the advice of the Ministry of Finance to hold the issued sublease agreement land titles that the management company entered with the individual smallholders, such action to ensure the land is free from pledging. Also, the trustee acts as bodyguard for investor from monetary perspective as a quarterly interest payment executor. Besides, TMF trustee also works closely with auditor and independent consultant to ensure the management companies fulfilling their duties according to the trust deed code of conducts prior the capital imbursement. Last but not least, TMF Trustees Sdn Bhd possesses the rights to represent the investor if the management company winds up or decided to terminate the scheme.

Auditor. Crowe Horwath, a chartered accountants association which is Malaysia 5th largest accounting firm and ranked top 10 globally has been appointed as sole auditor for Company-XYZ. It entered into the agreement with the management company under the assignment of Ministry, under Section 8 and Section 174(3) of the Companies Act 1965 on 27 February 2009 (Sharefarming, 2009). It possess the right to challenge the management company practice and interpretation from the financial aspects, their supervision is regulated by the Ministry under the Company Act 1965.

Independent Consultant. David Wan Yin Foo (Mr) has appointed by the management company as sole independent consultant, due to his extensive knowledge and background with oil palm sector. He is currently Programme Advisor committee member of PORIM, member of Incorporated Society of Planters, Society of Agriculture Scientist Sabah and East Malaysia Planters Association. Also, as registered specialist with Jabatan Perlindungan Alam Sekitar and is assigned to prepare EIA Report and Feasibility Studies (Prospectus, 2015). David's duty with the management company includes close monitor, prepare half yearly report of the plantation progress. Also, update and provide recommendation if unsatisfactory matters were found with regards to the plantation. Last but not least, his duty is to ensure planting schedule is meeting the promised timeline too.

The Consultants. Only authorized consultants hired under XYZ Marketing Sdn Bhd, marketing agency firm are allowed to promote and offer COPPS for public subscription. The consultant efforts of timely sales of the scheme determined the plantation development plan, their effort would ensure the management companies could meet its financial repayment capabilities according to the allocated sales timeline i.e. 3 year from the initial launched date. In the event of slow, inadequate sales will caused delay of development plan. Hence, it is vital that theirs and organization goals are aligned.

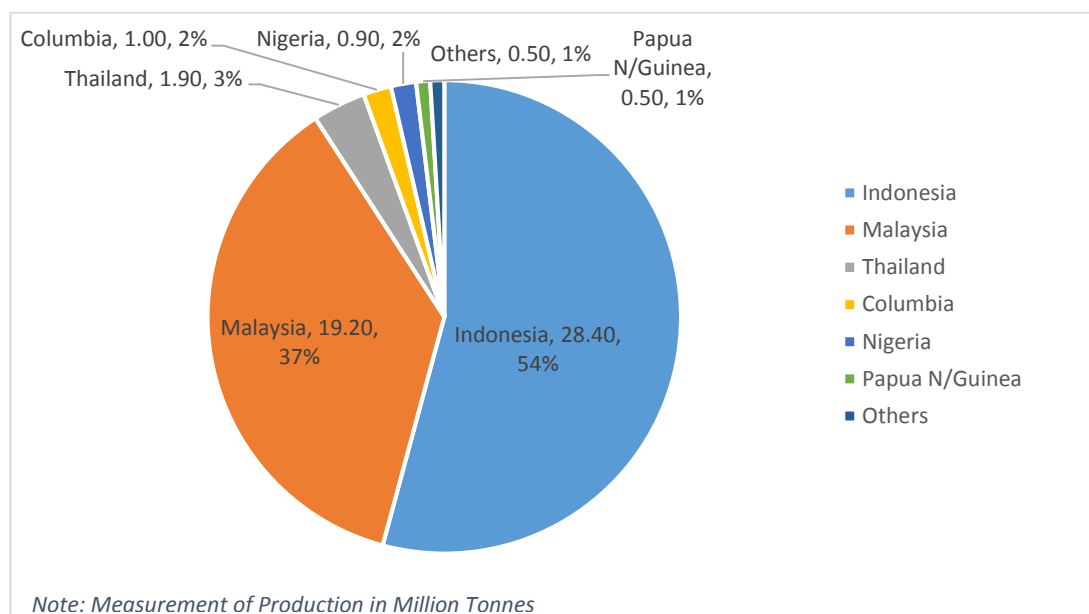
The Planters. The planters is analogous to investors of COPPS, they are contributing the initial capital needed by the management company in exchanged with interest payout every quarter up to eight years. The planter's involvement in the scheme is crucial in determining company sustainability. Under the conditions of insufficient involvement by the planters in meeting the company financial goals will caused delay in the development progress. Delay will brings adverse effect on management company revenues, causing sustainability issue and jeopardize promised repayment capabilities for the smallholders and other planters. In order to make COPPS, the scheme successful, the planters' commitment in the scheme is crucial in securing the interest of other planters, as well as the management company revenue and other parties who are involved in the scheme. Hence, 100% capital buy back option by the management company is only made available after sixth anniversary year, as per written in the agreement to protect other stakeholders and the management company interest.

CHAPTER 3

INDUSTRY ANALYSIS & LITERATURE REVIEW

Indonesia and Malaysia accountable for 91% of palm oil production in the world, both of these countries acquired the largest market shares. The world oil forecast that the trend of palm oil consumption is an uptrend pattern with the needs to satisfy increasing numbers of population in meeting edible oils and biodiesel demand, as oil palm is recognized as the most cost efficient traded oil in the world. Malaysia is the second largest palm oil producers and exporters in the world after Indonesia, Malaysia is accountable for 11% world's oils and fats production and 27% export trade (MPOC, 2015). With consistency and steady growth of oil palm over the past years have provide extensive employment opportunities. Hence, oil palm is said to be the most social economic contributed crops for Indonesia and Malaysia (*Figure 2*).

Figure 2: *Major Countries that Contribute to the Production of Palm Oil*



Source: Oil World March 2014 Database (2014), RSPO (2014)