

FAR EAST HOLDINGS BERHAD (“FEHB or Company”)

- **Joint Venture Agreement (“JVA”) Between FEHB and Rangkaian Delima Sdn Bhd (“RDSB”) for the development of an oil palm plantation**

1. INTRODUCTION

- 1.1 The Board of Directors of FEHB wishes to announce that FEHB had entered into a JVA with RDSB on 28 August 2012 for the development of an oil palm plantations (“the Project”). The Land refers to a total area of 5,300 acres (2,144.88 hectares) which consist of Block A measuring 1,800 acres (728.45 hectare), Block B measuring 1,700 acres (687.98 hectare) and Block C (measuring 1,800 acres (728.45 hectare). The land is located in the area of Tebu Hitam, Mukim Keratong, Daerah Rompin, Pahang Darul Makmur.
- 1.2 RDSB is the beneficial owner of the Land identified as Block A, Block B and Block C. RDSB had paid to the Pejabat Tanah dan Daerah Rompin Negeri Pahang the payment of the requisite land premiums and such other dues for the said land.
- 1.3 FEHB and RDSB had earlier entered into Memorandum of Understanding (“MOU”) on 25 May 2010 and the announcement on the MOU was released on 26 May 2010.

2. BACKGROUND INFORMATION ON RDSB

- 2.1 RDSB was incorporated on 19 December 1989 under the Companies Act, 1965 as a private limited company. Its present authorised share capital is RM3,000,000 comprising 3,000,000 ordinary shares of RM1.00 each. The present issued and paid up capital of RDSB is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each. The principal activities of RDSB are logging and investment holding company.

3. SALIENT TERMS OF THE JVA

3.1 Salient terms of the JVA are stated below:

3.1.1 Covenants by FEHB

- (a) undertake the whole performance of the Project at its own cost and expense. Such cost and expenses shall be charged to the Joint Venture Company.
- (b) pay for and on behalf of RDSB, RDSB's portion of its Thirty percent (30%) equity in the Joint Venture Company;
- (c) be responsible for the development and management of the Project;
- (d) ensure due compliance with all rules, regulations or otherwise in relation to the Project.
- (e) consent that all timber produce extracted from the Land (if any) will be for the benefit of RDSB wholly and absolutely.

3.1.2 Covenants by RDSB

- (a) perform all its obligations under this JVA with full responsibility and due diligence;
- (b) allow for the Land to be charged by FEHB in the event that the Joint Venture Company requires external financing for the implementation and completion of the Project;
- (c) ensure that the Land is suitable for the cultivation of oil palm;
- (d) otherwise than in accordance with this Agreement, not to sell, charge, rent, lease, sub lease or howsoever otherwise deal with the Land unless with the prior written approval of FEHB;
- (e) to maintain the lease for the period and rental as specified in Clause 8 of the JVA for the term of the said lease;

- (f) ensure that the titles to the Land are free from all encumbrances and may therefore be accordingly leased to the Joint Venture Company;
- (g) allow all advances made by FEHB for the initial performance of the Project to be charged to the Joint Venture Company.
- (h) RDSB at its own cost and expense will extract all timbers from the Land (if any) and the timbers will be for the benefit of RDSB wholly and absolutely.

3.1.3 **Lease of the Land**

The period of the said lease shall be for a period of sixty (60) years and the Joint Venture Company shall pay a rental of Ringgit Malaysia Eighty (RM80) per acre per annum to RDSB for the lease on the Land. Notwithstanding the above, the parties hereto agree that the payment of the rental shall only commence on the six (6) year of the lease period or the date of the Joint Venture Agreement (whichever is earlier).

3.1.4 **Incorporation of the Joint Venture Company**

Incorporation

FEHB and RDSB shall ensure that the Joint Venture Company is incorporated with limited liability under the Companies Act 1965 with an authorised share capital of at least RM5,000,000-00 divided into at least 5,000,000 ordinary shares of RM1.00 each. Upon signing of the JVA; the paid-up share capital of the Joint Venture Company would be increased to RM2,000,000-00 divided into 2,000,000 ordinary shares of RM1.00 each.

Joint Venture Company

The Joint Venture Company shall be operated under the name of F.E. Rangkaian Sdn Bhd.

Restriction on transfer

In the event that RDSB intends to dispose of its Thirty percent (30%) equity in the Joint Venture Company, FEHB shall be given the first option to acquire the said Thirty percent (30%) equity at a value to be agreed to by both parties hereto subject to RDSB being given a guaranteed sum of Ringgit Malaysia Nine Million Five Hundred Forty Thousand (RM9,540,000.00) only (based on a value of Ringgit Malaysia Six Thousand (RM6,000.00) only per acre) or based on the net tangible asset value, whichever is the higher. The option herein shall be given from the Fifth (5th) year to the Tenth (10th) year only.

4. CONSIDERATION, SOURCE OF FINANCING AND TOTAL DEVELOPMENT COST

- 4.1 In consideration of RDSB agreeing to lease the Land to the Joint Venture Company and in further consideration of FEHB's commitment to work towards the success of the development of the land, FEHB had paid RDSB a sum of Ringgit Malaysia Two Million (RM2,000,000.00) only upon the execution of the MOU signed on 25 May 2010.
- 4.2 The total expected cost of development until maturity for the said land is RM28.74 million which is based on RM12,000 per hectare. The development of the land would be financed with internally generated funds and/or bank borrowings.

5. EQUITY INTEREST

5.1 The equity interest in the Joint Venture Company would be as follows:

FEHB	-	Seventy percent (70%)
RDSB	-	Thirty percent (30%)

6. RATIONALE FOR THE JOINT VENTURE

6.1 The Joint Venture is in line with the expansion plan by FEHB and would broaden FEHB's income base. It is expected to contribute positively to FEHB's future prospects and earnings.

7. FUTURE PROSPECTS

7.1 The proposed area is located approximately about 140km from Kuantan and 19km from Kuala Rompin Town. The good location of the area in addition to its relatively flat feature, its fertile soil and high rainfall makes it quite an ideal place to establish an oil palm plantation.

8. RISK FACTORS

8.1 The risk factor is associated with the normal risk of oil palm industry.

9. FINANCIAL EFFECTS

9.1 Share Capital

The Joint Venture will not have any effect on the issued and paid-up share capital of FEHB.

9.2 Substantial shareholders' shareholdings

The Joint Venture will not have any effect on the substantial shareholders' shareholdings in FEHB.

9.3 Earnings

The Joint Venture is not expected to have any material impact on the earnings of FEHB for the financial year ended 31 December 2012.

9.4 Net Tangible Asset (“NTA”)

The Joint Venture will not have any material effect on the NTA per share of FEHB for the financial year ended 31 December 2012.

10. HIGHEST PERCENTAGE RATIO

10.1 The highest percentage ratio pursuant to paragraph 10.02(g) for this Joint Venture is 3.18%.

11. APPROVAL REQUIRED

11.1 The Proposal is not subject to the approval of the shareholders of FEHB. The transaction does not fall under related party transaction by virtue of Para 10.08(11c) that states that a transactions are not normally regarded as related party transactions if a transaction between the listed issuer or any of its subsidiaries and another person, where they are no other interested relationships except from common directorships provided that the directors who have common directorships have:-

- (a) shareholdings in the other person which is less than 1% other than via the listed issuer; and
- (b) no other interest such as commission or other kinds of benefit received from the listed issuer or any of its subsidiaries of the other person in relation to the said transaction.

12. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTEREST

12.1 YH Dato’ Kamaruddin bin Mohammed is a Director of FEHB and also a Director of RDSB. Hence, YH Dato’ Kamaruddin bin Mohammed is deemed interested in the Proposal and accordingly, has and will abstain from all Board deliberations at meetings of the Board on all matters relating to the JVA.

Save as disclosed as above and insofar as the Directors of FEHB are aware, none of the Directors and substantial shareholders of FEHB or persons connected to them has any interest, direct and indirect in the JVA.

13. DIRECTORS' RECOMMENDATION

13.1 Save for YH Dato' Kamaruddin bin Mohammed who has abstained from deliberations at the Board meetings of FEHB relating to the JVA, the other Directors of FEHB, after careful deliberations, are of the opinion that the JVA is fair and reasonable and is in the best interest of FEHB and its shareholders.

14. DOCUMENTS FOR INSPECTION

14.1 The JVA is available for inspection at FEHB's registered office at Suite 5 & 6, Tingkat 8, Kompleks Teruntum, 25000 Jalan Mahkota, Kuantan, Pahang during normal office hours from Monday to Friday (except public holidays) for a period of three months from the date of this announcement.

This announcement is dated 28 August 2012.