FIRST RESOURCES

ANNUAL REPORT 2020

CONTENTS

CORPORATE PROFILE

ESTABLISHED IN 1992 AND LISTED ON THE SINGAPORE EXCHANGE SINCE 2007, FIRST RESOURCES IS ONE OF THE LEADING PALM OIL PRODUCERS IN THE REGION, MANAGING OVER 200,000 HECTARES OF OIL PALM PLANTATIONS ACROSS THE RIAU, EAST KALIMANTAN AND WEST KALIMANTAN PROVINCES OF INDONESIA.

Our core business activities include cultivating oil palms, harvesting the fresh fruit bunches ("FFB") and milling them into crude palm oil ("CPO") and palm kernel ("PK"). In addition to plantations and palm oil mills, the Group through its refinery, fractionation, biodiesel and kernel crushing plants, processes its CPO and PK into higher value palm based products such as biodiesel, refined, bleached and deodorised ("RBD") olein, RBD stearin, palm kernel oil and palm kernel expeller. This enables the Group to extract maximum value out of our upstream plantation assets. Our products are sold to both local and international markets.

First Resources is committed to the production of sustainable palm oil. Our sustainability strategy is centred upon maximising output while minimising adverse environmental and social impact from our operations. We will constantly strengthen our sustainability framework through regular benchmarking against industry standards and best practices.

OUR PRESENCE

REFINING & BIODIESEL

combined capacity of

850,000

tonnes per annum

KERNEL CRUSHING

capacity of

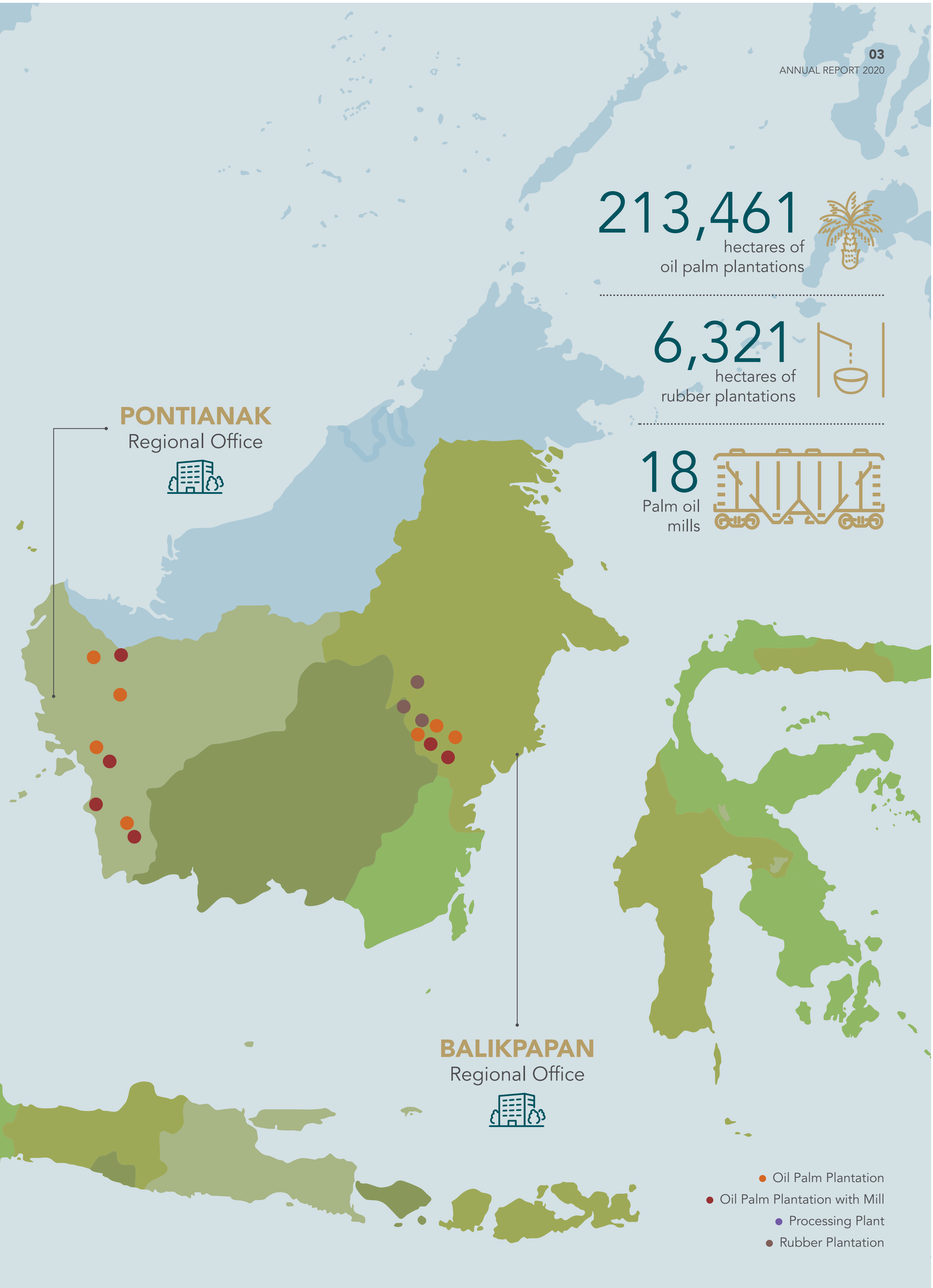
210,000

tonnes per annum

213,461 hectares of oil palm plantations

6,321 hectares of rubber plantations

18 Palm oil mills



BUSINESS FLOW CHART

1 NURSERY CULTIVATION

Our palm oil seeds are produced in our dedicated seed garden. The seeds are cultivated in our pre-nurseries before they are transferred to our open field nurseries. Seedling development is closely supervised and a stringent culling process is observed.

2 FIELD PLANTING

After a year in the open field nurseries, seedlings in their best conditions are transplanted to the estates and are classified as immature palms.

3 UPKEEP

For the first three years, immature palms undergo an intensive upkeep programme which involves fertilisation and weeding. The upkeep programme for mature palms is largely similar except for the lower frequency of certain upkeep work. Our research station provides specific agronomy recommendations based on trials and tests done on each block of plantation.

4 HARVESTING

Harvesting of FFB from the palms begin only when an appropriate number of fruitlets start detaching from the FFB, indicating optimal ripeness, which is critical in maximising CPO output and yield.

7
SALES TO CUSTOMERS

Our products are sold to both local and international markets. Our product offerings are:

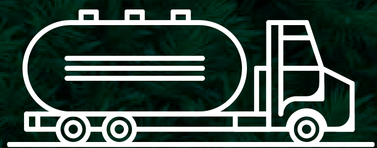
- Crude Palm Oil
- Refined Palm Oil Products
- Biodiesel
- Palm Kernel Products

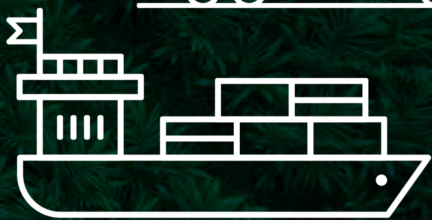
6
PROCESSING

Through our refinery, fractionation, biodiesel and kernel crushing plants, the CPO and PK are processed into higher value palm-based products. This vertical integration enables the Group to extract maximum value out of our plantation assets.

5
MILLING

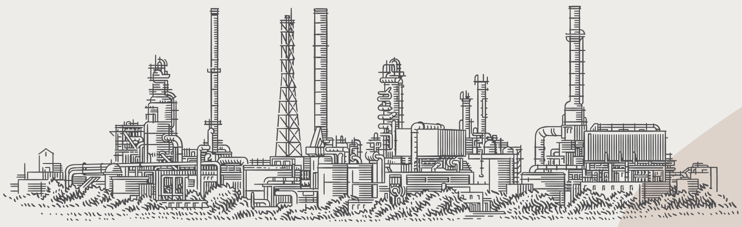
Harvested FFB are transported to our mills within a tight 24-hour window for milling. This ensures that the FFB is milled with minimal spoilage, another key control for maximising CPO output and yield. The milling process involves the separation of the fruitlets from the bunches and the crushing of the fruitlets to obtain CPO and PK.





OPERATIONAL HIGHLIGHTS

FINANCIAL YEAR	2016	2017	2018	2019	2020
OIL PALM PLANTATION AREA (hectares)					
Total Planted Area	**208,691**	**210,001**	**210,885**	**212,073**	**213,461**
Mature	158,597	173,409	190,820	197,384	**199,924**
Immature	50,094	36,592	20,065	14,689	**13,537**
Nucleus Planted Area	**179,398**	**179,521**	**180,172**	**181,065**	**182,029**
Mature	136,798	147,377	161,759	167,124	**169,106**
Immature	42,600	32,144	18,413	13,941	**12,923**
Plasma Planted Area	**29,293**	**30,480**	**30,713**	**31,008**	**31,432**
Mature	21,799	26,032	29,061	30,260	**30,818**
Immature	7,494	4,448	1,652	748	**614**
PRODUCTION VOLUME (tonnes)					
Total Fresh Fruit Bunches ("FFB")	**2,661,554**	**3,037,842**	**3,435,159**	**3,362,364**	**3,273,584**
Nucleus	2,367,767	2,682,944	3,061,819	3,009,424	**2,903,800**
Plasma	293,787	354,898	373,340	352,940	**369,784**
Crude Palm Oil ("CPO")	**634,941**	**702,368**	**823,679**	**811,947**	**855,668**
Palm Kernel ("PK")	**148,270**	**170,664**	**188,471**	**185,599**	**192,840**
PRODUCTIVITY					
FFB Yield per Mature Hectare (tonnes)	**16.8**	**17.5**	**18.0**	**17.0**	**16.4**
CPO Yield per Mature Hectare (tonnes)	**3.8**	**3.9**	**4.1**	**3.9**	**3.8**
CPO Extraction Rate (%)	**22.5**	**22.2**	**22.9**	**23.1**	**23.2**
PK Extraction Rate (%)	**5.3**	**5.4**	**5.2**	**5.3**	**5.2**



FRESH FRUIT BUNCHES PRODUCTION
(million tonnes)

▲ CAGR 5%

2020	**3.274**
2019	3.362
2018	3.435
2017	3.038
2016	2.662

CRUDE PALM OIL PRODUCTION
(tonnes)

▲ CAGR 8%

2020	**855,668**
2019	811,947
2018	823,679
2017	702,368
2016	634,941

PALM KERNEL PRODUCTION
(tonnes)

▲ CAGR 7%

2020	**192,840**
2019	185,599
2018	188,471
2017	170,664
2016	148,270

CPO YIELD
(tonnes/mature hectare)

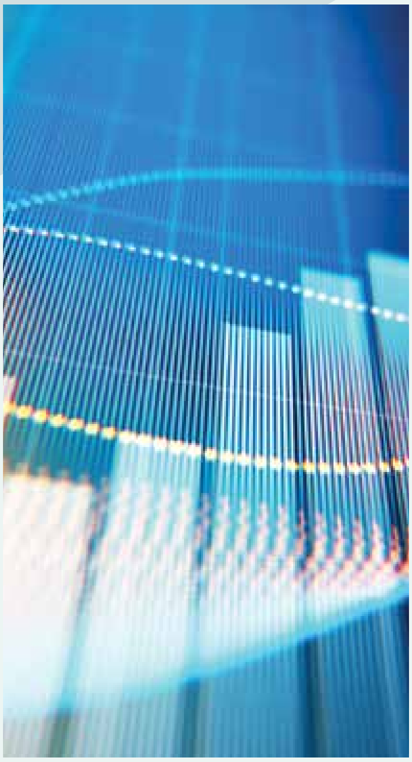
2020	**3.8**
2019	3.9
2018	4.1
2017	3.9
2016	3.8

Note:
CAGR = Compounded Annual Growth Rate

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR	2016	2017	2018	2019	2020
INCOME STATEMENT (US$'000)					
Sales	575,234	646,989	633,487	614,889	**660,425**
Gross profit	267,263	306,691	278,787	227,160	**292,398**
Gain/(loss) arising from changes in fair value of biological assets	13,184	(2,382)	(3,456)	7,913	**3,870**
Profit from operations	207,705	226,923	187,152	154,577	**190,006**
EBITDA (1)	251,345	292,130	257,892	218,799	**259,191**
Profit before tax	183,072	208,879	181,115	131,201	**156,839**
Net profit attributable to owners of the Company	125,373	137,700	120,001	89,128	**99,673**
Underlying net profit (2)	115,486	139,487	122,593	89,082	**97,059**
BALANCE SHEET (US$'000)					
Total assets	1,699,551	1,730,995	1,571,037	1,708,936	**1,785,917**
Total liabilities	773,368	708,803	585,022	607,034	**659,775**
Total equity	926,183	1,022,192	986,015	1,101,902	**1,126,142**
Equity attributable to owners of the Company	881,173	971,905	932,165	1,044,312	**1,063,573**
FINANCIAL STATISTICS					
EBITDA margin (%)	43.7	45.2	40.7	35.6	**39.2**
Basic earnings per share (US cents) (3)	7.91	8.69	7.58	5.63	**6.30**
Net debt to equity (times) (4)	0.20	0.21	0.29	0.28	**0.22**
EBITDA to interest coverage (times) (5)	10.1	12.9	14.3	12.8	**15.6**
Net asset value per share (US$) (6)	0.56	0.61	0.59	0.66	**0.67**
Return on assets (%) (7)	8.1	8.5	7.7	5.7	**6.1**
Return on equity (%) (8)	15.5	14.9	12.6	9.0	**9.5**

Notes:
(1) EBITDA = Profit from operations before depreciation, amortisation, expected credit losses and gains/(losses) arising from changes in fair value of biological assets
(2) Underlying net profit = Net profit attributable to owners of the Company adjusted to exclude expected credit losses, net gains/(losses) arising from changes in fair value of biological assets and unquoted investment
(3) Basic earnings per share = Net profit attributable to owners of the Company / Weighted average number of ordinary shares outstanding during the financial year
(4) Net debt to equity = Borrowings and debt securities less cash and bank balances / Total equity
(5) EBITDA to interest coverage = EBITDA / Total interest and profit distribution paid or payable on borrowings and debt securities
(6) Net asset value per share = Equity attributable to owners of the Company / Number of ordinary shares in issue (excluding treasury shares) at end of the financial year
(7) Return on assets = Net profit for the year / Average total assets
(8) Return on equity = Net profit attributable to owners of the Company / Average equity attributable to owners of the Company



SALES
(US$'000)

2020	**660,425**
2019	614,889
2018	633,487
2017	646,989
2016	575,234

EBITDA
(US$'000)

2020	**259,191**
2019	218,799
2018	257,892
2017	292,130
2016	251,345

UNDERLYING NET PROFIT
(US$'000)

2020	**97,059**
2019	89,082
2018	122,593
2017	139,487
2016	115,486

BASIC EARNINGS PER SHARE
(US cents)

2020	**6.30**
2019	5.63
2018	7.58
2017	8.69
2016	7.91

MESSAGE TO SHAREHOLDERS

LIM MING SEONG
Chairman and
Independent Director

CILIANDRA FANGIONO
Executive Director and
Chief Executive Officer

DEAR SHAREHOLDERS

We would not be too far off in saying that the 12 months that ended 31 December 2020 ("FY2020") was a year that we are all glad to leave behind. The unprecedented events brought on by the COVID-19 pandemic forced unimaginable lifestyle changes upon us, and business and economic activities came to an almost eerie standstill for months as countries went into lockdown mode to curb the spread of the virus.

This led to major supply chain disruptions due to international border controls and restrictions in interstate travels, which halted the free movement of goods, while local measures also led to challenges in maintaining optimal operational efficiency by businesses.

As economic activities started to resume in the second half of the year, demand for palm oil was shored up from the restocking of inventory by importing nations and Indonesia's biodiesel mandate, with the latter absorbing an even larger part of supply in 2020 and contributing immensely to the strong recovery in crude palm oil ("CPO") prices. Against this backdrop, average CPO prices on a free-on-board ("FOB") Belawan basis rose to US$693 per tonne in 2020 as compared to US$521 per tonne in 2019 amidst tightening demand-supply conditions. What is also noteworthy is the wide range of prices experienced in 2020. FOB Belawan prices climbed to US$810 in January, tumbled to its 2020 low of US$495 in May, and then ascended at neck-breaking speed to a fresh peak of US$1,028 in December. This bout of extreme price volatility made business management and long-term planning extremely challenging, to say the least.

Looking ahead, the COVID-19 situation remains fluid with new strains of the virus emerging in certain countries. Even as vaccination programmes are being carried out worldwide, we expect this and other macro developments such as the supply-demand dynamics of competing edible oils, and changes to the import and export tax structures in consuming and producing countries, to exert an influence over palm oil prices. In particular, the significant increase in levy on Indonesian palm oil exports since December 2020 has been burdensome to Indonesian producers, although less so for integrated producers like us in view of the lower levy amounts imposed on processed products.

Coming out of this health crisis, we are very encouraged by our improved financial performance in FY2020 despite the adverse conditions during the year. It speaks volumes about the resilience of palm oil as an essential commodity and First Resources' strong foundation that we have established and will continue to build on purposefully over the years. As the COVID-19 situation evolves, we will continue to prioritise workplace safety over economic considerations with the confidence that ultimately human compassion, resilience and enterprise will prevail.

FY2020 PERFORMANCE REVIEW

Buoyed by the improvement in palm oil prices, First Resources achieved healthy year-on-year growth of 7.4% in sales and 9.0% in underlying net profit for FY2020, with EBITDA coming in at US$259.2 million, an increase of 18.5% against the preceding year.

The improved financial performance was despite a slight dip in production volumes and yields during the year under review, with fresh fruit bunches ("FFB") harvested declining by 2.6% to 3,273,584 tonnes and FFB yield coming in at 16.4 tonnes per hectare in FY2020 as compared to 17.0 tonnes per hectare a year ago. CPO yield also declined marginally from 3.9 tonnes per hectare in FY2019 to 3.8 tonnes per hectare in FY2020, while CPO production increased by 5.4% to 855,668 tonnes in FY2020. Even though weather influence has played a significant role in the yields achieved, we recognise that there

MESSAGE TO SHAREHOLDERS

remains a lot of hard work ahead to get the FFB and CPO yields to our target levels.

We continue to favour EBITDA per hectare of mature nucleus as a performance metric because it represents the cash earnings generated by each productive nucleus hectare that we worked on. Based on this measure, our plantations contributed US$1,395 of EBITDA per hectare in FY2020 versus US$1,059 in FY2019, in line with the stronger average selling prices in FY2020. When compared against the current replacement cost of US$5,000 to US$6,000 per hectare and keeping in mind that the oil palms have an economic lifespan of 25 years or more, the upstream oil palm business clearly remains a rewarding one. In addition, we believe that the dearth of supply growth will keep palm oil prices buoyant and allow us to achieve remunerative cash earnings per hectare in the medium term.

Cash cost of production is another important determinant of EBITDA and net profit. In FY2020, each tonne of nucleus CPO on an ex-mill basis cost us approximately US$221 to produce, which was US$9 less than that in FY2019. This cash cost of production figure has largely remained unchanged in the last decade, and this is a vindication of our relentless focus on yield and cost. As an upstream producer, clearly our best form of defence against market price volatility is to be on the low end of the industry cost curve, and we aspire to stay highly competitive in this regard.

INVESTMENTS EXPECTED IN 2021

The Group will continue to invest in both our upstream and downstream operations in 2021.

Out of the total estimated capital expenditure for the year ahead of approximately US$70 million, approximately half will be invested in upstream plantation management infrastructure, replanting and maintenance of immature plantations. To keep the age profile of our plantations favourable, we plan to replant about 4,000 hectares of oil palms in 2021.

To continue building on our milling and processing capabilities, the other half of the estimated capital expenditure for FY2021 will be put into the upgrading and maintenance of our existing CPO mills, as well as the expansion of our processing facilities. This includes the construction of our new refinery and biodiesel plant, whilst earlier plans for a new fractionation plant have been deferred indefinitely.

SUSTAINABILITY REVIEW

First Resources has been a member of the Roundtable on Sustainable Palm Oil ("RSPO") since 2008 and we officially launched our Sustainability Policy in 2015. Over the years, we have achieved steady progress to improve on our efforts, culminating in some notable results such as the achievement of 100% traceability to mills since 2017 and 100% traceability to plantations for our own mills in 2020 under our Sustainable Supply Chain Framework.

In February 2020, the Group received its third RSPO certification, covering 9,271 hectares of plantations and a mill in the Riau province. As at 31 December 2020, we have received RSPO certifications for three of our subsidiaries covering three mills and more than 27,000 hectares of plantations located in the Riau province.

Over the years, we have increased our efforts towards sustainability by adopting industry best practices and introducing more community programmes. Today, sustainability is deeply weaved into our corporate DNA and a key consideration when we develop strategic growth plans for our Group.

In keeping with our commitment to keep our shareholders and the market abreast of our progress on the sustainability front, we will be publishing our seventh sustainability report concurrently and in conjunction with this annual report. Please refer to the report for our progress and targets in our sustainability journey.

ACKNOWLEDGMENTS AND APPRECIATION

In line with the resilient results achieved amidst a challenging year, the Board of Directors has proposed a final dividend of 2.00 Singapore cents per share for FY2020, which will bring the full year ordinary dividend to 3.00 Singapore cents per share. This represents 37% of the Group's underlying net profit.

We are grateful that our Group has grown from strength to strength over the years thanks to the favourable age profile of our plantations, the careful management of our assets and resources, as well as the commitment from our employees and the support of our shareholders. Our balance sheet is strong, and we continue to believe in the positive prospects

"...our dividend policy has been revised going forward to distribute up to 50% of the Group's underlying net profit annually, an increase from the 30% previously..."

and fundamentals of the palm oil industry. Based on this confidence and to thank all shareholders for your unwavering support, our dividend policy has been revised going forward to distribute up to 50% of the Group's underlying net profit annually, an increase from the 30% previously. We believe this greater flexibility will suit our profile and capital management priorities better, as we continue to evolve into a maturing upstream business with good cashflows.

In closing, we would like to thank our fellow directors on the Board as well as the management team, for their stewardship of the Group through the pandemic year. In particular, we express our sincere appreciation to Mr Teng Cheong Kwee who will not be seeking re-election at the forthcoming Annual General Meeting. Mr Teng has served on our Board, Audit and Remuneration Committees since the Company's listing in 2007. First Resources has benefitted greatly from his acumen and steadfastness as Chairman of the Audit Committee and we are immensely grateful to Mr Teng for his contributions all these years.

We also want to take the opportunity to acknowledge our staff for their dedication to their responsibilities, and their positive attitudes towards the operational adjustments we had to make in compliance with the local measures to curb the spread of the virus. Finally, we are also grateful for supportive business partners who are willing to work with us to achieve mutually beneficial outcomes despite their own challenges.

After the unprecedented events of the previous year, we believe it can only get better from here as the world regains some semblance of normalcy while vaccination programmes are progressively carried out, economic activities slowly resume and livelihoods rebuild.

We wish all shareholders a safer and healthier 2021.

LIM MING SEONG
Chairman and
Independent Director

CILIANDRA FANGIONO
Executive Director and
Chief Executive Officer

OPERATIONAL REVIEW

FFB HARVESTED
3,273,584
tonnes

CPO PRODUCTION
855,668
tonnes

PLANTATIONS AND PALM OIL MILLS

Amidst the disruptions caused by the pandemic, First Resources managed to keep its cost of production low in FY2020, with the Group's cash cost of production per tonne of nucleus CPO, on an ex-mill basis, coming in at US$221 as compared to US$230 in FY2019.

In terms of output, the Group registered a marginal decline in production volumes in FY2020 with total FFB harvested of 3,273,584 tonnes, 2.6% lower than the 3,362,364 tonnes in FY2019. Of which the Group's nucleus plantations harvested 2,903,800 tonnes of FFB, down 3.5% from the 3,009,424 tonnes in FY2019, while the plasma plantations saw a 4.8% increase in harvested FFB to 369,784 tonnes in FY2020. Our Riau plantations remained the core production contributor, accounting for 70% of our total FFB nucleus production, with the balance 30% coming from our plantations in West and East Kalimantan.

The Group's total FFB blended yield per mature hectare for the year came in at 16.4 tonnes per hectare as compared to 17.0 tonnes per hectare in FY2019. This was contributed by 17.2 tonnes per hectare from our nucleus estates and 12.0 tonnes per hectare from our plasma estates, compared to 18.0 tonnes per hectare and 11.7 tonnes per hectare respectively a year ago.

Oil extraction rate and CPO yield remained fairly stable at 23.2% and 3.8 tonnes per hectare, compared to 23.1% and 3.9 tonnes per hectare respectively in FY2019. The Group's CPO production saw an increase of 5.4% to 855,668 tonnes in FY2020 from increased purchases of FFB from third parties. Correspondingly, our production of palm kernel ("PK") also registered an increase of 3.9% to 192,840 tonnes in FY2020, with extraction rate of 5.2% as compared to 5.3% in the preceding year.

REFINERY AND PROCESSING

The Group registered lower sales volumes of processed products in FY2020, a decline of 7.7% to 1,078,105 tonnes from 1,167,641 tonnes in FY2019. Sold to both the domestic and international markets, our processed products include biodiesel, refined, bleached, deodorised ("RBD") palm oil, RBD palm olein, RBD stearin, palm fatty acid distillate, crude glycerine, palm kernel oil and palm kernel expeller.

UPSTREAM ASSETS

The Group's total plantation area under management increased to 213,461 hectares in FY2020 with 1,388 hectares of oil palms added during the year, compared to 1,188 hectares in FY2019. We have replanted approximately 3,000 hectares of oil palm estates during 2020 and will continue with our replanting programme to rejuvenate the Group's older plantations in a measured approach going forward.

We have completed the construction of our 18th CPO mill during the year and will continue to embark on upgrading and maintenance works for our existing CPO mills to improve their efficiencies.

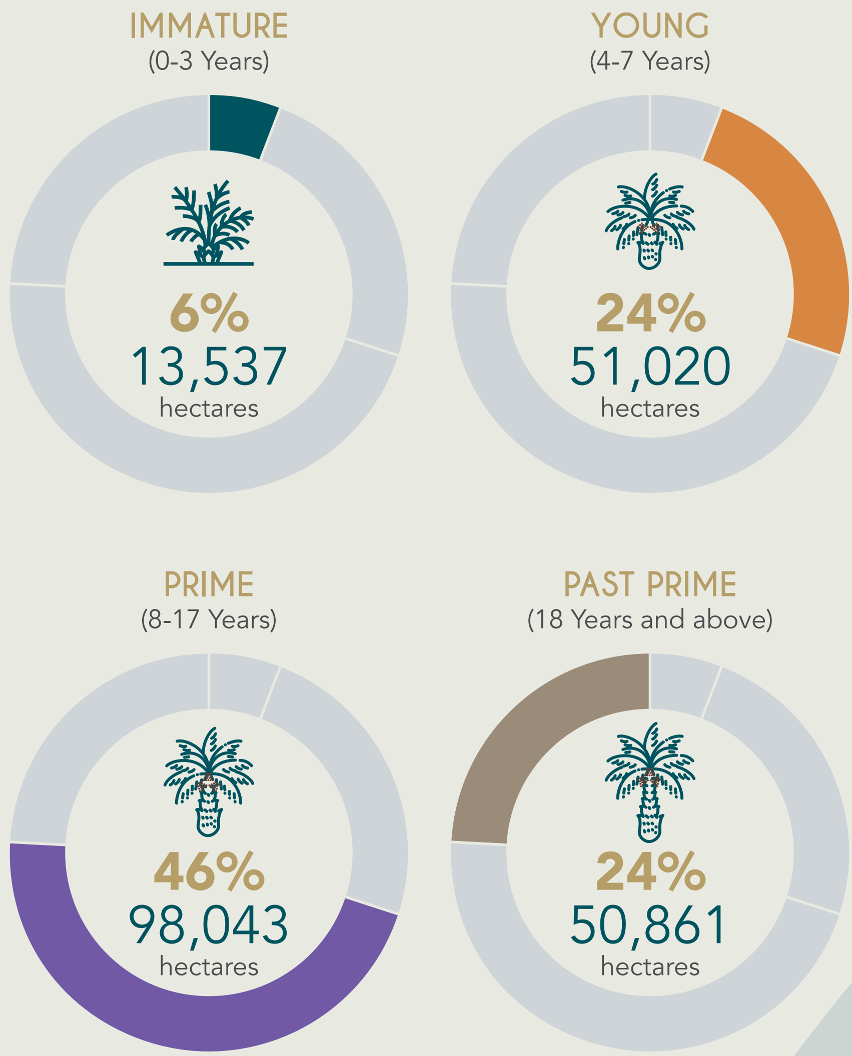
As at 31 December 2020, the weighted average age of the Group's plantations is 12 years, with 46% at the prime production age of eight to 17 years and 30% at age seven years and below. For 2021, we are expecting approximately 3,000 hectares of our nucleus plantations to come into maturity, which will contribute to production growth in the year ahead.

Going forward, the Group will continue to focus on improving efficiencies in plantation management, maintenance of our immature oil palms and rejuvenation of the older plantations, while adhering to stringent sustainability practices.

PLANTATION AGE PROFILE

Total
213,461
hectares

WEIGHTED AVERAGE AGE
12
years



FINANCIAL REVIEW

Despite the impact of the COVID-19 pandemic that disrupted lives, economies and businesses worldwide, First Resources achieved healthy year-on-year profitability growth in FY2020, buoyed by the strong rally in palm oil prices in the second half of 2020. Average market CPO prices (FOB Indonesia basis) rose to US$693 per tonne in 2020 as compared to US$521 per tonne in 2019, lifting the Group's average selling prices for the year and bolstering an 18.5% improvement in EBITDA to US$259.2 million. Excluding the expected credit losses and gain/(loss) arising from changes in fair value of biological assets and unquoted investment, the Group achieved a 9.0% growth in underlying net profit to US$97.1 million.

SALES, COST OF SALES AND GROSS PROFIT

The Group's sales grew by 7.4% to US$660.4 million in FY2020 from US$614.9 million in FY2019, primarily attributed to the higher average selling prices achieved. This was partially offset by lower sales volumes of palm based products, which reflected the impact of a net inventory build-up of 44,000 tonnes in FY2020 as compared to a drawdown of 53,000 tonnes in FY2019. Sales volumes of CPO and PK under the Plantations and Palm Oil Mills segment climbed 3.1% and 2.4% to 870,433 tonnes and 195,634 tonnes respectively, while the Refinery and Processing segment saw a 7.7% dip in sales volume to 1,078,105 tonnes.

Cost of sales, comprising mainly harvesting costs, plantation maintenance costs, plantation general expenses and processing costs, as well as FFB and other palm oil products purchased from plasma farmers or third parties, shrank by 5.1% to US$368.0 million in FY2020 largely on lower sales volumes of palm based products.

Similarly reflecting the effect of the higher average selling prices, gross profit for the year rose 28.7% to US$292.4 million in FY2020, with gross profit margin improving by 7.4 percentage points to 44.3% from 36.9% in FY2019.

REVENUE
US$660.4
million
▲ 7.4%

UNDERLYING NET PROFIT
US$97.1
million
▲ 9.0%

CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

The fair value of the Group's biological assets is determined based on the expected net cash inflows of the agricultural produce (i.e. FFB) growing on bearer plants. Any resultant gain or loss arising from changes in fair value is recognised in the income statement.

The Group recognised gains arising from changes in fair value of biological assets amounting to US$3.9 million in FY2020 compared to US$7.9 million in FY2019. The fair value gain recorded in 2020 was mainly attributable to the higher FFB price used in the valuation as compared to the previous year.

OPERATING EXPENSES

Total operating expenses increased 32.0% to US$106.3 million in FY2020 from US$80.5 million in FY2019, largely due to the higher export taxes imposed on palm oil products in Indonesia during the year.

NET FINANCIAL EXPENSES

The Group's net financial expenses remained stable at US$16.1 million in FY2020, with the increase in interest expenses from drawdown of bank loans more than offset by the reduction from repayment of Islamic medium term notes during the year.

EBITDA

Boosted by higher average selling prices, EBITDA grew by 18.5% to US$259.2 million from US$218.8 million in FY2019. The Plantations and Palm Oil Mills segment continues to be the main earnings driver for the Group, complemented by the favourable margins from the Refinery and Processing segment.

BALANCE SHEET

The Group's total assets expanded to US$1,785.9 million as at 31 December 2020 from US$1,708.9 million a year ago. Non-current assets dipped 4.4% to US$1,334.2 million, mainly due to the depreciation of bearer plants and property, plant and equipment as well as the weakening of Indonesian Rupiah against the United States Dollar during the year. These were partially offset by the Group's capital expenditure on oil palm plantations, palm oil mills and other property, plant and equipment. On the other hand, current assets jumped 44.3% to US$451.7 million on higher cash and bank balances, trade receivables and inventories.

Total liabilities of the Group grew by 8.7% to US$659.8 million, with gross borrowings increasing by US$30.3 million to US$441.6 million as at 31 December 2020. Taking into consideration the higher cash and bank balances as at 31 December 2020, the Group's net gearing came in at 0.22 times, an improvement against the 0.28 times as at 31 December 2019.

Subsequent to the year end, the Group has also obtained additional committed unsecured credit facilities of US$150.0 million that can be used to refinance the Islamic medium term notes coming due in October 2021.

CASH FLOWS

The Group generated net cash from operating activities of US$192.4 million in FY2020, up from US$132.2 million in FY2019.

EBITDA
US$259.2
million

EBITDA MARGIN
39.2%

The stronger cash generation was mainly contributed by the higher average selling prices and lower taxes paid, partially offset by the effects of a net inventory build-up in FY2020 as compared to a drawdown in FY2019.

Net cash used in investing activities amounted to US$37.1 million in FY2020, down from US$120.6 million in FY2019. This was primarily due to a reduction in capital expenditure on property, plant and equipment as well as an increase in proceeds from plasma receivables as compared to the previous year.

The Group used US$23.3 million in financing activities in FY2020 as compared to US$8.3 million in FY2019, contributed by the higher repayment for amortising bank loans and buy-back of shares by the Company during the year.

Overall, the Group registered an increase in cash and cash equivalents of US$132.0 million in FY2020, bringing total cash and bank balances to US$195.1 million as at 31 December 2020.

BOARD OF DIRECTORS

LIM MING SEONG
Chairman and Independent Director

Present directorships in other listed companies
CSE Global Ltd
Starhub Ltd

Present principal commitments
Nil

Past directorships in other listed companies held over the preceding 5 years
Nil

Past principal commitments held over the preceding 5 years
Nil

Mr Lim Ming Seong was appointed to the Board on 1 October 2007 and was last re-elected as a Director on 1 June 2020. Mr Lim is also the Chairman of CSE Global Ltd and sits on the board of StarHub Ltd. Mr Lim was with the Singapore Technologies group from 1986 through 2002, where he held various senior management positions and was Group Director when he left. Prior to joining Singapore Technologies, Mr Lim was with the Singapore Ministry of Defence.

Mr Lim holds a Bachelor of Applied Science (Honours) in Mechanical Engineering from the University of Toronto and a Diploma in Business Administration from the former University of Singapore. Mr Lim also participated in the Advance Management Programs conducted by INSEAD and Harvard Business School.

CILIANDRA FANGIONO
Executive Director and Chief Executive Officer

Present directorships in other listed companies
Nil

Present principal commitments
First Resources Limited

Past directorships in other listed companies held over the preceding 5 years
Nil

Past principal commitments held over the preceding 5 years
Nil

Mr Ciliandra Fangiono was appointed to the Board on 18 April 2007 and was last re-elected as a Director on 29 April 2019. He has been with the Group for more than a decade, playing a key role in charting the Group's strategic directions. Under his leadership, the Group has expanded its plantation assets rapidly and has grown into an integrated player with its own processing capabilities. Prior to joining the Group, Mr Fangiono was at the Investment Banking Division of Merrill Lynch, Singapore, where he worked on mergers, acquisitions and fund-raising exercises by corporates in the region.

Mr Fangiono holds a Bachelor and a Masters of Arts (Economics) from Cambridge University, United Kingdom. At Cambridge, he was a Senior Scholar in Economics and was awarded the PriceWaterhouse Book Prize.

FANG ZHIXIANG
Executive Director and Deputy Chief Executive Officer

Present directorships in other listed companies
Nil

Present principal commitments
First Resources Limited

Past directorships in other listed companies held over the preceding 5 years
Nil

Past principal commitments held over the preceding 5 years
Nil

Mr Fang Zhixiang (Sigih Fangiono) was appointed to the Board on 1 November 2014 and was last re-elected as a Director on 1 June 2020. He joined the Group in 2002 and has held the position of Deputy Chief Executive Officer since 2007. As Deputy Chief Executive Officer, he is jointly responsible for the day-to-day management of the Group. In particular, he focuses on the management of plantations and palm oil mills, and manages the Group's corporate affairs.

Mr Fang began his career at PT Surya Dumai Industri Tbk as an Assistant Production Director. He graduated from Bronte College, Toronto, Canada.

BOARD OF DIRECTORS

TENG CHEONG KWEE
Independent Director

Present directorships in other listed companies
AEI Corporation Ltd.

Present principal commitments
Nil

Past directorships in other listed companies held over the preceding 5 years
Techcomp (Holdings) Limited
Memtech International Ltd.
AVIC International Maritime Holdings Limited (listed on SGX-ST till 3 March 2020)

Past principal commitments held over the preceding 5 years
Nil

Mr Teng Cheong Kwee was appointed to the Board on 1 October 2007 and was last re-elected as a Director on 30 April 2018. He also serves as an independent director of several other listed companies. Mr Teng was previously with the Singapore Exchange for more than 10 years, where he was Executive Vice President and Head of its Risk Management and Regulatory Division when he left. From 1985 to 1989, he served as assistant director and later a deputy director with the Monetary Authority of Singapore. During that period, he was also concurrently Secretary to the Securities Industry Council.

Mr Teng holds a Bachelor of Engineering (Industrial) with first class honours and a Bachelor of Commerce from the University of Newcastle, Australia.

ONG BENG KEE
Independent Director

Present directorships in other listed companies
Nil

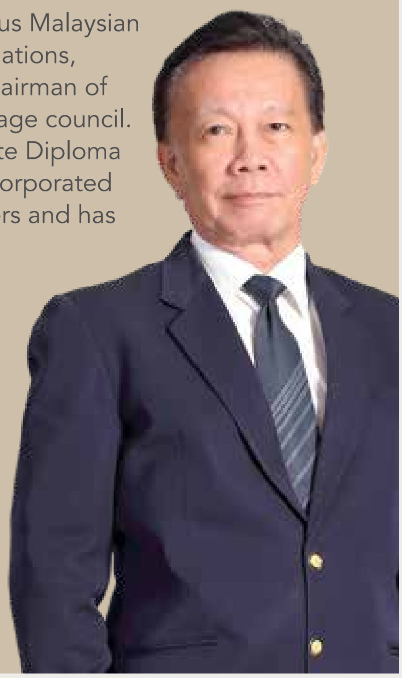
Present principal commitments
Nil

Past directorships in other listed companies held over the preceding 5 years
Nil

Past principal commitments held over the preceding 5 years
Quarry Land Sdn Bhd

Mr Ong Beng Kee was appointed to the Board on 1 May 2010 and was last re-elected as a Director on 29 April 2019. He is a retired career-planter with over 40 years of hands-on experience in large-scale plantation development, specifically oil palm, rubber, cocoa and the related processing facilities. Mr Ong served a large part of his career at Kuala Lumpur Kepong Bhd ("KLK"), a company listed on Bursa Malaysia. As Executive Director and Managing Director (Plantations), he spearheaded KLK's expansion drive into Sabah and Indonesia, overseeing large-scale oil palm cultivation.

Mr Ong was an active council member in various Malaysian plantation associations, particularly as chairman of the plantation wage council. He is an Associate Diploma holder of the Incorporated Society of Planters and has completed the Advanced Management Course at Templeton College, Oxford.



TAN SEOW KHENG

Non-Executive Non-Independent Director

Present directorships in other listed companies
Nil

Present principal commitments
EWIS Development Pte Ltd

Past directorships in other listed companies held over the preceding 5 years
Sincap Group Limited

Past principal commitments held over the preceding 5 years
Nil

Mr Tan Seow Kheng was appointed to the Board on 1 November 2014 and was last re-elected as a Director on 1 June 2020. His other appointments include serving as the General Manager of EWIS Development Pte Ltd, a company focused in property development in Singapore and Indonesia, as well as an Assistant Vice President of Marketing at Uniseraya Group, an Indonesian-based group principally involved in the timber and oil palm industry.

Mr Tan holds a Bachelor of Business Administration from the University of Wisconsin – Madison and has completed an Executive Diploma in Directorship awarded by the Singapore Management University.

CHANG SEE HIANG

Independent Director

Present directorships in other listed companies
Nil

Present principal commitments
Chang See Hiang & Partners

Past directorships in other listed companies held over the preceding 5 years
Parkway Pantai Limited
Jardine Cycle & Carriage Limited
IHH Healthcare Berhad

Past principal commitments held over the preceding 5 years
Nil

Mr Chang See Hiang was appointed to the Board on 1 March 2019 and was last re-elected as a Director on 29 April 2019. Mr Chang has been an advocate and solicitor of the Supreme Court of Singapore since 1979 and is currently the Senior Consultant of the law practice, Chang See Hiang & Partners.

Spanning across 1988 to 2017, Mr Chang was appointed to various appointments including (i) committee member of Singapore Turf Club; (ii) member of Appeal Advisory Panel under the Securities and Futures Act (Cap 289) / Financial Advisers Act (Cap 110) / Insurance Act (Cap 142); (iii) Board member of the Casino Regulatory Authority of Singapore; and (iv) member of the Securities Industry Council.

Mr Chang graduated from the University of Singapore with a Bachelor of Law (Honours) degree.

BOARD OF DIRECTORS

WONG SU YEN
Independent Director

Present directorships in other listed companies
Yoma Strategic Holdings Ltd.
Nera Telecommunications Ltd
CSE Global Ltd

Present principal commitments
Bronze Phoenix Pte Ltd

Past directorships in other listed companies held over the preceding 5 years
Nil

Past principal commitments held over the preceding 5 years
Human Capital Leadership Institute

Ms Wong Su Yen was appointed to the Board on 15 May 2019 and was last re-elected as a Director on 1 June 2020. She brings over 20 years of experience in driving business strategy, strategic talent development, organisational transformation, operations re-design and risk management. She is the Chairman of Nera Telecommunications Ltd and also serves on the board of Yoma Strategic Holdings Ltd and CSE Global Ltd.

Ms Wong is the Founder and Chief Executive Officer ("CEO") of Bronze Phoenix Pte Ltd and was previously the CEO of the Human Capital Leadership Institute. Prior to that, she was Chairman (Singapore) for Marsh & McLennan Companies and the Managing Director, Southeast Asia at Mercer. Before joining Mercer, she held various roles in leading strategy consulting firm, Oliver Wyman, and was the Asia Managing Partner for its Communications, Information and Entertainment practice.

Ms Wong holds a Bachelor of Arts (summa cum laude) in Music and Computer Science from Linfield College and a Master of Business Administration from the University of North Carolina at Chapel Hill.

PETER HO KOK WAI
Independent Director

Present directorships in other listed companies
Allianz Malaysia Berhad
Hong Leong Industries Berhad
Hong Leong Capital Berhad
Guocoland (Malaysia) Berhad
HPMT Holdings Berhad

Present principal commitments
Nil

Past directorships in other listed companies held over the preceding 5 years
Sapura Resources Berhad
Malaysia Smelting Corporation Berhad

Past principal commitments held over the preceding 5 years
Nil

Mr Peter Ho Kok Wai was appointed to the Board on 1 November 2019 and was last re-elected as a Director on 1 June 2020. He forged his early career with Everett Pinto & Co., a central London firm of Chartered Accountants and qualified as a Chartered Accountant in 1984. Subsequently in 1987, Mr Peter Ho joined KPMG Kuala Lumpur where he progressed to Head of Department in 1992. He was transferred to KPMG Ipoh in 1993 to head the branch and was admitted as Partner in 1995. He was transferred back to KPMG Kuala Lumpur in 2005, where he had, at various times, headed the Technical Committee, Audit Function and Marketing Department. Mr Ho has more than 35 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution, plantation and financial services. He retired as Audit Partner from KPMG Malaysia in December 2014 after 27 years with the firm.

Mr Ho is a Member of the Malaysian Institute of Accountants, Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Ming Seong
Chairman and Independent Director

Ciliandra Fangiono
Executive Director and Chief Executive Officer

Fang Zhixiang
Executive Director and Deputy Chief Executive Officer

Teng Cheong Kwee
Independent Director

Ong Beng Kee
Independent Director

Chang See Hiang
Independent Director

Wong Su Yen
Independent Director

Peter Ho Kok Wai
Independent Director

Tan Seow Kheng
Non-Executive Non-Independent Director

AUDIT COMMITTEE

Teng Cheong Kwee
(Chairman)
Ong Beng Kee
Chang See Hiang
Peter Ho Kok Wai
Tan Seow Kheng

REMUNERATION COMMITTEE

Wong Su Yen
(Chairman)
Lim Ming Seong
Teng Cheong Kwee

NOMINATING COMMITTEE

Lim Ming Seong
(Chairman)
Ciliandra Fangiono
Chang See Hiang

COMPANY SECRETARY

Chester Leong Chang Hong

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-In-Charge:
Philip Ling Soon Hwa
(Appointed since financial year ended 31 December 2017)

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01
Singapore Land Tower
Singapore 048623

Tel : +65 6536 5355
Fax : +65 6536 1360

COMPANY REGISTRATION NUMBER

200415931M

PLACE & DATE OF INCORPORATION

Singapore
9 December 2004

REGISTERED ADDRESS

8 Temasek Boulevard
#36-02
Suntec Tower Three
Singapore 038988

Tel : +65 6602 0200
Fax : +65 6333 6711

STOCK EXCHANGE LISTING

Singapore Exchange Securities Trading Limited

CORPORATE GOVERNANCE

First Resources Limited (the "Company") is committed to maintaining high standards of corporate governance through transparency and effective disclosures.

This report sets out the Company's corporate governance practices for the financial year ended 31 December 2020, with specific reference to the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (the "MAS") on 6 August 2018 (the "2018 CG Code"). The Board is pleased to inform that the Company is substantially in compliance with the principles and provisions of the 2018 CG Code and reasons for any deviation are explained below.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Board sets the strategic direction of the Company and its subsidiaries (the "Group") and is primarily responsible for the protection and enhancement of long-term shareholder value and returns. The Board also sets the tone for the Group in respect of ethics, values and organisational culture. The Board, supported by Management, establishes and maintains a sound risk management framework to effectively monitor and manage key risks and ensures necessary resources are in place to meet the Group's strategic objectives. It also oversees Management to ensure transparency and accountability to key stakeholder groups.

Board Approval

In addition to its statutory responsibilities, matters which specifically require the Board's approval are:

(a) appointments/re-appointments of the Board of Directors, taking into consideration succession planning;

(b) remuneration packages of the Executive Directors, Chief Executive Officer ("CEO") and Key Management Personnel ("KMP");

(c) corporate strategies and business plans;

(d) annual budgets, major funding proposals and investment or divestment plans;

(e) material acquisition and disposal of assets;

(f) the Group's financial results announcements;

(g) adequacy of internal controls, risk management, financial reporting and compliance;

(h) the assumption of corporate governance responsibilities;

(i) shares issuances, dividends and any other returns to shareholders; and

(j) matters involving a conflict of interest for the Directors and substantial shareholders.

The Board has delegated to Management the authority to approve transactions in the ordinary course of business within a set of approval matrix. Transactions falling outside this set of approval matrix would then be approved by the Board.

CORPORATE GOVERNANCE

Board and Board Committees

The Board discharges its responsibilities either directly or indirectly through various committees comprising members of the Board. The Board has established three committees: (i) Audit Committee ("AC"); (ii) Nominating Committee ("NC"); and (iii) Remuneration Committee ("RC"). The duties, authorities and accountabilities of each Board Committee are set out in their respective terms of reference. The various Board Committees report their activities regularly to the Board. The effectiveness of each Board Committee is also constantly monitored to ensure their continued relevance. Further information on the roles and responsibilities as well as a summary of the activities of each of the AC, NC and RC are set out in this Corporate Governance Report.

As at the date of this report, the Board and the various Board Committees comprise the following members:

Name	Board	Audit Committee	Nominating Committee	Remuneration Committee
Lim Ming Seong	Chairman and Independent Director	–	Chairman	Member
Ciliandra Fangiono	Executive Director	–	Member	–
Fang Zhixiang	Executive Director	–	–	–
Teng Cheong Kwee	Independent Director	Chairman	–	Member
Ong Beng Kee	Independent Director	Member	–	–
Chang See Hiang	Independent Director	Member	Member	–
Wong Su Yen	Independent Director	–	–	Chairman
Peter Ho Kok Wai	Independent Director	Member	–	–
Tan Seow Kheng	Non-Executive Non-Independent Director	Member	–	–

Board Meetings

Following the amendments to SGX-ST Listing Rule 705(2) which took effect from 7 February 2020, the Company is no longer required to release the Group's unaudited financial statements on a quarterly basis. Notwithstanding this, the Company has decided to provide key financial and operational updates for the first and third quarters to supplement the release of its half year and full year financial reports. Correspondingly, the Board continues to conduct regular scheduled meetings on a quarterly basis to review and approve the information to be released, as well as receive other updates on the business activities of the Group. In addition to the quarterly scheduled meetings, ad-hoc meetings may also be convened as and when warranted by matters requiring the Board's attention. If necessary, Board meetings may be conducted by way of telephone or video conferencing as permitted under the Company's Constitution. Time is set aside, after each scheduled Board meeting, for discussion amongst the Non-Executive Directors (including Independent Directors) without the presence of Management.

In addition to the formal Board meetings, the Board also organises Board strategy meetings periodically for in-depth discussions on strategic issues and direction of the Group, wherein due consideration is also given to key material environmental, social and governance factors identified for the Group. Such Board strategy meetings, which may be held off-site, include presentations by key executives on the Group's key business focus and growth plans going forward, as well as strategic issues relating to specific business areas. From time to time, the Company also organises site visits for the Directors to better apprise them of the Group's business. Such visits also provide the Non-Executive Directors with an opportunity to interact and engage with the key executives of the Group.

CORPORATE GOVERNANCE

In January 2020, the Board held an off-site strategy planning meeting to discuss, inter alia, the Group's strategy and growth plans. During this off-site meeting, the Board also took the opportunity to visit the Group's plantations located in East Kalimantan, Indonesia and interact with some of the key executives.

The Directors' attendance at Board, Board Committee and general meetings during the financial year ended 31 December 2020 is set out as follows:

Name	Board Meeting		Audit Committee Meeting		Nominating Committee Meeting		Remuneration Committee Meeting		General Meeting	
	Number of Meetings									
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Lim Ming Seong	6	6	–	–	1	1	1	1	1	1
Ciliandra Fangiono	6	6	–	–	1	1	–	–	1	1
Fang Zhixiang	6	5	–	–	–	–	–	–	1	1
Teng Cheong Kwee	6	6	4	4	–	–	1	1	1	1
Ong Beng Kee	6	5	4	4	–	–	–	–	1	1
Chang See Hiang	6	6	4	4	1	1	–	–	1	1
Wong Su Yen	6	6	–	–	–	–	1	1	1	1
Peter Ho Kok Wai	6	5	4	4	–	–	–	–	1	1
Tan Seow Kheng	6	6	4	4	–	–	–	–	1	1

Directors' Induction, Training and Development

A formal letter of appointment, which sets out the Director's duties and obligations, is provided to each Director upon appointment. Orientation programmes such as briefings by Management and site visits are also organised for newly appointed Directors. In January 2020, plantation visits were arranged to coincide with the off-site strategy meeting held in East Kalimantan so that the newly appointed Directors had the opportunity to apprise themselves of the Group's operations and engage with the local management team.

For newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore, they will also attend the mandatory training courses organised by the Singapore Institute of Directors ("SID"). Where appropriate, Directors may also attend training courses conducted by other training institutions in areas such as accounting, legal or industry-specific knowledge, in connection with their duties.

During the financial year:

(a) The external auditor, Ernst & Young LLP, regularly briefs the AC members on changes in accounting standards that affects the Group; and

(b) The CEO regularly updates the Board on the business activities and strategies of the Group during Board meetings. Such updates would also include any significant developments and matters relating to environmental, social or other sustainability issues and risks affecting the Group.

The Directors may also attend other appropriate courses and seminars at the Company's expense. These include programmes conducted by the SID, of which the Company is a corporate member.

CORPORATE GOVERNANCE

Access to Information

Management has an on-going obligation to supply the Board with complete, adequate information in a timely manner. The Board is informed of all material events and transactions as and when they occur. The information that is provided by Management to the Board includes background or explanatory information relating to matters to be brought before the Board, budgets, forecasts and financial statements. In respect of budgets, any material variances between the projections and actual results are also disclosed and explained. In addition, the Board has separate and independent access to the Company's Management at all times. Requests for information from the Board are dealt with promptly by Management.

As a general rule, Board papers are sent to Board members at least five working days before the Board meeting to afford the Directors sufficient time to review the Board papers prior to the meetings. For matters which require the Board's decision outside such meetings, Board papers will be circulated for the Board's consideration, with discussions and clarifications taking place between members of the Board and Management directly, before approval is granted.

Directors have separate and independent access to the Company Secretary. The Company Secretary (or his authorised nominee) attends all Board and Board Committee meetings and is responsible for ensuring that established procedures and all relevant statutes and regulations that are applicable to the Company are complied with. The Company Secretary assists the Chairman of the Board and the Chairman of each of the Board Committees and Management in the development of agendas for the various Board and Board Committee meetings. The appointment and removal of the Company Secretary are subject to the Board's approval.

Should Directors, whether as a group or individually, need independent professional advice to fulfil their duties, such advice may be obtained from external advisers and the cost of which will be borne by the Company.

Principle 2: Board Composition and Guidance

The Board comprises nine Directors of whom six are Independent Directors. Accordingly, majority of the Board is made up of Independent Directors. In relation to gender diversity, one out of the nine Directors is a female. There were no alternate Directors appointed during the year.

Board Independence

The NC has assessed the independence of the Board members and took into consideration the relevant provisions of the 2018 CG Code and SGX-ST Listing Rule 210(5)(d)(i) and (ii). For Independent Directors who had served for more than nine years from the date of their first appointment, namely Mr Lim Ming Seong, Mr Teng Cheong Kwee and Mr Ong Beng Kee, the NC has reviewed their independence rigorously. These three Independent Directors have continuously demonstrated independence in character and judgement in the discharge of their responsibilities as the Directors of the Company. The Board has also observed their participation and deliberations at Board meetings and other occasions and has no reason to doubt their ability to exercise independent judgement in the interest of the Company. Given their combined strength of objectivity, wealth of working experience and professionalism in carrying out their duties, the Board acknowledges and recognises the benefits of the experience and stability brought by these long-serving Independent Directors.

The Board, through the NC, has assessed the independence of each of the Directors for the financial year under review. Based on the declarations of independence provided by each of the Independent Directors and taking into account the guidance under Provision 2.1 of the 2018 CG Code, Mr Tan Seow Kheng was determined as non-independent. Mr Tan Seow Kheng is considered non-independent as he is a candidate recommended by

CORPORATE GOVERNANCE

Infinite Capital Fund Limited ("Infinite Capital"), a substantial shareholder of the Company. The Board also took into consideration (1) Mr Tan Seow Kheng's past and present employment with Infinite Capital's affiliates; and that (2) Infinite Capital's affiliates have palm oil business and operate in the same industry as the Group. As Chief Executive Officer and Deputy Chief Executive Officer of the Company, both Mr Ciliandra Fangiono and Mr Fang Zhixiang are also considered non-independent by virtue of their employment with the Company. Mr Lim Ming Seong, Mr Teng Cheong Kwee, Mr Ong Beng Kee, Mr Chang See Hiang, Ms Wong Su Yen and Mr Peter Ho Kok Wai are deemed independent. Each member of the NC and the Board has recused himself or herself from the NC's and the Board's deliberations respectively on his or her own independence.

The Independent Directors make up a majority of the Board even though the Chairman of the Board (i) is an Independent Director; (ii) is not the CEO of the Company (or equivalent); (iii) is not an immediate family member of the CEO; (iv) does not have close family ties with the CEO (i.e. a familial relationship between two parties which extends beyond immediate family members and could influence the impartiality of the Chairman) as determined by the NC; and (v) is not part of the Management team.

Non-Executive Directors make up a majority of the Board as the Company has a total of nine Board members, of whom six are Independent Directors, one is a Non-Executive Non-Independent Director and two are Executive Directors.

Board Diversity

The Board has put in place a Board Diversity Policy which sets out the approach in determining the optimal composition of the Board to avoid groupthink and foster constructive debate. All Board appointments are made based on merit, in the context of the skills, experience, gender, independence and knowledge which the Board as a whole requires to be effective.

In order to maintain or enhance its balance and diversity, the Board would continue to take the following steps:

- annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and will enhance the efficacy of the Board; and

- annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise which may be lacking by the Board.

The NC would consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

The current Board comprises of members with the following core competencies:

- accounting and finance;
- business and management;
- industry-specific knowledge;
- strategic planning;
- customer-based and marketing;
- human resource management; and
- legal and regulatory.

In terms of gender diversity, the Board has one female director.

CORPORATE GOVERNANCE

A review of the size and composition of the Board (and Board Committees) was also undertaken by the Company at year-end to ensure alignment with the needs of the Group and the objectives set out in the Board Diversity Policy. The Board, taking into consideration the views of the NC, is satisfied that the current size and composition of the Board (and Board Committees) meets the criteria in the Board Diversity Policy and possesses the necessary competencies, expertise and knowledge to lead the Group effectively.

Board Guidance

The Non-Executive and Independent Directors contribute to the board process by monitoring and reviewing Management's performance. For the financial year under review, the Non-Executive and Independent Directors have constructively challenged Management's proposals and decisions and reviewed Management's performance. They have unrestricted access to Management for any information that they may require to discharge their oversight function effectively. As Non-Executive and Independent Directors constitute a majority of the Board, objectivity on such deliberations is assured.

Meeting of Directors without Management

The Non-Executive Directors (including Independent Directors) would meet without the presence of Management or Executive Directors at each Board meeting. The Chairman of the Board, who is also a Non-Executive Director, would provide feedback to the CEO on any concerns or feedback raised by the Non-Executive Directors during such meetings.

Principle 3: Chairman and Chief Executive Officer

The Company has a separate Chairman and CEO to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of roles and responsibilities between the Chairman and CEO has been set out in writing by the Board.

The Chairman of the Company is Mr Lim Ming Seong. Mr Lim, who is a Non-Executive Director, is not related to the CEO. As the Chairman, he bears primary responsibility for leading the Board to ensure its effectiveness on all aspects of its role including setting the agenda for Board meetings with input from Management. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board and Management to encourage constructive relations within the Board and between the Board and Management. To promote a culture of openness and debate at the Board, he ensures that adequate time is available for discussion of all agenda items, in particular, strategic issues, and also facilitates the effective contribution of the Non-Executive Directors. At the Annual General Meeting ("AGM") and other shareholder meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management. The Chairman also promotes high standards of corporate governance for the Company, with the support of the Board, Company Secretary and Management.

The CEO, Mr Ciliandra Fangiono, drives the business strategies of the Company as set by the Board and manages the day-to-day business operations together with the other executive officers of the Company.

Given that the roles of the Chairman and CEO are separate and the Chairman is independent, no lead independent director is required to be appointed.

CORPORATE GOVERNANCE

Principle 4: Board Membership

As at the date of this report, the NC comprises Mr Lim Ming Seong as Chairman, Mr Ciliandra Fangiono and Mr Chang See Hiang as members. The majority of the NC, including the Chairman, is independent. The NC met once during the financial year under review.

The NC is guided by its terms of reference which sets out its responsibilities and is in line with the 2018 CG Code. These include:

(a) reviewing the structure, size and composition of the Board and Board Committees;

(b) identifying candidates and reviewing all nominations for the appointment or re-appointment of the Directors and CEO, and determining the selection criteria;

(c) reviewing succession plans for the Chairman, Directors, CEO and KMP;

(d) evaluating the performance of the Board, its Board Committees and each individual Director and proposing objective performance criteria for Board's approval;

(e) reviewing annually if a Director is independent pursuant to the guidelines set forth in the 2018 CG Code and SGX-ST Listing Rules;

(f) evaluating if a Director is able to and has been adequately carrying out his or her duties as a Director when the Director concerned holds multiple board representations; and

(g) reviewing training and professional development programmes for the Board.

Continuous Board Renewal and Succession Planning

The Company has started the progressive renewal of the Board since 2018 to replace some of the Directors who had served on the Board for more than nine years, taking into consideration board diversity in these appointments.

When considering new appointments, the Board, through the NC, considers core competencies such as legal, accounting, business acumen, executive remuneration expertise, familiarity with regulatory requirements and knowledge of risk management, audit and internal controls. Gender diversity is also taken into account when reviewing the composition of the Board.

All Directors, including the CEO, are required to submit themselves for re-election at regular intervals and at least once every three years. In recommending a Director for re-election to the Board, the NC will consider, amongst other things, the individual's competencies, commitment and contribution to the Board.

CORPORATE GOVERNANCE

On 6 August 2018, the SGX-ST amended the SGX-ST Listing Rules following the publication of the 2018 CG Code by the Monetary Authority of Singapore. As part of the amendments, certain guidelines from the Code of Corporate Governance 2012 were shifted into the SGX-ST Listing Rules for mandatory compliance. On 28 November 2018, the SGX-ST issued the Transitional Practice Note 3 to establish transitional arrangements for certain guidelines shifted into the SGX-ST Listing Rules. Pursuant thereto and in respect of Rule 210(5)(d)(iii) of the SGX-ST Listing Rules (which comes into effect on 1 January 2022), to ensure that the independence designation of a director who has served for more than nine years as at and from 1 January 2022 is not affected, his or her continued appointment as an Independent Director will have to be subject to the two-tier voting. In this regard, the NC has recommended the nomination of Mr Ong Beng Kee, who is due to retire pursuant to Regulation 103 of the Company's Constitution, to be re-elected as Independent Director at this forthcoming AGM and such approval to be sought by way of separate resolutions by (i) all shareholders; and (ii) shareholders, excluding the Directors and the CEO, and associates of such Directors and the CEO, such resolutions to remain in force until the earlier of (a) the retirement or resignation of the Director; or (b) the conclusion of the third annual general meeting of the Company following the passing of the resolution.

The NC has also recommended the nomination of Mr Ciliandra Fangiono who is retiring pursuant to SGX-ST Listing Rule 720(5) to be re-elected as Director at the forthcoming AGM.

As part of the board renewal process, Mr Teng Cheong Kwee, who has served as an Independent Director for more than nine years and who is due to retire pursuant to Regulation 103 of the Company's Constitution, will not be offering himself for re-election at the forthcoming AGM. Consequent to Mr Teng Cheong Kwee's retirement at the forthcoming AGM, he will also cease to be the Chairman of the Audit Committee and a member of the Remuneration Committee.

The Board has accepted the NC's recommendations.

The NC will seek to refresh the Board membership progressively and in an orderly manner, for long-term continuity and stability.

Nomination and Selection of Directors

The NC is responsible for identifying candidates and reviewing all nominations for the appointment and re-appointment of Directors and Board committee members. When the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC will source for new candidates with the desired competencies. External help may be engaged to source for potential candidates if considered necessary. Where required, the NC may also tap on its networking contacts to assist with identifying and shortlisting of candidates. Directors and Management may also make recommendations. The NC will meet shortlisted candidates for an interview before making its recommendation to the Board for consideration and approval.

When reviewing a nomination for a proposed Board appointment, the NC will consider the following criteria:

(a) a determination of the candidate's independence;

(b) the qualifications and expertise required or expected of a new Board member taking into account the current size, structure, composition and diversity of gender, skills and competencies of the Board;

(c) whether the candidate would have adequate time to discharge his or her duties having regard to his or her other board appointments and principal commitments; and

(d) prescribed factors under the Board Diversity Policy.

CORPORATE GOVERNANCE

Review of Directors' Independence

The NC conducts an annual review of each Director's independence and takes into consideration the relevant provisions in the 2018 CG Code and SGX-ST Listing Rules. The NC has ascertained that, save for Mr Ciliandra Fangiono, Mr Fang Zhixiang and Mr Tan Seow Kheng, all Directors are considered independent according to these criteria. Directors must also immediately report any changes in their external appointments which may affect their independence.

Directors' Time Commitment

The NC believes that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors should be best assessed through qualitative factors such as their attendance and time commitment to the affairs of the Company. The NC would continue to review from time to time the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

In respect of the financial year under review, the NC was of the view that each Director has given sufficient time and attention to the affairs of the Company and has been able to discharge his or her duties as Director effectively. The NC noted that based on the attendance of Board and Board committee meetings during the financial year under review, all the Directors were able to participate in such meetings to carry out their duties. The NC is satisfied that all the Directors have been able to and had adequately carried out their duties notwithstanding their other principal commitments and multiple directorships, where applicable.

Key Information on Directors

Profiles and key information of individual Directors, including their directorships in other listed companies and principal commitments, both present and those held over the preceding five years, are disclosed under the "Board of Directors" section of this Annual Report. In addition, additional information on Directors seeking re-election is also included within the Notice of AGM.

Principle 5: Board Performance

Board Evaluation

The NC undertakes a process to assess the effectiveness of the Board and its Board Committees. Directors are requested to complete Board and Board Committee Evaluation Questionnaires to assess the overall effectiveness of the Board and Board Committees. To ensure confidentiality, the Company Secretary compiles the Directors' responses to the Board Evaluation Questionnaires on a collective basis and presents the results to the NC. The results of the evaluation exercise are considered by the NC which then makes recommendations to the Board aimed at helping the Board and Board Committees to discharge their duties more effectively. The Board Chairman, who is also the Chairman of the NC, will act on the results of the performance evaluation and in consultation with the NC propose, where appropriate, new members to be appointed to the Board or seek the resignation of existing members.

The NC, having reviewed the performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board and the Board committees have operated efficiently, the Board has met its performance objectives and each Director has contributed to the overall effectiveness of the Board in the financial year under review.

CORPORATE GOVERNANCE

Board Performance Criteria

The NC had extracted salient recommendations from the 2018 CG Code and incorporated these recommendations into the Board and Board Committee Evaluation Questionnaires. The performance of the Board was reviewed as a whole, focusing on factors such as board composition, board conduct of affairs, internal controls and risk management, board accountability, communication with top management and standards of conduct. The NC also considered whether the Directors have reasonable understanding of the Group's business and the industry as well as the Directors' working relationship with the other members of the Board. These performance criteria shall not change from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the NC and the Board shall justify its decision for the change.

Individual Director Evaluation

Individual Director self-assessment is also conducted to provide performance feedback which can help individuals to evaluate their own skills and performance as Directors. The Board is cognizant that individual Director evaluations are an important complement to the evaluation of the Board's overall performance. The results of the individual Director self-assessment are compiled by the Company Secretary and discussed by the NC.

The assessment of the CEO's performance is undertaken by the Board and the results are reviewed by the NC and Board. Feedback is provided to the CEO by the NC Chairman who will also report the same to the Board.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

As at the date of this report, the RC comprises Ms Wong Su Yen as Chairman, Mr Teng Cheong Kwee and Mr Lim Ming Seong as members. All three members are Independent Directors. The Board considers that Ms Wong Su Yen, who has many years of experience in senior management positions and on various boards dealing with remuneration issues, is well qualified to chair the RC.

With Mr Teng Cheong Kwee retiring as an Independent Director at the forthcoming AGM, Mr Ong Beng Kee will be appointed as a member of the RC following his re-election at the forthcoming AGM.

The RC is guided by its terms of reference which sets out its responsibilities and is in line with the 2018 CG Code. These include:

(a) recommending to the Board the fee framework for Non-Executive Directors;

(b) recommending to the Board the framework of remuneration for Executive Directors and KMP (who are not Directors);

(c) determining and setting specific remuneration packages (such as salaries, bonuses, long-term incentive awards and other incentive awards or benefits-in-kind) for each of the Executive Directors and KMP in accordance with the approved remuneration framework and ensuring that an appropriate proportion of their remuneration is structured so as to link rewards to corporate and individual performance;

(d) approving the total bonus pool for distribution to employees for each year;

CORPORATE GOVERNANCE

(e) administering share plans that may be established from time to time for the Directors and KMP;

(f) reviewing the remuneration packages of employees who are related to any Executive Directors, the CEO and substantial or controlling shareholders; and

(g) reviewing the Company's obligations to ensure that contracts of service of the Executive Directors and KMP contain fair and reasonable termination clauses which are not overly generous.

The RC, when required, has access to expert advice both within and outside the Company, on remuneration of directors.

Principle 7: Level and Mix of Remuneration

Principle 8: Disclosure on Remuneration

Non-Executive Directors' Remuneration

The framework for determining Non-Executive Directors' fees for the financial year ended 31 December 2020 was the same as that for the previous financial year and is set out as follows:

(a) A single base fee of S$60,000 for serving as Non-Executive Director;
(b) Additional fee of S$20,000 for serving as Chairman of the Board of Directors; and
(c) Additional fee for serving as Chairman/Member on the following Board Committees:

Type of Committee	Chairman's Fee	Member's Fee
Audit Committee	S$15,000	S$10,000
Nominating Committee	S$10,000	S$5,000
Remuneration Committee	S$10,000	S$5,000

The Directors' fees are paid wholly in cash. In determining the quantum of Directors' fees, factors such as frequency of meetings, effort and time spent, responsibilities of Directors and the need to pay competitive fees to retain, attract and motivate the Directors, are taken into account. The Non-Executive Directors are not overcompensated to the extent that their independence is compromised. No Director is involved in deciding his or her own remuneration.

The following table shows the Directors' fees recommended by the Board for the financial year ended 31 December 2020, which will be tabled for shareholders' approval at the forthcoming AGM:

Name	Directors' Fee Proposed
Lim Ming Seong	S$95,000
Teng Cheong Kwee	S$80,000
Ong Beng Kee	S$70,000
Tan Seow Kheng	S$70,000
Chang See Hiang	S$75,000
Wong Su Yen	S$70,000
Peter Ho Kok Wai	S$70,000
Total	**S$530,000**

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The following table shows the Directors' fees for the financial year ended 31 December 2019, which was paid in the year ended 31 December 2020:

Name	Directors' Fee Paid
Lim Ming Seong	S$95,000
Teng Cheong Kwee	S$80,000
Ong Beng Kee	S$70,000
Tan Seow Kheng	S$70,000
Chang See Hiang[(1)]	S$62,500
Wong Su Yen[(2)]	S$43,750
Peter Ho Kok Wai[(3)]	S$11,667
Ng Shin Ein[(4)]	S$25,000
Total	**S$457,917**

Notes:

(1) The Director's fees paid to Mr Chang See Hiang in the year ended 31 December 2020 was for his service from 1 March to 31 December 2019. He was appointed as an Independent Director on 1 March 2019.

(2) The Director's fees paid to Ms Wong Su Yen in the year ended 31 December 2020 was for her service from 15 May to 31 December 2019. She was appointed as an Independent Director on 15 May 2019.

(3) The Director's fees paid to Mr Peter Ho Kok Wai in the year ended 31 December 2020 was for his service from 1 November to 31 December 2019. He was appointed as an Independent Director on 1 November 2019.

(4) The Director's fees paid to Ms Ng Shin Ein in the year ended 31 December 2020 was for her service from 1 January to 28 April 2019. She resigned as an Independent Director with effect from 29 April 2019.

Executive Directors' and KMP's Remuneration

The CEO and Deputy CEO, both being Executive Directors, do not receive Directors' fees and are on service contracts which are subject to review by the RC and endorsed by the Board. Their contracts do not contain any onerous removal clauses.

The following table shows the remuneration of the Executive Directors (who are also the CEO and Deputy CEO) paid in the year ended 31 December 2020:

Name	Fixed Salary	Variable Bonus	Total Remuneration
Ciliandra Fangiono (CEO)	81%	19%	S$1,057,000
Fang Zhixiang (Deputy CEO)	75%	25%	S$897,000

In setting remuneration packages, the RC takes into consideration the prevailing market conditions as well as the relevant comparative remuneration and employment conditions within the industry. The remuneration package for the CEO, Deputy CEO and KMP consists of both fixed and variable components. The variable component in the form of bonus is determined based on the performance of the individual employee and the Group's performance in the relevant financial year. This is to align their interests with those of the shareholders and link rewards to corporate and individual performance. For the purpose of assessing the performance of the Executive Directors and KMP, key performance indicators comprising both quantitative and qualitative factors are set out at the beginning of each year and reviewed at the end of the financial year. The Company does not have any contractual provisions which allow it to reclaim incentive components of remuneration from Executive Directors and KMP as such provisions may have a negative impact on attracting and retaining talent in the Company. The remuneration of the CEO, Deputy CEO and KMP for the financial year ended 31 December 2020 was paid wholly in cash.

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The following table shows the remuneration of the top five KMP (who are not Directors or the CEO of the Company) paid in the year ended 31 December 2020:

Name	Fixed Salary	Variable Bonus	Remuneration Band
Executive A	78%	22%	S$500,000 – S$750,000
Executive B	71%	29%	S$250,000 – S$500,000
Executive C	77%	23%	S$250,000 – S$500,000
Executive D	70%	30%	S$250,000 – S$500,000
Executive E	86%	14%	S$250,000 – S$500,000

The total remuneration of the top five KMP (who are not Directors or the CEO of the Company) paid in the year ended 31 December 2020 amounted to S$1,784,000.

The Company believes that it may not be in the best interest of the Company to disclose the remuneration of KMP on an individually named basis as recommended by the 2018 CG Code, as such disclosure may affect its ability to motivate, retain and nurture employees. The Company would like to elaborate on the reasons for not disclosing the names of the individual KMP as follows:

(a) Given the competitive business environment which the Group operates in, the Company faces significant competition for talent in the plantation sector and it had not disclosed the names of the KMP in order to minimise potential staff movement and undue disruptions to its senior management team and business operations, which would not be in the best interests of shareholders.

(b) In view of the long-term nature of the plantation business, it is imperative for the Company to ensure the stability and continuity of its business led by a competent and experienced senior management team and disclosure of the remuneration of KMP on an individually named basis would make it difficult to retain and attract talented management staff on a long term basis.

Other than this, the Company has complied with the rest of the disclosure requirements under Provision 8.1 of the 2018 CG Code.

There were no termination, retirement and post-employment benefits paid to Directors and the top five KMP in the year ended 31 December 2020.

The Company has in place a share option scheme and a share award scheme known as First Resources Employee Share Option Scheme 2020 and First Resources Employee Share Award Scheme 2020 respectively (collectively known as the "Schemes"), details of which are disclosed in the Directors' Statement. The two Schemes are administered by the Remuneration Committee. During the financial year under review, no share options or share awards were granted to Directors and employees of the Group.

Remuneration of Employees who are Immediate Family Members of a Director or the CEO

The 2018 CG Code stipulates disclosure of the remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$100,000 during the year. Mr Ciliandra Fangiono and Mr Fang Zhixiang are brothers and their remuneration is set out in the Executive Directors' remuneration table above.

CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

Risk Management

The Board is responsible for governing risks and ensuring that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets. This includes determining the nature and extent of the significant risks which the Company is willing to undertake in achieving its strategic objectives. Assisted by the AC, the Board reviews the adequacy of the Group's risk management process to ensure that robust risk management and internal control systems are in place to manage risks in a way that is aligned with the Group's risk tolerance. The Company has put in place a Group Risk Management Framework to enhance its risk management process. The Framework lays out the processes for the identification of key risks within the business and assessment of the operating effectiveness of the Company's internal controls and also outlines the Group's risk tolerance levels. As part of the Framework, the Company maintains a risk register which identifies the key risks of the Group as well as the corresponding internal controls and action plans in place to manage or mitigate those risks. These include financial, operational, compliance and information technology risks, as well as sustainability risks relating to material environmental and social issues identified for the Group. The risk register is maintained and reviewed by Management on a regular basis taking into account changes in market conditions and the Group's activities. The overall findings and recommendations from the risk assessment exercise are reported to the AC annually.

The Company has identified and reviewed its key risks to assess the adequacy and effectiveness of the Company's risk management and internal control systems, specifically on financial, operational, compliance and information technology risks. As part of the risk management process, material sustainability issues and concerns relating to environmental and social factors are also taken into consideration in the identification of key operational risks for the Group. Apart from the Group's risk management process, key business risks are thoroughly assessed by Management and each significant transaction is comprehensively analysed so that Management understands the risks involved before the transaction is embarked on. The Board, through the AC, will continuously identify, review and monitor the key risks, control measures and management actions as part of the risk management process, which also incorporates sustainability risk management.

Some of these risks are discussed in Note 43 "Financial Risk Management Objectives and Policies" in the Financial Statements of this Annual Report.

Internal Controls

The Company's internal auditors conduct independent reviews of the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls addressing the key risks identified in the overall risk management framework of the Group. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal auditors in this respect.

In the course of the statutory audit, the Company's external auditors will highlight any material internal control weaknesses which have come to their attention in the course of carrying out their audit procedures, which are designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the AC.

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The Board has received assurance from the CEO and Vice President of Finance that the financial records have been properly maintained and the financial statements for the year ended 31 December 2020 give a true and fair view of the Company's operations and finances. The Vice President of Finance undertakes the functional duties and responsibilities equivalent to the role of a Chief Financial Officer.

The Board has also received assurance from the CEO and other KMP that the risk management system and internal controls (including financial, operational, compliance and information technology controls) of the Company were adequate and effective as at 31 December 2020.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors and reviews performed by Management, as well as the assurances set out above, the Board, with the concurrence of the AC, is of the view that the Company's system of risk management and internal controls (including financial, operational, compliance and information technology controls) were adequate and effective as at 31 December 2020 to address risks which the Company considers relevant and material to its operations.

The system of risk management and internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of risk management and internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

Principle 10: Audit Committee

As at the date of this report, the AC comprises Mr Teng Cheong Kwee as Chairman, Mr Ong Beng Kee, Mr Tan Seow Kheng, Mr Chang See Hiang and Mr Peter Ho Kok Wai as members, the majority of whom, including the Chairman, are independent. The Audit Committee met four times during the financial year under review.

With Mr Teng Cheong Kwee retiring as an Independent Director, Mr Peter Ho Kok Wai will be appointed as Chairman of the AC at the conclusion of the forthcoming AGM.

The majority of the AC, including the Chairman, has accounting or related financial management expertise or experience. The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities. None of the AC members were previous partners or directors of the Company's external auditor, Ernst & Young LLP, within the last two years or hold any financial interest in the external auditor.

The AC is guided by its terms of reference which sets out its responsibilities and is in line with the 2018 CG Code. These include:

- assisting the Board of Directors in the discharge of its responsibilities on financial and accounting matters;
- reviewing the audit plans, scope of work, results and quality of audits carried out by the external and internal auditors;
- reviewing the co-operation given by Management to the external and internal auditors;
- reviewing significant financial reporting issues and judgements relating to financial statements for each financial year and the auditor's report before submission to the Board of Directors for approval;
- reviewing the integrity of any financial information presented to shareholders;

CORPORATE GOVERNANCE

- reviewing the risk management framework and providing oversight of the risk management processes and activities to mitigate and manage risks at acceptable levels determined by the Board of Directors;
- reviewing the assurances provided by Management on the financial records and financial statements and regarding the adequacy and effectiveness of the Company's risk management system and internal controls;
- reviewing the adequacy and effectiveness of the Company's system of risk management and internal controls (including financial, operational, compliance and information technology controls) via reviews carried out by the internal auditors, and taking into consideration the external auditors' findings arising from their annual audit;
- reviewing the nature and extent of non-audit services provided by the external auditors yearly to determine their independence;
- recommending to the Board of Directors the appointment and re-appointment of the external auditors and approving their compensation and terms of engagement;
- meeting with the external and internal auditors without the presence of the Company's Management annually;
- reviewing the adequacy, effectiveness and independence of the internal audit function, including ensuring that it is adequately resourced and has the appropriate standing within the Company;
- reviewing the appointment, remuneration and resignation of the Head of Internal Audit;
- reviewing interested person transactions;
- reviewing potential conflicts of interest, if any; and
- investigating any matter within its terms of reference.

During the financial year, the AC has carried out the above duties as provided in their terms of reference.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's results of operations and/or financial position. Each member of the AC shall abstain from voting on any resolution in respect of matters in which he is interested.

The AC keeps abreast of the changes to accounting standards and issues that may have a direct impact on the financial statements by referring to the best practices and guidance in the Guidebook for Audit Committee in Singapore and the reports issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority. During the year under review, the AC was also briefed on the changes in accounting standards that would impact the Group's consolidated financial statements by the external auditors at the Audit Committee meetings.

CORPORATE GOVERNANCE

In the review of the financial statements, the AC has considered and reviewed the significant financial reporting issues and judgements relating to financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditors and were reviewed by the AC:

Significant matters	How the AC reviewed these matters and what decisions were made
Goodwill Impairment	The AC considered the approach and methodology applied in performing the annual goodwill impairment assessment. The AC also reviewed the key assumptions used in the discounted cash flow model such as pre-tax discount rate, projected crude palm oil price and terminal growth rate. Goodwill impairment was also an area of focus for the external auditor, who has included this item as a key audit matter in its audit report for the financial year ended 31 December 2020.
Recoverability of Deferred Tax Assets	The AC considered the appropriateness of the accounting treatment in relation to the recognition of deferred tax assets, which took into consideration the forecast of future profitability in determining recoverability of the deferred tax assets through taxable income in future years. Deferred tax assets was also an area of focus for the external auditor, who has included this item as a key audit matter in its audit report for the financial year ended 31 December 2020.

Following the review, the AC recommended to the Board to approve the financial statements for the financial year ended 31 December 2020.

The AC has full access to and co-operation of Management. The AC also has full discretion to invite any Director or executive officer to attend its meetings and has been given adequate resources to discharge its functions. During the year, the AC met with the external and internal auditors without the presence of Management.

In line with the SGX-ST Listing Rule 1207(6), the AC has undertaken a review of the nature and extent of all non-audit services provided by the external auditors during the financial year and is satisfied that such services have not, in the AC's opinion, compromised the independence of the external auditors. The aggregate amount and breakdown of the audit and non-audit fees paid/payable to the external auditors is found in Note 7 "General and Administrative Expenses" in the Financial Statements of this Annual Report. The external auditors have also affirmed their independence in their report to the AC. Accordingly, the AC has recommended the re-appointment of the external auditors at the AGM of the Company.

The Company is in compliance with the requirements under SGX-ST Listing Manual Rules 712 and 715(1) on the appointment of the same auditing firm in Singapore to audit its accounts and the accounts of its Singapore incorporated subsidiaries and Rule 715(2) of the SGX-ST Listing Manual on the appointment of a suitable auditing firm for its significant foreign incorporated subsidiaries. The Company does not have any significant associated companies.

CORPORATE GOVERNANCE

The Company has put in place a whistle-blowing policy, endorsed by the AC, which provides for a mechanism by which employees and any other persons may, in confidence, raise concerns about possible unethical conduct and improprieties in financial reporting or other matters. The objective of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal. All information received is treated with confidentiality and anonymous reporting is accepted for protecting the identity and interest of all whistle-blowers.

The Company does not tolerate nor condone any actions taken against any employee in retaliation for raising a compliance or integrity issue, and may institute disciplinary action against any party found to have taken such retaliatory action against whistle-blowers.

All whistle-blowing reports are received by the Internal Audit function on behalf of the AC. The Internal Audit function will conduct an initial review of the reports received and recommend for remedial, disciplinary or other corrective actions to be taken by the Company. A summary of the investigations conducted is reported to the AC for its attention on a quarterly basis. Whistle-blowing matters, where substantiated and material, are reported to the AC immediately.

The AC ensures that independent investigations and appropriate follow-up actions are carried out, where applicable. Details of the Group's whistle-blowing policy, including the different modes of reporting via an internal compliance hotline and email address, have been disseminated and made available to all employees. On an ongoing basis, the Group's whistle-blowing policy is covered during staff training as part of the Group's efforts to promote awareness of fraud control.

Internal Audit

The Company has established an in-house Internal Audit ("IA") function that is independent of the activities that it audits. The Head of IA reports directly to the Audit Committee and administratively to the CEO. The Head of IA is a Certified Internal Auditor under the Institute of Internal Auditors ("IIA") and has more than 20 years of working experience in internal audit and accounting.

The IA function adopts the International Standards for the Professional Practice of Internal Auditing (the IIA Standards) issued by the Institute of Internal Auditors.

To ensure that audits are performed effectively, the Company employs suitably qualified professional staff with the relevant experience. The AC is satisfied that the in-house IA function is adequately resourced and has the appropriate standing within the Company. On an annual basis, the AC has also reviewed and is satisfied with the adequacy and effectiveness of the IA function and that the IA function has maintained its independence from the activities that they audit.

The IA function adopts a risk-based approach in formulating the annual audit plan which aligns its activities to the key risks across the Group's business. The reviews performed by the internal auditors are aimed at assisting the Board in evaluating the adequacy and effectiveness of risk management, internal controls and governance processes.

During the year, the IA function conducted its audit reviews based on the annual audit plan which was approved by the AC. The annual audit plan also incorporates the audit of key risk areas identified under the Group Risk Management Framework. Each quarter, the IA function would submit a report to the AC on the key audit findings and actions to be taken by Management on such findings. Key findings are also highlighted at AC meetings for discussion and follow-up actions. The AC monitors the timely and proper implementation of the required corrective, preventive or improvement measures to be undertaken by Management.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

Principle 12: Engagement with Shareholders

Principle 13: Engagement with Stakeholders

Disclosure of Information on a Timely Basis

The Company is committed to treat all shareholders fairly and equitably, through open and non-discriminatory communication. The Company keeps its shareholders adequately informed of the changes in its business performance and prospects which may materially affect the price or value of the Company's shares.

The Company ensures that all material and price sensitive information which may affect the price or value of the Company's shares is disseminated to the public on a comprehensive, accurate and timely basis via SGXNet and not selectively disclosed.

Following the amendments to SGX-ST Listing Rule 705(2), which took effect from 7 February 2020, the Company is no longer required to release the Group's unaudited financial statements on a quarterly basis. The Board has, after due deliberation, decided not to continue with quarterly reporting of the Group's financial results and instead, release financial reports on a half-yearly basis with effect from the financial year ending 31 December 2020.

To supplement the half year and full year financial reports which will continue in the existing format prescribed by the SGX-ST Listing Manual, the Company has been providing key financial and operational updates for the Group's first and third quarter performance.

The Board provides shareholders with a comprehensive and balanced assessment of the Group's performance, position and prospects on a half year and full year basis when it releases its results through the SGXNet and the Company's website.

Financial results for the first half of the year are released no later than 45 days from the end of the period. Annual financial results for the full year are released within 60 days from the financial year-end.

Other price-sensitive information is disseminated to shareholders through announcements via SGXNet, press releases and the Company's website.

The Company also observes obligations of continuing disclosure under the SGX-ST Listing Manual. The Company has received signed undertakings from all its Directors and executive officers pursuant to Rule 720(1) of the SGX-ST Listing Manual.

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Conduct of General Meetings

In view of the current COVID-19 situation, the AGM will be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Order"). Alternative arrangements have been put in place to allow shareholders to participate at the AGM by (a) watching the AGM proceedings via "live" audio-visual webcast or listening to the AGM via "live" audio-only feed, (b) submitting questions in advance of the AGM, and/or (c) voting by appointing the Chairman of the Meeting as proxy at the AGM.

Shareholders are informed of general meetings through notices that have been made available via SGXNet, the Company's website and local newspapers. In line with the provisions under the Order, no printed copies of the notices of the AGM, proxy forms and related documents will be despatched to shareholders. As part of the Company's sustainability efforts, we have also ceased the practice of circulating printed copies of the Company's annual reports and related documents (where applicable). Together with the sustainability report, the annual report and/or related documents are made available to shareholders via SGXNet and on the Company's website. Physical copies of the annual report will continue to be made available upon request by shareholders.

At each AGM, the CEO delivers a presentation to update shareholders on the Group's performance over the past year. Shareholders are given the opportunity to submit questions and concerns to the Directors, Management and external auditors in advance of the AGM. The Company endeavours to address all substantial and relevant questions received from shareholders prior to the AGM via SGXNet and on our corporate website or during the AGM through the "live" audio-visual webcast and "live" audio-only feed. At each general meeting, each distinct issue is proposed as a separate resolution.

The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each general meeting of shareholders. Voting in absentia by mail, facsimile or email is currently not permitted to ensure proper authentication of the identity of shareholders and their voting intent.

All votes on the resolutions tabled at the AGM would be voted by proxy on a one share, one vote basis. In accordance with SGX-ST's guidance, the Chairman of the Meeting must be appointed by shareholders as proxy and would be voting in accordance with their instructions. All resolutions tabled at the AGM would be voted by poll and counted based on the proxy forms that were submitted to the Company at least 72 hours before the Meeting, either by post or via email. An independent scrutineer firm is also appointed to validate the votes for each general meeting. The results of all votes for and against each resolution are tallied and instantaneously displayed at the meeting. The voting results are announced via SGXNet and on the Company's website following each general meeting.

The Company Secretary prepares minutes of general meetings which include the Company's responses to the questions received from shareholders prior to the AGM. These minutes are made available to shareholders via SGXNet and on the Company's website.

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Stakeholders Engagement

The Company has a dedicated Investor Relations ("IR") team which focuses on maintaining frequent interactions with the investment community in the form of meetings, investor roadshows, conference calls and results briefings. During the financial year under review, the IR team engaged with over 100 Singapore and foreign investors via video or audio conference calls.

In addition, our IR team attends to queries or concerns from the investment community in a timely manner. Feedback and views received from them are also conveyed to Management by the IR team. The IR team is contactable at investor@first-resources.com.

The Company conducts quarterly briefings with analysts by making reference to the half-yearly financial reports and/or operational and financial updates which are released via the SGXNet and posted on our corporate website. At such briefings, Management, together with the IR team, openly communicates the Group's financial and operational performances, business growth strategies as well as developments and initiatives on the sustainability front. The IR team also provides regular updates to the Board and Management on analysts' consensus estimates.

Apart from the SGXNet, the investment community can also access announcements, half-yearly financial reports, annual reports, investor presentations, operational and financial updates and other corporate information on the dedicated Investor Relations section of our corporate website at www.first-resources.com. Our announcements are also disseminated by electronic mail to our subscribers in the form of news alerts, allowing investors to keep abreast of our latest performance and developments.

In recent years, sustainability-related topics have generated much interest from the investment community. The IR team works closely with the Group's Sustainability team to communicate the implementation progress of our Policy on Sustainable Palm Oil, as well as related developments and new initiatives, to our stakeholders. In keeping with our commitment to keep our shareholders and the market abreast of the Group's progress on the sustainability front, we have concurrently published on our corporate website our sustainability report for the financial year ended 31 December 2020, which is to be read in conjunction with this Annual Report.

Dividend Policy

The Company strives to provide sustainable dividend payments to our shareholders, while remaining committed to an optimal capital structure and maintaining flexibility to pursue growth. In considering the level of dividend payments, the Board takes into consideration the Company's cash flow, capital expenditure plan, working capital requirements, general financial condition and other factors deemed relevant by the Board. Whilst interim dividends are declared and approved by the Board at each half year, final dividends are recommended by the Board at each year-end for shareholders' approval at the AGM. For the financial year ended 31 December 2020, the Board has proposed a final dividend of 2.0 Singapore cents per share, which brings the full year ordinary dividend to 3.0 Singapore cents per share, translating to an annual dividend payout ratio of 37% of the Group's underlying net profit.

First Resources' dividend policy will also be revised going forward to distribute up to 50% of the Group's underlying net profit annually, an increase from the 30% previously.

CORPORATE GOVERNANCE

ADDITIONAL INFORMATION

Code of Conduct

The Company has a Code of Conduct which serves as a general guideline for Management and employees in conducting their duties and responsibilities ethically. It outlines corporate values and ethical standards which are in line with the Group's vision and mission. Areas covered under the Code of Conduct include professionalism and work ethics, conflict of interest, political impartiality, anti-corruption and zero tolerance on fraud. All our employees will also have to comply with applicable country laws, regulations and legal requirements. Any breach of the Code of Conduct can result in disciplinary action in accordance with the prevailing laws and regulations as well as termination of employment. The Code of Conduct is disseminated to our employees, suppliers and other business partners.

Dealing in Securities

The Company has adopted and issued an internal compliance code on securities transactions, which provides guidance and internal regulations pertaining to dealings in the Company's securities by the Company, its Directors and officers of the Group. During the financial year, the Company's internal code has been revised following the amendments to SGX-ST Listing Rule 705(2) on quarterly reporting.

According to the Company's internal code, the Company, its Directors and officers of the Group are prohibited from dealing in the Company's securities during the "closed period", which is defined as follows:

- the period commencing two weeks before the announcement of the Company's operational and financial updates for the first and third quarters of its financial year and ending immediately after the release of the announcement of the relevant operational and financial updates; and

- the period commencing one month before the announcement of the Company's half year and full year financial statements (in the format per Appendix 7.2 of the SGX-ST Listing Manual) and ending immediately after the announcement of the relevant financial statements.

Directors and officers are also advised to adhere to the following at all times:

(a) observe insider trading laws and not to deal in the Company's securities while in possession of any unpublished material price-sensitive information; and

(b) not to deal in the Company's securities on short-term considerations.

In addition, Directors are required to report to the Company Secretary within two business days whenever they deal in the Company's securities and the latter will make the necessary announcements in accordance with the requirements of the SGX-ST Listing Manual.

Interested Person Transactions

To ensure that interested person transactions are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders, the Company has adopted internal guidelines and procedures for the review and approval of transactions with interested persons. All transactions with interested persons are monitored closely and reported in a timely manner to the AC for its review.

CORPORATE GOVERNANCE

Shareholders have approved the renewal of the interested person transactions mandate ("IPT Mandate") at the AGM on 1 June 2020. The IPT Mandate defines the threshold limits and review procedures for the transactions with interested persons carried out by the Group. Pursuant to the IPT Mandate, the Company also maintains a register of all such interested person transactions, which includes information pertinent to the evaluation of the interested person transactions.

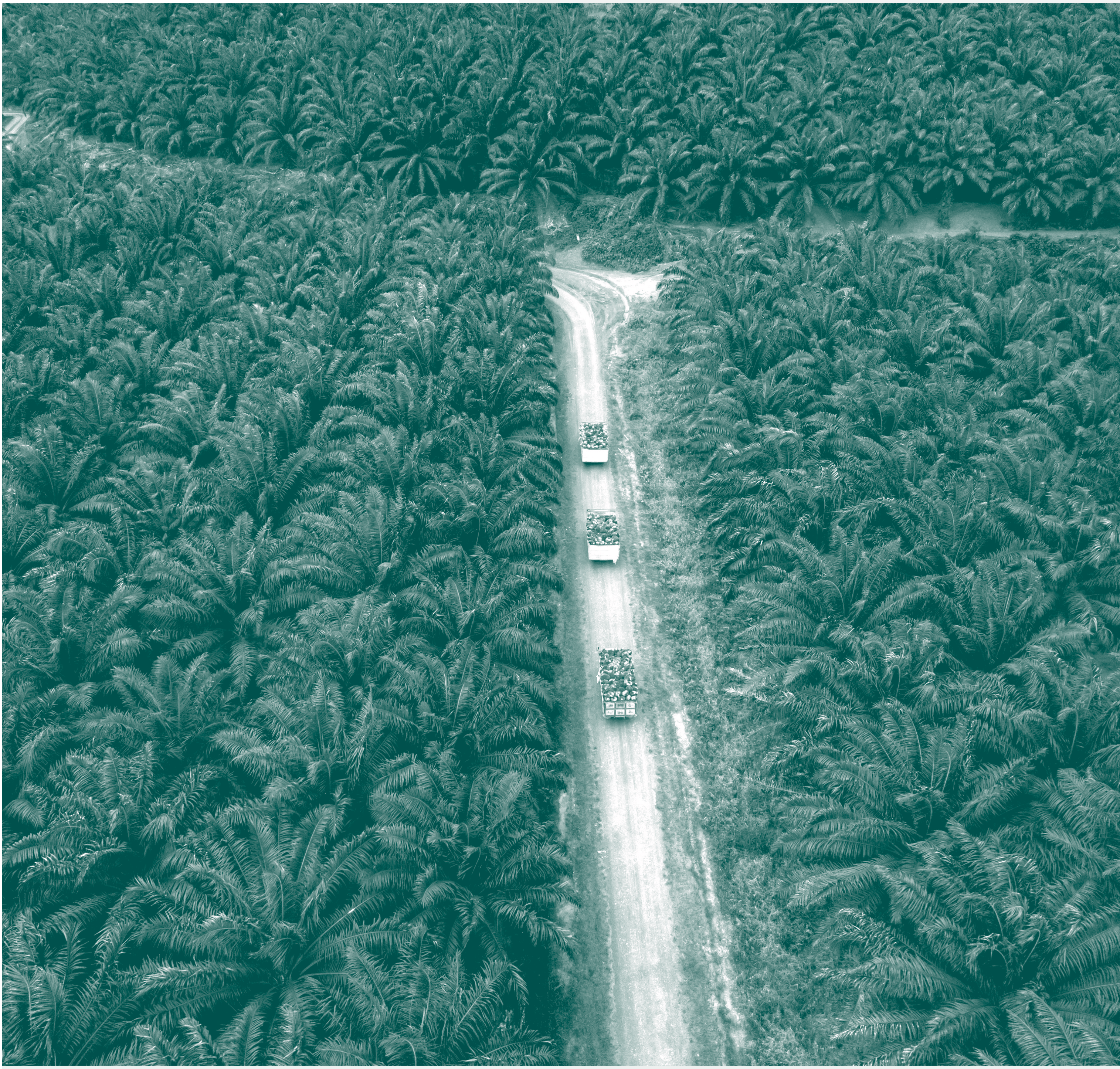
Details of interested person transactions for the financial year ended 31 December 2020 as required under Rule 907 of the SGX-ST Listing Manual are set out as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
		US$'000	US$'000
Eight Capital Advisors Pte. Ltd.	Associate of Eight Capital Inc.	–	303
PT Surya Dumai Industri	Associate of Ciliandra Fangiono & Fang Zhixiang	–	293
PT Riau Agung Karya Abadi	Associate of Ciliandra Fangiono & Fang Zhixiang	874	7,443
PT Marsam Citra Adi Perkasa	Associate of Ciliandra Fangiono & Fang Zhixiang	2,795	10,737
PT Ketapang Hijau Lestari	Associate of Ciliandra Fangiono & Fang Zhixiang	1,787	6,103
PT Borneo Bhakti Sejahtera	Associate of Ciliandra Fangiono & Fang Zhixiang	3,101	15,281
PT Setia Agro Utama	Associate of Ciliandra Fangiono & Fang Zhixiang	41	–
Prinsep Management Limited	Associate of Ciliandra Fangiono & Fang Zhixiang	7,160	–

The AC has reviewed, and is satisfied that the transactions are conducted at arm's length and on terms that are fair and reasonable. The AC and the Board of Directors are satisfied that the terms of the above transactions are not prejudicial to the interests of the Company or its minority shareholders.

Material Contracts

Save as disclosed, there are no other material contracts entered into by the Company and its subsidiaries involving the interests of the CEO, any Director or controlling shareholder, which are either subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2019.



FINANCIAL STATEMENTS CONTENTS

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of First Resources Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2020.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Lim Ming Seong
Ciliandra Fangiono
Fang Zhixiang
Teng Cheong Kwee
Ong Beng Kee
Chang See Hiang
Wong Su Yen
Peter Ho Kok Wai
Tan Seow Kheng

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter. 50 (the "Act"), an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company				
Lim Ming Seong	50,000	50,000	50,000 [(1)]	50,000 [(1)]
Ciliandra Fangiono	–	–	–	– [(2)]
Fang Zhixiang	–	–	–	– [(2)]
Tan Seow Kheng	30,000	30,000	–	–

Notes:

(1) Lim Ming Seong's deemed interests in the shares are held under the name of Citibank Nominees Singapore Pte Ltd.

(2) Eight Capital Inc. ("Eight Capital") directly holds 1,041,966,230 shares and Eight Capital Trustees Pte Ltd ("ECTPL") holds the entire share capital of Eight Capital as trustee of the Eight Capital Master Trust (the "Trust"), which is a discretionary family trust and subject to the terms of the Trust. The Trust is held for the benefit of the Eight Capital Sub Trust which is held for the benefit of its beneficiaries, including but not limited to Ciliandra Fangiono, Fang Zhixiang, and their respective children and remoter issue. The proportionate interest of each beneficiary cannot be determined.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2021.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

The Company has in place a share option scheme and a share award scheme known as the First Resources Employee Share Option Scheme 2020 and the First Resources Employee Share Award Scheme 2020 respectively (collectively known as the "Schemes"). The two Schemes are administered by the Remuneration Committee ("RC"), comprising Messrs Wong Su Yen, Lim Ming Seong and Teng Cheong Kwee. Salient details of the two Schemes are as follows:

(a) First Resources Employee Share Option Scheme 2020

(i) The First Resources Employee Share Option Scheme 2020 (the "ESOS") was approved on 1 June 2020. Confirmed employees (including Directors[1]) of the Group who have attained the age of 21 years are eligible to participate in the ESOS (collectively known as the "Eligible Participants").

Persons who are Directors and employees of the Group's Associated Companies[2], the Company's parent company and the subsidiaries of the Company's parent company, as well as Controlling Shareholders[3] and their Associates[4], shall not be eligible to participate in the ESOS.

DIRECTORS' STATEMENT

SHARE OPTION SCHEME AND SHARE AWARD SCHEME (CONT'D)

(a) First Resources Employee Share Option Scheme 2020 (cont'd)

(ii) The aggregate number of new shares issued and issuable and/or transferred and transferable in respect of all options granted under the ESOS, and under any other share-based incentive schemes of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) on the day preceding the date of the relevant grant.

(iii) Options may be granted from time to time during the year when the ESOS is in force, except that, having regard to the Company's internal compliance code on securities transactions, no option shall be granted during the period of two weeks before the announcement of the Company's operational and financial updates for the first and third quarters of its financial year, and one month before the announcement of the Company's half year and full year financial statements. In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, offers to grant options may only be made on or after the second market day on which such announcement is released.

(iv) No options have been granted to the Eligible Participants under the ESOS since the commencement of the ESOS till the end of the financial year ended 31 December 2020.

(b) First Resources Employee Share Award Scheme 2020

(i) The First Resources Employee Share Award Scheme 2020 (the "ESAS") was approved on 1 June 2020. The RC would at its discretion and on a free-of-charge basis, grant awards which represent a specified number of fully paid shares in the share capital of the Company or its equivalent cash value or combinations thereof. The awards will vest only after satisfactory completion of certain conditions. Upon the vesting of an award, the Company shall do any one or more of the following:

- allot new ordinary shares credited as fully paid;
- purchase and transfer existing shares (whether held as treasury shares or otherwise); and/or
- pay the aggregate market price of such shares in cash.

(ii) Confirmed employees (including Directors[1]) of the Group who have attained the age of 21 years are eligible to participate in the ESAS (collectively known as the "Eligible Participants").

Persons who are Directors and employees of the Group's Associated Companies[2], the Company's parent company and the subsidiaries of the Company's parent company, as well as Controlling Shareholders[3] and their Associates[4], shall not be eligible to participate in the ESAS.

(iii) The aggregate number of new shares which may be issued and/or transferred pursuant to awards granted under the ESAS, when added to the total number of shares issued and issuable and/or transferred and transferable in respect of any other share-based incentive schemes of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) on the day preceding the date of the relevant grant.

DIRECTORS' STATEMENT

SHARE OPTION SCHEME AND SHARE AWARD SCHEME (CONT'D)

(b) First Resources Employee Share Award Scheme 2020 (cont'd)

(iv) Awards may be granted from time to time during the year when the ESAS is in force, except that, having regard to the Company's internal compliance code on securities transactions, no award shall be granted during the period of two weeks before the announcement of the Company's operational and financial updates for the first and third quarters of its financial year, and one month before the announcement of the Company's half year and full year financial statements. In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, offers to grant awards may only be made on or after the second market day on which such announcement is released.

(v) No awards have been granted to the Eligible Participants under the ESAS since the commencement of the ESAS till the end of the financial year ended 31 December 2020.

Notes:

1 Directors refer to Executive and Non-Executive Directors of the Company.

2 Associated Company refers to a company in which at least twenty per cent. (20%) but no more than fifty per cent. (50%) of its shares are held by the Company or the Group.

3 Controlling Shareholder refers to a person who (a) holds directly or indirectly fifteen per cent. (15%) or more of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the Company (unless the SGX-ST determines otherwise); or (b) in fact exercises control over the Company, as defined under the Listing Manual.

4 Associate in relation to:

(a) any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more;

(b) a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one of the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more.

AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with Section 201B (5) of the Act, including the following:

- assisting the Board of Directors in the discharge of its responsibilities on financial and accounting matters;
- reviewing the audit plans, scope of work, results and quality of audits carried out by the external and internal auditors;
- reviewing the co-operation given by Management to the external and internal auditors;
- reviewing significant financial reporting issues and judgements relating to financial statements for each financial year and the auditor's report before submission to the Board of Directors for approval;
- reviewing the integrity of any financial information presented to shareholders;

DIRECTORS' STATEMENT

AUDIT COMMITTEE (CONT'D)

- reviewing the risk management framework and providing oversight of the risk management processes and activities to mitigate and manage risks at acceptable levels determined by the Board of Directors;
- reviewing the assurances provided by Management on the financial records and financial statements and regarding the adequacy and effectiveness of the Company's risk management system and internal controls;
- reviewing the adequacy and effectiveness of the Company's system of risk management and internal controls (including financial, operational, compliance and information technology controls) via reviews carried out by the internal auditors, and taking into consideration the external auditors' findings arising from their annual audit;
- reviewing the nature and extent of non-audit services provided by the external auditors yearly to determine their independence;
- recommending to the Board of Directors the appointment and re-appointment of the external auditors and approving their compensation and terms of engagement;
- meeting with the external and internal auditors without the presence of the Company's Management annually;
- reviewing the adequacy, effectiveness and independence of the internal audit function, including ensuring that it is adequately resourced and has the appropriate standing within the Company;
- reviewing the appointment, remuneration and resignation of the Head of Internal Audit;
- reviewing interested person transactions;
- reviewing potential conflicts of interest, if any; and
- investigating any matter within its terms of reference.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not compromise the independence of the external auditors. The AC has also conducted a review of interested person transactions.

During the financial year, the AC convened four meetings and had also met with the external and internal auditors without the presence of the Company's management.

Further details regarding the AC are disclosed in the Corporate Governance Report.

DIRECTORS' STATEMENT

AUDITOR

Ernst & Young LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Lim Ming Seong
Chairman

Ciliandra Fangiono
Chief Executive Officer

Singapore
30 March 2021

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST RESOURCES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of First Resources Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2020, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST RESOURCES LIMITED (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Goodwill Impairment

As at 31 December 2020, goodwill is carried at US$83.2 million which represents 6% of the total non-current assets and 7% of total equity. As part of the requirement under SFRS(I) 1-36 to assess goodwill impairment annually, management has prepared a discounted cash flow model to determine the recoverable value of the goodwill using the value in use method. The audit procedures over management's annual impairment test were significant to our audit because the assessment process is complex, involved significant management judgement and estimates, and is based on a number of key assumptions as disclosed in Note 17 to the financial statements.

Given the complexity, we have engaged our internal valuation specialists to assist us in reviewing the appropriateness of the methodology and the reasonableness of certain key predictive assumptions used by management such as pre-tax discount rate, projected crude palm oil ("CPO") price, terminal growth rate and forecasted exchange rate. We also compared operational assumptions, such as projected capital expenditures, fresh fruit bunches ("FFB") yield and cost of production, against historical data to assess their reasonableness. We considered the robustness of management's budgeting process by comparing the actual results versus previously forecasted figures. Further, we assessed whether the future cash flows were based on the financial budgets approved by the Board of Directors and reviewed management's analysis of the sensitivity of the value-in-use amounts to changes in the projected CPO price. We also performed sensitivity analysis on the value-in-use amounts to changes in pre-tax discount rate and terminal growth rate.

We also focused on the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The note disclosures on goodwill, key assumptions and sensitivities are included in Note 17 to the financial statements.

Recoverability of Deferred Tax Assets

As at 31 December 2020, the Group has recognised deferred tax assets ("DTA") of US$45.0 million. The recoverability of the DTA is significant to our audit because of the complexity of the estimation process which is dependent on management's forecast of the future profitability in determining the amount of deferred tax assets that can be fully recovered in the future years.

As part of our assessment of management's forecast of the future profitability, we compared management's operational assumptions used in preparing the profit forecast such as FFB yield and cost of production against historical data and trend to assess their reasonableness. We also engaged the assistance of our internal valuation specialists to assess the reasonableness of certain key predictive assumptions such as the projected CPO price. In addition, we assessed the adequacy of the disclosures in Note 10(c) to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST RESOURCES LIMITED (CONT'D)

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST RESOURCES LIMITED (CONT'D)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST RESOURCES LIMITED (CONT'D)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Philip Ling Soon Hwa.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
30 March 2021

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Sales	4	660,425	614,889
Cost of sales	5	(368,027)	(387,729)
Gross profit		292,398	227,160
Gain arising from changes in fair value of biological assets	22	3,870	7,913
Selling and distribution costs	6	(82,939)	(50,242)
General and administrative expenses	7	(26,818)	(29,662)
Other operating income/(expenses)		3,495	(592)
Profit from operations		190,006	154,577
(Loss)/gain on foreign exchange		(4,599)	181
Loss on derivative financial instruments		(10,806)	(808)
Loss arising from changes in fair value of unquoted investment	19	(1,371)	(4,900)
Net financial expenses	8	(16,070)	(16,067)
Other non-operating expenses		(321)	(1,782)
Profit before tax	9	156,839	131,201
Tax expense	10	(49,450)	(38,026)
Profit for the year		107,389	93,175
Profit attributable to:			
Owners of the Company		99,673	89,128
Non-controlling interests		7,716	4,047
		107,389	93,175
Earnings per share attributable to owners of the Company (US cents)			
– Basic	11	6.30	5.63
– Diluted	11	6.30	5.63

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Profit for the year		107,389	93,175
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement (loss)/gain on defined benefits plan	34	(582)	342
Income tax effect	10	128	(86)
		(454)	256
Items that may be reclassified subsequently to profit or loss			
Fair value loss on cash flow hedges		(55,403)	(123)
Fair value loss/(gain) on cash flow hedges transferred to the income statement		26,215	(2,688)
Foreign currency translation		(14,854)	58,565
		(44,042)	55,754
Other comprehensive income for the year, net of tax		(44,496)	56,010
Total comprehensive income for the year		62,893	149,185
Total comprehensive income attributable to:			
Owners of the Company		56,084	142,546
Non-controlling interests		6,809	6,639
		62,893	149,185

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2020

		Group		Company	
		2020	2019	2020	2019
	Note	US$'000	US$'000	US$'000	US$'000
Non-current assets					
Bearer plants	12	559,232	595,558	–	–
Plasma receivables	13	59,047	71,842	–	–
Property, plant and equipment	14	433,473	420,350	2,273	3,246
Land use rights	15	46,763	50,457	–	–
Investment in subsidiaries	16	–	–	876,081	751,081
Goodwill	17	83,172	84,393	–	–
Other intangible assets	18	29,216	29,950	–	–
Unquoted investment	19	–	1,371	–	1,371
Derivative financial assets	20	–	1,167	–	1,167
Tax recoverable		77,787	81,072	–	–
Deferred tax assets	10(c)	44,998	59,139	–	–
Loan to subsidiary	21	–	–	–	124,125
Other non-current assets		484	493	–	–
Total non-current assets		1,334,172	1,395,792	878,354	880,990
Current assets					
Biological assets	22	29,576	25,952	–	–
Plasma receivables	13	543	1,022	–	–
Inventories	23	102,825	81,721	–	–
Trade receivables	24	78,038	42,386	–	1,143
Other receivables	25	3,089	2,812	229	286
Derivative financial assets	20	4,209	563	–	306
Advances for purchase of property, plant and equipment	26	2,465	8,539	–	–
Other advances and prepayments	26	4,149	3,142	82	1,369
Prepaid taxes		31,746	44,996	–	–
Restricted cash balances	27	4,065	42,989	9	41,849
Cash and cash equivalents	27	191,040	59,022	18,649	4,496
Total current assets		451,745	313,144	18,969	49,449
Total assets		1,785,917	1,708,936	897,323	930,439

BALANCE SHEETS

As at 31 December 2020

	Note	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
Current liabilities					
Trade payables	28	23,985	19,159	–	–
Other payables and accruals	29	40,767	35,136	2,255	3,308
Advances from customers	30	3,074	2,585	–	–
Loans and borrowings from financial institutions	31	85,221	48,147	83,340	45,010
Islamic medium term notes	32	99,441	146,554	99,441	146,554
Derivative financial liabilities	20	69,401	52,029	28,004	51,956
Provision for tax		26,637	10,846	57	787
Total current liabilities		348,526	314,456	213,097	247,615
Non-current liabilities					
Loans and borrowings from financial institutions	31	256,983	118,986	256,378	116,571
Islamic medium term notes	32	–	97,631	–	97,631
Derivative financial liabilities	20	3,974	27,007	3,974	27,007
Provision for post-employment benefits	34	34,636	27,425	–	–
Deferred tax liabilities	10(c)	15,656	21,529	211	373
Total non-current liabilities		311,249	292,578	260,563	241,582
Total liabilities		659,775	607,034	473,660	489,197
Net assets		1,126,142	1,101,902	423,663	441,242
Equity					
Share capital	35(a)	394,913	394,913	394,913	394,913
Treasury shares	35(b)	(5,572)	–	(5,572)	–
Differences arising from restructuring transactions involving entities under common control	36	35,016	35,016	–	–
Other reserves	37	(105,121)	(62,040)	2,055	9,696
Retained earnings		744,337	676,423	32,267	36,633
Equity attributable to owners of the Company		1,063,573	1,044,312	423,663	441,242
Non-controlling interests		62,569	57,590	–	–
Total equity		1,126,142	1,101,902	423,663	441,242

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

Group	Share capital US$'000 (Note 35(a))	Treasury shares US$'000 (Note 35 (b))	Differences arising from restructuring transactions involving entities under common control US$'000 (Note 36)	Other reserves US$'000 (Note 37)	Retained earnings US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
	Attributable to owners of the Company							
2020								
At 1 January 2020	394,913	–	35,016	(62,040)	676,423	1,044,312	57,590	1,101,902
Profit for the year	–	–	–	–	99,673	99,673	7,716	107,389
Other comprehensive income								
Remeasurement (loss)/gain on defined benefits plan	–	–	–	–	(508)	(508)	54	(454)
Net change in fair value of cash flow hedges	–	–	–	(29,188)	–	(29,188)	–	(29,188)
Foreign currency translation	–	–	–	(13,893)	–	(13,893)	(961)	(14,854)
Other comprehensive income for the year, net of tax	–	–	–	(43,081)	(508)	(43,589)	(907)	(44,496)
Total comprehensive income for the year	–	–	–	(43,081)	99,165	56,084	6,809	62,893
Distributions to owners								
Dividends paid	–	–	–	–	(31,251)	(31,251)	(1,830)	(33,081)
Buy-back of ordinary shares	–	(5,572)	–	–	–	(5,572)	–	(5,572)
Total transactions with owners in their capacity as owners	–	(5,572)	–	–	(31,251)	(36,823)	(1,830)	(38,653)
At 31 December 2020	394,913	(5,572)	35,016	(105,121)	744,337	1,063,573	62,569	1,126,142

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

Group	Share capital US$'000 (Note 35(a))	Treasury shares US$'000 (Note 35(b))	Differences arising from restructuring transactions involving entities under common control US$'000 (Note 36)	Other reserves US$'000 (Note 37)	Retained earnings US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
	Attributable to owners of the Company							
2019								
At 1 January 2019	394,913	–	35,016	(115,119)	617,355	932,165	53,850	986,015
Profit for the year	–	–	–	–	89,128	89,128	4,047	93,175
Other comprehensive income								
Remeasurement gain/(loss) on defined benefits plan	–	–	–	–	339	339	(83)	256
Net change in fair value of cash flow hedges	–	–	–	(2,811)	–	(2,811)	–	(2,811)
Foreign currency translation	–	–	–	55,890	–	55,890	2,675	58,565
Other comprehensive income for the year, net of tax	–	–	–	53,079	339	53,418	2,592	56,010
Total comprehensive income for the year	–	–	–	53,079	89,467	142,546	6,639	149,185
Distributions to owners								
Dividends paid	–	–	–	–	(30,399)	(30,399)	(2,918)	(33,317)
Changes in ownership interests in subsidiaries								
Equity contribution by non-controlling interests	–	–	–	–	–	–	19	19
Total transactions with owners in their capacity as owners	–	–	–	–	(30,399)	(30,399)	(2,899)	(33,298)
At 31 December 2019	394,913	–	35,016	(62,040)	676,423	1,044,312	57,590	1,101,902

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

Company	Share capital US$'000 (Note 35(a))	Treasury shares US$'000 (Note 35(b))	Other reserves US$'000 (Note 37)	Retained earnings US$'000	Total equity US$'000
2020					
At 1 January 2020	394,913	–	9,696	36,633	441,242
Profit for the year	–	–	–	26,885	26,885
Other comprehensive income					
Net change in fair value of cash flow hedges	–	–	(7,641)	–	(7,641)
Total comprehensive income for the year	–	–	(7,641)	26,885	19,244
Distributions to owners					
Dividends paid (Note 46)	–	–	–	(31,251)	(31,251)
Buy-back of ordinary shares	–	(5,572)	–	–	(5,572)
Total transactions with owners in their capacity as owners	–	(5,572)	–	(31,251)	(36,823)
At 31 December 2020	394,913	(5,572)	2,055	32,267	423,663
2019					
At 1 January 2019	394,913	–	12,507	40,877	448,297
Profit for the year	–	–	–	26,155	26,155
Other comprehensive income					
Net change in fair value of cash flow hedges	–	–	(2,811)	–	(2,811)
Total comprehensive income for the year	–	–	(2,811)	26,155	23,344
Distributions to owners					
Dividends paid (Note 46)	–	–	–	(30,399)	(30,399)
Total transactions with owners in their capacity as owners	–	–	–	(30,399)	(30,399)
At 31 December 2019	394,913	–	9,696	36,633	441,242

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2020

	2020 US$'000	2019 US$'000
Cash flows from operating activities		
Profit before tax	156,839	131,201
Adjustments for:		
Depreciation of bearer plants and property, plant and equipment	71,869	68,745
Amortisation of land use rights and other intangible assets	2,423	2,121
(Gain)/loss on disposal of bearer plants and property, plant and equipment	(410)	2,198
Financial expenses	17,374	17,627
Interest income	(1,304)	(1,560)
(Write-back of)/provision for expected credit losses	(1,237)	1,269
Gain arising from changes in fair value of biological assets	(3,870)	(7,913)
Loss on derivative financial instruments	10,806	808
Loss arising from changes in fair value of unquoted investment	1,371	4,900
Gain arising from changes in carrying value of plasma receivables	(4,676)	(2,744)
Operating cash flows before changes in working capital	249,185	216,652
Changes in working capital:		
Inventories	(21,453)	20,148
Receivables and other assets	(22,910)	(21,820)
Payables and other liabilities	20,811	(2,459)
Unrealised translation differences	4,898	598
Cash flows generated from operations	230,531	213,119
Financial expenses paid	(17,238)	(17,278)
Interest income received	1,413	1,660
Tax paid	(22,320)	(65,303)
Net cash generated from operating activities	192,386	132,198
Cash flows from investing activities		
Capital expenditure on bearer plants	(14,159)	(14,085)
Capital expenditure on property, plant and equipment	(53,935)	(79,128)
Payment of advances for purchase of property, plant and equipment	(2,385)	(8,392)
Development costs on plasma receivables	(14,491)	(14,410)
Proceeds from plasma receivables	47,602	8,571
Additions to land use rights	(399)	(4,941)
Additions to other intangible assets	–	(8,485)
Additions to unquoted investment	–	(496)
Proceeds from disposal of bearer plants and property, plant and equipment	626	736
Net cash used in investing activities	(37,141)	(120,630)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2020

	2020 US$'000	2019 US$'000
Cash flows from financing activities		
Proceeds from bank loans	227,900	54,784
Repayment of bank loans	(50,417)	(27,917)
Payment of obligations under leases liabilities	(3,005)	(3,450)
Repayment of Islamic medium term notes	(198,020)	–
Decrease in restricted cash balances	38,924	1,551
Dividends paid	(33,081)	(33,317)
Proceeds from equity contribution by non-controlling interests	–	19
Buy-back of ordinary shares	(5,572)	–
Net cash used in financing activities	(23,271)	(8,330)
Net increase in cash and cash equivalents	131,974	3,238
Effect of exchange rate changes on cash and cash equivalents	44	425
Cash and cash equivalents at 1 January	59,022	55,359
Cash and cash equivalents at 31 December (Note 27)	191,040	59,022

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

1. GENERAL

(a) Corporate information

First Resources Limited (the "Company") is a limited liability company, which is incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company's immediate and ultimate holding company is Eight Capital Inc., which is incorporated in the British Virgin Islands.

The registered office and principal place of business of the Company is located at 8 Temasek Boulevard, #36-02, Suntec Tower Three, Singapore 038988.

The principal activities of the Company are those of investment holding, general trading and the provision of technical assistance to its subsidiaries. The principal activities of the subsidiaries are as disclosed in Note 1(b).

(b) Subsidiaries

The details of the Group's subsidiaries are as follows:

			Effective group equity interest	
Subsidiaries	**Country of incorporation**	**Principal activities**	**2020 %**	**2019 %**
Direct Ownership:				
PT Ciliandra Perkasa ("PT CLP") (2)	Indonesia	Oil palm plantation and palm oil processing	95.51	95.51
PT Borneo Ketapang Permai ("PT BKP") (2)	Indonesia	Oil palm plantation	99.77	99.77
PT Adhitya Serayakorita ("PT ASK") (2)	Indonesia	Palm oil refining and palm kernel crushing	95.08	95.08
First Resources Trading Pte. Ltd. ("FRTPL") (1)	Singapore	Marketing and distribution of palm oil products	100.00	100.00
Lynhurst Investment Pte. Ltd. ("Lynhurst") (1)	Singapore	Investment holding	100.00	100.00
PT Falcon Agri Persada ("PT FAPE") (2)	Indonesia	Oil palm plantation	99.77	99.77

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2020 %	Effective group equity interest 2019 %
Indirect Ownership:				
Subsidiaries of PT CLP				
PT Pancasurya Agrindo ("PT PSA") (2)	Indonesia	Oil palm plantation	95.35	95.35
PT Surya Intisari Raya ("PT SIR") (2)	Indonesia	Oil palm plantation	95.50	95.50
PT Perdana Intisawit Perkasa ("PT PISP") (2)	Indonesia	Oil palm plantation	95.50	95.50
PT Bumi Sawit Perkasa ("PT BSP") (2)	Indonesia	Oil palm plantation	95.44	95.44
PT Priatama Riau ("PT PTR") (2)	Indonesia	Oil palm plantation	95.46	95.46
PT Surya Dumai Agrindo ("PT SDA") (2)	Indonesia	Oil palm plantation	95.50	95.50
PT Pancasurya Garden ("PT PSG") (2)	Indonesia	Oil palm seed breeding	94.90	94.90
PT Wahana Prima Sejati ("PT WPS") (4)	Indonesia	Land ownership	94.71	94.71
PT Meridan Sejatisurya Plantation ("PT MSSP") (2)	Indonesia	Oil palm plantation	90.73	90.73

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2020 %	Effective group equity interest 2019 %
Indirect Ownership (cont'd):				
Subsidiaries of PT PSA				
PT Pancasurya Binasejahtera ("PT PSBS") [(3)]	Indonesia	Investment holding	95.35	95.34
PT Muriniwood Indah Industry ("PT MII") [(2)]	Indonesia	Oil palm plantation	95.35	95.34
PT Kalimantan Green Persada ("PT KGP") [(4)]	Indonesia	Investment holding	95.34	95.34
PT Gerbang Sawit Indah ("PT GSI") [(2)]	Indonesia	Oil palm plantation	95.34	95.34
PT Matthew Air Nusantara ("PT MAN") [(2)]	Indonesia	Aircraft ownership and management	95.43	95.43
PT Setia Agrindo Jaya ("PT SAJ") [(3)]	Indonesia	Investment holding	94.99	94.98
PT Karya Tama Bakti Mulia ("PT KTBM") [(3)]	Indonesia	Oil palm plantation	95.34	95.34
Subsidiaries of PT PSBS				
PT Subur Arummakmur ("PT SAM") [(2)]	Indonesia	Oil palm plantation	95.35	95.33
PT Arindo Trisejahtera ("PT ATS") [(2)]	Indonesia	Oil palm plantation	95.35	95.33

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2020 %	Effective group equity interest 2019 %
Indirect Ownership (cont'd):				
Subsidiaries of PT BKP				
PT Limpah Sejahtera ("PT LS") (2)	Indonesia	Oil palm plantation	99.17	98.12
PT Mitra Karya Sentosa ("PT MKS") (2)	Indonesia	Oil palm plantation	99.36	99.35
PT Umekah Saripratama ("PT USP") (2)	Indonesia	Oil palm plantation	99.06	99.06
PT Pulau Tiga Lestari Jaya ("PT PTLJ") (2)	Indonesia	Oil palm plantation	99.11	98.87
Subsidiaries of PT KGP				
PT Ketapang Agro Lestari ("PT KAL") (2)	Indonesia	Oil palm plantation	95.34	95.34
PT Borneopersada Energy Jaya ("PT BPEJ") (2)	Indonesia	Oil palm plantation	95.34	95.34
PT Borneosurya Mining Jaya ("PT BSMJ") (2)	Indonesia	Oil palm plantation	95.34	95.34
PT Borneo Damai Lestari ("PT BDL") (2)	Indonesia	Rubber plantation	95.34	95.34
PT Citra Agro Kencana ("PT CAK") (2)	Indonesia	Oil palm plantation	95.34	95.34
PT Borneopersada Prima Jaya ("PT BPPJ") (2)	Indonesia	Rubber plantation	95.34	95.34

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2020 %	2019 %
Indirect Ownership (cont'd):				
Subsidiaries of PT KGP (cont'd)				
PT Maha Karya Bersama ("PT MKB") (2)	Indonesia	Oil palm plantation	95.33	95.33
PT Borneo Damai Lestari Raya ("PT BDLR") (2)	Indonesia	Rubber plantation	95.34	95.34
Subsidiaries of PT SAJ				
PT Citra Palma Kencana ("PT CPK") (2)	Indonesia	Oil palm plantation	94.99	94.97
PT Indo Manis Lestari ("PT IML") (3)	Indonesia	Non-operating	94.99	94.97
PT Indogreen Jaya Abadi ("PT IJA") (2)	Indonesia	Oil palm plantation	94.99	94.97
PT Setia Agrindo Lestari ("PT SAL") (2)	Indonesia	Oil palm plantation	94.99	94.97
PT Setia Agrindo Mandiri ("PT SAGM") (2)	Indonesia	Oil palm plantation	94.99	94.97
Subsidiary of Lynhurst				
PT Swadaya Mukti Prakarsa ("PT SMP") (2)	Indonesia	Oil palm plantation	99.77	99.77

Notes:

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by member firm of Ernst & Young Global in Indonesia.
(3) Audited by KAP Selamat Sinuraya & Rekan in Indonesia.
(4) Audited by KAP Amachi Arifin Mardani & Muliadi in Indonesia.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollar ("USD" or "US$") and all values are rounded to the nearest thousand ("US$'000"), except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2020. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to SFRS(I) 3 *Business Combinations:* Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-16 *Property, Plant and Equipment:* Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets:* Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Management expects that the adoption of the standards above will have no material impact on the Group's consolidated financial statements in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to similar transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(b) Business combinations

Other than business combinations involving entities under common control, business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.12(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations (cont'd)

Business combinations involving entities under common control

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as "Differences arising from restructuring transactions involving entities under common control". The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The financial statements are presented in USD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 *Foreign currency (cont'd)*

(a) *Transactions and balances (cont'd)*

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss of the Group.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss of the Group.

2.7 *Biological assets*

Biological assets relate to agricultural produce growing on bearer plants, which is referred to as Fresh Fruit Bunches ("FFB") and are stated at fair value less costs to sell. Gains or losses arising from the changes in fair value less estimated costs to sell of FFB at each reporting date are included in profit or loss for the period in which they arise.

The fair value of biological assets is estimated by reference to the projected harvest quantities and market price of FFB as at the balance sheet date, net of harvesting costs and estimated cost to sell.

2.8 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Property, plant and equipment (cont'd)

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	– 5 to 20 years
Machinery and installations	– 5 to 15 years
Farming and transportation equipment	– 5 to 20 years
Furniture, fittings, office equipment and others	– 3 to 5 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each reporting date and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.9 Bearer plants

Bearer plants primarily comprise of oil palm plantations and are measured at accumulated cost (before maturity) and at cost, less any subsequent accumulated depreciation and impairment losses (after maturity).

Upon maturity, bearer plants are depreciated on a straight-line basis over the estimated useful life of 20 years.

The carrying values of the bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each reporting date and adjusted prospectively, if appropriate.

Bearer plants are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the bearer plant is included in profit or loss in the year the asset is derecognised.

Cultivation of seedling is stated at cost. The accumulated cost will be reclassified to immature plantations at the time of planting.

Bearer plants also include land preparation costs which is the cost incurred to clear the land and to ensure that the plantations are in a state ready for the planting of seedlings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Land use rights

Hak Guna Usaha ("HGU") or *Right to Cultivate, Hak Guna Bangunan ("HGB")* or *Right to Build* and *Hak Pakai* ("HP") or *Right of Use* are land rights that grant the registered holders of such rights use of the land for terms of 10 to 35 years, which may be extended subject to agreement with the Government of Indonesia and payment of premium.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over their terms of 10 to 35 years.

2.11 Plasma receivables

In support of the Indonesian Government policy, the Group develops plasma plantations under the schemes of *Perkebunan Inti Rakyat Transmigrasi* ("PIR") and *Kredit Koperasi Primer untuk Anggotanya* ("KKPA") for farmers who are members of rural cooperatives unit, *Koperasi Unit Desa* ("KUD").

The Group assumes responsibility for developing oil palm plantations to the productive stage. When the plantation is at its productive stage, it is considered to be completed and is transferred to the plasma farmers (conversion of plasma plantations). All costs incurred will be reviewed by the relevant authorities and the Group will be reimbursed for all approved costs which are financed by KUD or a bank. Conversion value refers to the value reimbursed to the Group upon conversion of the plasma plantations.

The plasma farmers sell all harvest to the Group at a price determined by the Government, which approximates the market price. Part of the proceeds will be retained by the Group and used to pay KUD or the bank for the loan taken by the plasma farmers. In situations where the sales proceeds are insufficient to meet the repayment obligations to the banks, the Group also provides temporary funding to the plasma farmers.

Accumulated development costs net of reimbursements are presented in the balance sheet. Any difference between the accumulated development costs of plasma plantations and their conversion value is charged to profit or loss. The plasma receivables are assessed for impairment in accordance with Note 2.17.

Reclassifications from bearer plants to plasma receivables relate to costs incurred for development of plasma receivables previously capitalised under bearer plants, so as to be in line with the Indonesian Government's Ministry of Agriculture Regulation for plantation companies to develop plasma plantations for farmers in the local community who are members of rural cooperatives unit KUD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and adjusted prospectively.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.13 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.14 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

Investment in debt instruments (cont'd)

(iii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investment in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets when, and only when, there is a currently enforceable legal right to set off the recognised amounts and an intention to either settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.16 Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

2.17 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Impairment of financial assets (cont'd)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of inventories is determined using the weighted average method.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.20 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.17 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.22 Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

– fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);

– cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or

– hedges of a net investment in a foreign operation.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group does not have any fair value hedges or hedges of net investment in foreign operations in 2020 and 2019.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while any ineffective portion is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Hedge accounting (cont'd)

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

When a cash flow hedge is discontinued, the cumulative gain or loss previously recognised in other comprehensive income will remain in the cash flow hedge reserve until the future cash flows occur if the hedged future cash flows are still expected to occur or reclassified to profit or loss immediately if the hedged future cash flows are no longer expected to occur.

2.23 Government grants

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Grants received have been presented a deduction to the related expense.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.24 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.25 Issuance costs on borrowings

Transaction costs directly attributable to the issuance of borrowings are deducted from the proceeds in the balance sheet as discounts and amortised over the maturity period using the effective interest method.

2.26 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Treasury shares

The Company's own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively.

2.28 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Defined benefit plans

The Group provides employee benefits as required under the Indonesian Labor Law No.13/2003. The cost of providing such benefits is determined using the projected unit credit actuarial valuation method, based on the report prepared by an independent firm of actuaries.

Defined benefit costs comprise the following:

– Service cost;
– Net interest on the net defined benefit liability or asset; and
– Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the defined benefit liability. Net interest on the defined benefit liability is recognised as expense in profit or loss.

Remeasurements comprising actuarial gains and losses (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Employee benefits (cont'd)

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.29 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises leases liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.14.

The Group's associated right-of-use assets were included within property, plant and equipment (Note 2.8) and land use rights (Note 2.10).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.29 Leases (cont'd)

(a) As lessee (cont'd)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease in not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in loans and borrowings from financial institutions presented in Note 31.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

Revenue from sales arising from physical delivery of palm based products is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.31 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.31 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry forward of unused tax credits and unused tax losses can be utilised except:

– where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.31 Taxes (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax or Value-Added Tax ("VAT") except:

– where the sales tax or VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– receivables and payables that are stated with the amount of sales tax or VAT included.

The net amount of sales tax or VAT recoverable from, or payable to, the tax authority is included as part of receivables or payables in the balance sheet.

2.32 Segment reporting

For management purposes, the Group is organised into operating segments based on their products. Management regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 45, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.33 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Capitalisation of borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. In determining the amount of borrowing costs to be capitalised, if any, judgement is required to determine the amount of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, judgement is also required to determine the extent of expenditure on that asset financed via general borrowings and those funded via cash generated from operating activities.

The Group manages its cash and bank balances and liquidity requirements on a pooled basis, which includes the cash generated from operating activities during the year as well as the cash and bank balances available at the beginning of the year.

During the financial years ended 31 December 2020 and 2019, borrowing costs incurred by the Group were not capitalised as part of bearer plants as they were assessed to be not directly attributable to the costs incurred for the development of oil palm plantations. In addition, as the development of oil palm plantations forms part of the pooled liquidity requirements of the Group, management has also applied judgement to estimate the extent of such development costs that may have been financed via general borrowings and concluded that the magnitude of general borrowing costs that may be capitalised as part of bearer plants is assessed to be not material to the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Biological assets

The Group carries its biological assets at fair value less costs to sell, with changes in fair value being recognised in profit or loss. The determination of the fair value of the biological assets requires the use of estimates on the projected harvest quantities and market price of FFB as at the balance sheet date, net of harvesting costs and estimated costs to sell. The carrying amount and key assumptions used to determine the fair value of the biological assets are further disclosed in Note 22 and Note 42(d) respectively.

(b) Fair value of unquoted investment

The fair value of the unquoted investment is determined based on fair value less costs of disposal. The carrying amount and key assumptions used to determine the fair value of the unquoted investment are disclosed in Note 19 and Note 42(d) respectively.

(c) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date.

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The value in use calculation is based on a discounted cash flow model. Management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(d) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions and recoverables already recorded. The Group establishes tax provisions and recoverables based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions and recoverables are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

The carrying amounts of provision for tax and tax recoverable as at 31 December 2020 are US$26.6 million (2019: US$10.8 million) and US$77.8 million (2019: US$81.1 million) respectively.

(e) Deferred taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses. The carrying amounts of deferred tax assets and liabilities are disclosed in Note 10(c).

(f) Defined benefit plan

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The discount rate is based on the yields of government bonds in the specific country with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on management's projections, taking into consideration expected future inflation rates for the specific country.

The carrying amount of the provision for post-employment benefits, together with further details about the assumptions, is disclosed in Note 34.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(g) Allowance for expected credit losses ("ECL")

(i) ECL on plasma receivables and financial guarantees provided for plasma bank loans

The Group computes expected credit loss for plasma receivables and the financial guarantees provided for plasma bank loans using the general approach. Loss allowance for 12-month ECL is recognised, which represents the consequences and probabilities of possible defaults. In calculating the expected credit loss rates, the Group considers the difference in credit spreads between the interest rate on loans provided by banks to the plasma farmers and the Indonesian Government bond yield rates, and adjusts for forward-looking information as well as reasonable forecasts of future economic conditions and interest rates.

Further information about the allowance for expected credit losses on plasma receivables and the financial guarantees provided for plasma bank loans are disclosed in Note 13 and Note 43(d) respectively.

(ii) ECL on trade receivables

The Group provides for lifetime expected credit losses for its trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on company size and payment mode. The calculation of the expected credit losses also incorporates forward looking information such as forecasts of economic conditions in the industry that the customers operate in.

Further information about the allowance for expected credit losses on the trade receivables is disclosed in Note 24 and Note 43(d) respectively.

4. SALES

The Group derives revenue from the transfer of goods at a point in time for the following products:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Crude palm oil	8,840	6,893
Palm kernel	1,425	1,036
Fresh fruit bunches	10,150	14,294
Processed palm based products	640,010	592,666
	660,425	614,889

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

5. COST OF SALES

	Group	
	2020 US$'000	2019 US$'000
Cost of inventories recognised as an expense	181,917	198,202
Depreciation of bearer plants and property, plant and equipment (Note 14)	68,910	65,615
Net employee benefit expense relating to defined benefit plans (Note 34)	5,684	4,701
Plantation, milling and processing costs (including employee benefits)	111,516	119,211
	368,027	387,729

6. SELLING AND DISTRIBUTION COSTS

	Group	
	2020 US$'000	2019 US$'000
Export taxes	28,274	–
Freight charges	48,587	44,209
Depreciation of property, plant and equipment (Note 14)	742	671
Others	5,336	5,362
	82,939	50,242

7. GENERAL AND ADMINISTRATIVE EXPENSES

The following items have been included in arriving at general and administrative expenses:

	Group	
	2020 US$'000	2019 US$'000
Audit fees paid to:		
– Auditors of the Company	163	165
– Affiliates of auditors of the Company	396	427
– Other auditors	9	3
Non-audit fees paid to:		
– Auditors of the Company	95	95
Salaries, bonuses and other benefits (including Central Provident Fund contributions)	14,580	15,497
Net employee benefit expense relating to defined benefit plans (Note 34)	1,377	1,315
Lease expense	460	485
Depreciation of property, plant and equipment (Note 14)	2,217	2,459
Amortisation of other intangible assets (Note 14)	4	55
Directors' fees	384	336

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

8. NET FINANCIAL EXPENSES

	Group 2020 US$'000	Group 2019 US$'000
Interest expense and amortisation on loans and borrowings from financial institutions carried at amortised cost	9,228	5,474
Profit distribution and amortisation on Islamic medium term notes carried at amortised cost	8,146	12,153
	17,374	17,627
Interest income from financial assets carried at amortised cost	(1,304)	(1,560)
	16,070	16,067

9. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group 2020 US$'000	Group 2019 US$'000
(Write-back of)/provision for expected credit losses on financial assets:		
– Trade receivables (Note 24)	(471)	447
– Plasma receivables (Note 43(d))	(1,421)	696
– Financial guarantees provided for plasma bank loans (Note 43(d))	655	126
(Gain)/loss on disposal of bearer plants and property, plant and equipment	(410)	2,198
Write off of advances to unquoted investment	997	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

10. TAX EXPENSE

(a) *Major components of tax expense*

The major components of tax expense for the financial years ended 31 December 2020 and 2019 are as follows:

	Group	
	2020 US$'000	**2019 US$'000**
Income statement:		
Current income tax		
– Current year	35,866	33,876
– (Over)/under provision in respect of previous years	(263)	1,370
Deferred income tax		
– Origination and reversal of temporary differences	3,965	(827)
– (Over)/under provision in respect of previous years	(141)	955
– Effect of reduction in tax rates	6,021	–
Withholding tax	4,002	2,652
	49,450	38,026
Income tax related to other comprehensive income:		
Actuarial movements on defined benefits plan	(128)	86
Net change in fair value of cash flow hedges	(2,394)	–
Foreign currency translation	(631)	2,215
	(3,153)	2,301

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

10. TAX EXPENSE (CONT'D)

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the financial years ended 31 December 2020 and 2019 is as follows:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Profit before tax	156,839	131,201
Tax expense at domestic rate applicable to profits in the countries where the Group operates	37,211	32,206
Adjustments:		
Non-deductible expenses	4,455	5,920
Income not subject to tax	(2,443)	(1,257)
Deferred tax assets not recognised	461	369
Benefits from previously unrecognised tax losses	(201)	–
Effect of tax incentives	560	(4,128)
(Over)/under provision in respect of previous years	(404)	2,325
Withholding tax	4,002	2,652
Effect of reduction in tax rates	6,021	–
Others	(212)	(61)
Tax expense recognised in profit or loss	49,450	38,026

The corporate tax rate for companies in Indonesia was reduced to 22% in 2020 (2019: 25%) and will be further reduced to 20% from 2022 onwards. The corporate tax rate for companies in Singapore remains at 17% (2019: 17%).

(c) Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred taxes relate to the same taxable entity and the same tax authority. The following amounts, determined after appropriate offsetting, were shown in the balance sheets:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Deferred tax assets	44,998	59,139	–	–
Deferred tax liabilities	(15,656)	(21,529)	(211)	(373)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

10. TAX EXPENSE (CONT'D)

(c) Deferred tax assets and liabilities (cont'd)

Deferred tax assets and liabilities (prior to offsetting) comprise the following:

	Consolidated balance sheet		Consolidated income statement	
Group	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**
Deferred tax assets:				
Unutilised tax losses	28,903	39,456	11,853	(4,493)
Provisions	1,865	2,321	473	151
Post-employment benefits	6,580	6,603	174	(1,476)
Bearer plants	11,694	15,022	3,011	781
Others	3,675	2,055	(1,570)	2,955
	52,717	65,457		
Deferred tax liabilities:				
Biological assets	(5,625)	(6,488)	(665)	1,978
Differences in depreciation for tax purposes	(37)	(1,720)	(1,568)	(903)
Lease liabilities	(652)	(629)	32	10
Fair value adjustments on acquisition of subsidiaries	(13,588)	(16,452)	(2,593)	–
Others	(3,473)	(2,558)	698	1,125
	(23,375)	(27,847)		
Net deferred tax assets	29,342	37,610		
Deferred income tax			9,845	128

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

10. TAX EXPENSE (CONT'D)

(c) Deferred tax assets and liabilities (cont'd)

Company	Balance sheet 2020 US$'000	2019 US$'000
Deferred tax assets:		
Provisions	116	182
	116	182
Deferred tax liabilities:		
Differences in depreciation for tax purposes	(318)	(513)
Others	(9)	(42)
	(327)	(555)
Net deferred tax liabilities	(211)	(373)

Unrecognised tax losses and tax credits

As at 31 December 2020, the Group has unrecognised tax losses and tax credits of US$9.9 million (2019: US$8.8 million) and US$279.0 million (2019: US$296.7 million) respectively. The related deferred tax assets of US$2.0 million (2019: US$2.2 million) and US$55.8 million (2019: US$74.2 million) attributable to such tax losses and tax credits respectively were not recognised due to uncertainty of their recoverability, especially the tax credits which can only be claimed over an extended number of years, subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the country in which the companies operate. The tax losses will expire between 2021 and 2025 (2019: between 2020 and 2024).

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2020 and 2019, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of these subsidiaries will not be distributed in the foreseeable future and such temporary differences for which no deferred tax liability has been recognised aggregate to US$1,148 million (2019: US$1,057 million). The related deferred tax liability is estimated to be US$114.8 million (2019: US$105.7 million).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

	Group	
	2020	**2019**
Profit for the year attributable to owners of the Company (US$'000)	99,673	89,128
Weighted average number of ordinary shares* ('000)	1,581,726	1,584,073
Basic earnings per share (US cents)	6.30	5.63

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

There are no dilutive potential ordinary shares as at 31 December 2020 and 2019.

12. BEARER PLANTS

Bearer plants primarily comprise of oil palm plantations.

	Group	
	2020 US$'000	**2019 US$'000**
Cost		
At 1 January	811,499	795,752
Additions	17,619	17,301
Disposals	(5,119)	(5,843)
Reclassification to plasma receivables (Note 13)	(17,203)	(13,934)
Reclassification to property, plant and equipment (Note 14)	–	(17,196)
Exchange differences	(10,418)	35,419
At 31 December	796,378	811,499
Accumulated depreciation		
At 1 January	215,941	182,732
Charge for the year (Note 14)	30,431	31,091
Disposals	(5,058)	(3,131)
Reclassification to plasma receivables (Note 13)	(1,923)	(2,364)
Exchange differences	(2,245)	7,613
At 31 December	237,146	215,941
Net carrying amount	559,232	595,558

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

12. BEARER PLANTS (CONT'D)

	Group 2020 US$'000	Group 2019 US$'000
Nucleus production volume (tonnes)		
FFB	2,903,800	3,009,424
Nucleus planted area (hectares)*		
Mature	172,566	169,539
Immature	14,520	16,583
	187,086	186,122

* Nucleus planted areas include rubber plantations.

The plantations have not been insured against the risks of fire, diseases and other possible risks.

Additions to bearer plants consist of:

	Group 2020 US$'000	Group 2019 US$'000
Capital expenditure on bearer plants using cash	14,159	14,085
Capitalisation of depreciation on property, plant and equipment (Note 14)	3,460	3,216
	17,619	17,301

Assets pledged as security

As at 31 December 2020 and 2019, certain of the Group's bearer plants are pledged to secure facilities from financial institutions (Note 31).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

13. PLASMA RECEIVABLES

	Group	
	2020	2019
	US$'000	US$'000
At 1 January	72,864	50,926
Additional development costs	14,491	14,410
Gain arising from changes in carrying value of plasma receivables	4,676	2,744
Proceeds received	(47,602)	(8,571)
Reclassification from bearer plants (Note 12)	15,280	11,570
Write-back of/(provision for) for expected credit losses	1,421	(696)
Exchange differences	(1,540)	2,481
At 31 December	59,590	72,864
Current	549	1,080
Less: Allowance for expected credit losses	(6)	(58)
	543	1,022
Non-current	59,762	73,903
Less: Allowance for expected credit losses	(715)	(2,061)
	59,047	71,842
	59,590	72,864

Expected credit losses

The movement in allowance for expected credit losses of plasma receivables is as follows:

	Group	
	2020	2019
	US$'000	US$'000
At 1 January	2,119	1,355
(Credit)/charge for the year	(1,421)	696
Exchange differences	23	68
	721	2,119

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and improvements US$'000	Machinery and installations US$'000	Farming and transportation equipment US$'000	Furniture, fittings, office equipment and others US$'000	Assets under construction US$'000	Total US$'000
Cost						
At 1 January 2019	275,506	195,198	68,529	11,853	29,927	581,013
Additions	19,290	2,903	4,917	897	73,662	101,669
Disposals	(261)	–	(7,623)	–	(32)	(7,916)
Reclassifications	20,079	15,487	5	11	(35,582)	–
Reclassification from bearer plants (Note 12)	17,196	–	–	–	–	17,196
Exchange differences	12,601	8,573	2,243	494	2,013	25,924
At 31 December 2019 and 1 January 2020	344,411	222,161	68,071	13,255	69,988	717,886
Additions	16,641	5,696	1,668	437	37,754	62,196
Disposals	(10)	–	(1,191)	(25)	–	(1,226)
Reclassifications	59,478	17,466	–	39	(76,983)	–
Reclassification from land use rights (Note 15)	1,133	–	–	–	–	1,133
Exchange differences	(2,316)	(2,366)	(768)	(172)	(2,260)	(7,882)
At 31 December 2020	419,337	242,957	67,780	13,534	28,499	772,107
Accumulated depreciation						
At 1 January 2019	105,984	92,665	45,682	9,279	–	253,610
Charge for the year	20,420	12,762	6,572	1,116	–	40,870
Disposals	(168)	–	(7,526)	–	–	(7,694)
Exchange differences	4,779	4,091	1,487	393	–	10,750
At 31 December 2019 and 1 January 2020	131,015	109,518	46,215	10,788	–	297,536
Charge for the year	24,233	13,769	6,001	895	–	44,898
Disposals	(10)	–	(1,036)	(25)	–	(1,071)
Exchange differences	(1,095)	(1,128)	(382)	(124)	–	(2,729)
At 31 December 2020	154,143	122,159	50,798	11,534	–	338,634
Net carrying amount						
At 31 December 2020	265,194	120,798	16,982	2,000	28,499	433,473
At 31 December 2019	213,396	112,643	21,856	2,467	69,988	420,350

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Transportation equipment US$'000	Furniture, fittings, office equipment and others US$'000	Total US$'000
Cost			
At 1 January 2019	13,633	363	13,996
Additions	–	5	5
Disposals	(168)	–	(168)
At 31 December 2019 and 1 January 2020	13,465	368	13,833
Additions	293	17	310
Disposals	(463)	–	(463)
At 31 December 2020	13,295	385	13,680
Accumulated depreciation			
At 1 January 2019	9,192	287	9,479
Charge for the year	1,245	31	1,276
Disposals	(168)	–	(168)
At 31 December 2019 and 1 January 2020	10,269	318	10,587
Charge for the year	1,258	25	1,283
Disposals	(463)	–	(463)
At 31 December 2020	11,064	343	11,407
Net carrying amount			
At 31 December 2020	2,231	42	2,273
At 31 December 2019	3,196	50	3,246

Additions to property, plant and equipment consist of:

	Group 2020 US$'000	Group 2019 US$'000
Capital expenditure on property, plant and equipment using cash	53,935	79,128
Reclassification from advances for purchase of property, plant and equipment	8,146	19,318
Right-of-use assets	115	3,223
	62,196	101,669

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets under construction

As at 31 December 2020 and 2019, the Group's assets under construction relate primarily to buildings and infrastructure, as well as machinery and installations.

Assets pledged as security

As at 31 December 2020 and 2019, certain subsidiaries' property, plant and equipment are pledged to secure facilities from financial institutions (Note 31).

Right-of-use assets

As at 31 December 2020, the Group's right-of-use assets with carrying amount of US$4.3 million (2019: US$6.8 million) are classified under farming and transportation equipment.

Depreciation and amortisation

The depreciation and amortisation charges for the financial years ended 31 December 2020 and 2019 are as follows:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Depreciation of bearer plants (Note 12)	30,431	31,091
Depreciation of property, plant and equipment	44,898	40,870
Amortisation of land use rights (Note 15)	2,419	2,066
Amortisation of other intangible assets (Note 18)	4	55
	77,752	74,082
Depreciation included in cost of sales (Note 5)	68,910	65,615
Depreciation included in selling and distribution costs (Note 6)	742	671
Depreciation included in general and administrative expenses (Note 7)	2,217	2,459
Amortisation included in general and administrative expenses (Note 7)	4	55
Amortisation included in other operating expenses	2,419	2,066
Depreciation capitalised in bearer plants (Note 12)	3,460	3,216
	77,752	74,082

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

15. LAND USE RIGHTS

	Group 2020 US$'000	Group 2019 US$'000
Cost		
At 1 January	67,445	60,181
Additions	399	4,941
Disposal	–	(271)
Reclassification to property, plant and equipment (Note 14)	(1,133)	–
Reclassification from land permits (Note 18)	287	–
Exchange differences	(990)	2,594
At 31 December	66,008	67,445
Accumulated amortisation		
At 1 January	16,988	14,289
Amortisation charge for the year (Note 14)	2,419	2,066
Exchange differences	(162)	633
At 31 December	19,245	16,988
Net carrying amount	46,763	50,457
Amount to be amortised		
– Not later than one year	2,419	2,066
– Later than one year but not more than five years	9,676	8,265
– Later than five years	34,668	40,126
	46,763	50,457

Land use rights are in respect of:

(a) land premiums representing the cost of land rights owned by the Group which are amortised on a straight-line basis over their terms of 10 to 35 years. The terms may be extended subject to agreement with the Government of Indonesia and payment of premium; and

(b) deferred land rights acquisition costs representing the cost associated with the legal transfer or renewal for titles of land rights such as, among others, legal fees, land survey and re-measurement fees, taxes and other related expenses. Such costs are also deferred and amortised on a straight-line basis over the terms of the related land rights of 10 to 35 years.

As at 31 December 2020, the Group's land use rights cover a total land area of 234,211 hectares (2019: 234,822 hectares), representing HGU, HGB and HP. The legal terms of the existing land use rights of the Group expire on various dates between 2024 and 2054.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

15. LAND USE RIGHTS (CONT'D)

Assets pledged as security

As at 31 December 2020 and 2019, certain of the Group's land use rights are pledged to secure facilities from financial institutions (Note 31).

16. INVESTMENT IN SUBSIDIARIES

	Company 2020 US$'000	Company 2019 US$'000
Unquoted equity shares, at cost	876,081	751,081
At 1 January	751,081	481,587
Subscription for shares in subsidiaries (Note 16(d))	125,000	269,494
At 31 December	876,081	751,081

(a) *Composition of the Group*

The full list of subsidiaries is presented in Note 1(b).

(b) *Interest in subsidiary with material non-controlling interest ("NCI")*

The Group has the following subsidiary that has NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interests	Profit allocated to NCI during the reporting period US$'000	Accumulated NCI at the end of reporting period US$'000	Dividends paid to NCI during the reporting period US$'000
31 December 2020:					
PT CLP	Indonesia	4.49%	5,808	47,669	1,830
31 December 2019:					
PT CLP	Indonesia	4.49%	3,684	44,017	2,918

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Summarised financial information about subsidiary with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material NCI are as follows:

	PT CLP Group	
	2020	**2019**
	US$'000	**US$'000**
Summarised balance sheet		
Non-current		
Assets	928,359	1,039,667
Liabilities	(215,809)	(207,055)
Net non-current assets	712,550	832,612
Current		
Assets	409,335	186,723
Liabilities	(60,224)	(38,991)
Net current assets	349,111	147,732
Net assets	1,061,661	980,344
Summarised statement of comprehensive income		
Sales	493,795	409,972
Profit before tax	166,999	109,327
Tax expense	(37,638)	(27,280)
Profit for the year	129,361	82,047
Other comprehensive income	(13,852)	44,377
Total comprehensive income	115,509	126,424
Other summarised information		
Net cash generated from operating activities	135,941	127,731
Net cash used in investing activities	(49,637)	(82,114)
Net cash generated from/(used in) financing activities	68,083	(47,907)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Subscription for shares in subsidiaries

In 2020, the Company increased its investment in subsidiaries through the subscription of shares in PT Borneo Ketapang Permai ("PT BKP") amounting to US$125.0 million, funded by capitalisation of loan to subsidiary (Note 21). After the subscription, the equity interest of the Company in PT BKP remains unchanged at 95.00%.

In 2019, the Company increased its investment in subsidiaries through the subscription of shares in PT BKP and PT Falcon Agri Persada ("PT FAPE") amounting to US$256.3 million and US$13.2 million respectively, funded by a combination of cash and capitalisation of loan to subsidiary (Note 21). After the subscriptions, the equity interest of the Company in PT BKP and PT FAPE remain unchanged at 95.00%.

17. GOODWILL

	Group	
	2020	**2019**
	US$'000	**US$'000**
Cost		
At 1 January	84,393	81,013
Exchange differences	(1,221)	3,380
At 31 December	83,172	84,393

Impairment testing of goodwill

Goodwill arising from business combinations is allocated to individual cash-generating units ("CGU") for the purpose of impairment testing. The carrying amounts of goodwill allocated to each CGU are as follows:

	Group	
	2020	**2019**
	US$'000	**US$'000**
PT Borneo Ketapang Permai Group	4,709	4,778
PT Kalimantan Green Persada Group	9,207	9,342
PT Gerbang Sawit Indah	8,248	8,369
Lynhurst Group	31,602	32,065
PT Falcon Agri Persada	29,378	29,809
Others	28	30
	83,172	84,393

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

17. GOODWILL (CONT'D)

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management. The key assumptions used in the calculations are as follows:

	2020	2019
Terminal growth rate	3%	3%
Pre-tax discount rate	9%	10%
Projected average CPO price	US$772/tonne	US$689/tonne

The value in use is determined using a discounted cash flow model based on cash flow projections covering a period of 10 years (2019: 10 years), and projected average CPO price of US$772 per tonne (2019: US$689 per tonne).

Cash flows beyond the projected periods are extrapolated using the estimated terminal growth rate indicated above. The terminal growth rate used does not exceed the long-term average growth rates in the industry.

The discount rate applied to the cash flow projections is pre-tax and derived from the weighted average cost of capital ("WACC") of the Group. The WACC takes into account both the cost of debt and the cost of equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

Based on the above analysis, management has assessed that the goodwill is not impaired as at 31 December 2020 and 2019.

Sensitivity to changes in assumptions

Changes to the assumptions used by management to determine the recoverable amounts can have an impact on the results of the assessment. Management is of the opinion that no reasonably possible change in any of the key assumptions stated above would cause the carrying amount of the goodwill for each of the CGU to materially exceed their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

18. OTHER INTANGIBLE ASSETS

Group	Land permits US$'000	Software US$'000	Total US$'000
Cost			
At 1 January 2019	20,453	2,070	22,523
Additions	8,485	–	8,485
Exchange differences	1,002	57	1,059
At 31 December 2019 and 1 January 2020	29,940	2,127	32,067
Reclassification to land use rights (Note 15)	(287)	–	(287)
Exchange differences	(442)	(21)	(463)
At 31 December 2020	29,211	2,106	31,317
Accumulated amortisation			
At 1 January 2019	–	2,008	2,008
Amortisation charge during the year (Note 14)	–	55	55
Exchange differences	–	54	54
At 31 December 2019 and 1 January 2020	–	2,117	2,117
Amortisation charge during the year (Note 14)	–	4	4
Exchange differences	–	(20)	(20)
At 31 December 2020	–	2,101	2,101
Net carrying amount			
At 31 December 2020	29,211	5	29,216
At 31 December 2019	29,940	10	29,950

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

18. OTHER INTANGIBLE ASSETS (CONT'D)

Company	Software US$'000
Cost	
At 1 January 2019, 31 December 2019 and 31 December 2020	475
Accumulated amortisation	
At 1 January 2019, 31 December 2019 and 31 December 2020	475
Net carrying amount	
At 31 December 2019 and 31 December 2020	–

Land permits are not amortised. Amortisation will only commence upon reclassification from land permits to land use rights when HGU title has been obtained.

Software costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three to five years.

19. UNQUOTED INVESTMENT

	Group and Company 2020 US$'000	2019 US$'000
At fair value through profit or loss		
At 1 January	1,371	5,775
Additions	–	496
Loss arising from changes in fair value of unquoted investment	(1,371)	(4,900)
At 31 December	–	1,371

The unquoted investment relates to a 50% interest in a limited partnership which the Group does not retain control or significant influence over.

As at 31 December 2020, the fair value of the unquoted investment was assessed to be nil due to further deterioration in the financial position of the investee and a loss arising from changes in fair value of unquoted investment amounting to US$1.4 million (2019: US$4.9 million) was recognised by the Group.

The Company has subsequently executed a transfer agreement for its partnership interest to be fully transferred to a third party effective December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

20. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2020		2019	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Group				
Cross currency swaps	–	24,300	–	78,600
Commodity futures, options and swap contracts	4,209	41,158	251	73
Foreign currency options and forward contracts	–	239	6	–
Interest rate swaps	–	7,678	1,473	363
	4,209	73,375	1,730	79,036
Current	4,209	69,401	563	52,029
Non-current	–	3,974	1,167	27,007
	4,209	73,375	1,730	79,036
Company				
Cross currency swaps	–	24,300	–	78,600
Interest rate swaps	–	7,678	1,473	363
	–	31,978	1,473	78,963
Current	–	28,004	306	51,956
Non-current	–	3,974	1,167	27,007
	–	31,978	1,473	78,963

The Group classifies derivative financial instruments as financial assets/liabilities at fair value through profit or loss, except for certain derivatives designated as cash flow hedges, wherein hedge accounting has been applied.

Cross currency swaps

The Company has entered into cross currency swaps with financial institutions to hedge the foreign currency risk on its Ringgit-denominated Islamic medium term notes, mitigating the risk of changes in foreign currency rates. Based on the cross currency swap agreements, the financial institutions will swap the principal as well as the profit distribution amounts of the Company's Islamic medium term notes from Malaysian Ringgit into USD. Cash flow hedge accounting has been applied to these cross currency swaps as they are considered to be highly effective hedging instruments. In 2020, a net fair value gain of US$1.1 million (2019: net fair value loss US$2.0 million) has been included in other comprehensive income in respect of these contracts. As at 31 December 2020, the notional amount of the cross currency swaps outstanding amounted to MYR 0.4 billion (2019: MYR 1.0 billion).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

20. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D)

Commodity futures, options and swap contracts

The Group enters into certain commodity futures, options and swap contracts in order to hedge the commodity price risk related to the sale and purchase of palm based products. Cash flow hedge accounting may be applied to some of these derivatives as they are considered to be highly effective hedging instruments. A net fair value loss of US$23.7 million (2019: nil), with a related deferred tax credit of US$2.4 million (2019: nil), has been included in other comprehensive income in respect of these contracts. Other commodity futures, options and swap contracts entered into by the Group are accounted for at fair value through profit or loss.

Foreign currency options and forward contracts

The Group enters into certain foreign currency options and forward contracts in order to hedge the foreign currency risk related to the purchase of palm based products as well as the Company's forecasted dividend payments. Cash flow hedge accounting may be applied to some of these derivatives as they are considered to be highly effective hedging instruments. A net fair value loss of US$0.2 million, with a related deferred tax credit of US$24,000, had been included in other comprehensive income in respect of these contracts. Other foreign currency options and forward contracts entered into by the Group are accounted for at fair value through profit or loss.

Interest rate swaps

The Company has entered into interest rate swaps with financial institutions to hedge the interest rate risk arising from its floating rate debts, mitigating the risk of changes in market interest rates. Based on the interest rate swap agreements, the floating rates on the Company's bank loans are swapped into fixed rates. Cash flow hedge accounting has been applied to these interest rate swaps as they are considered to be highly effective hedging instruments. In 2020, a net fair value loss of US$8.7 million (2019: US$0.8 million) has been included in other comprehensive income in respect of these contracts. As at 31 December 2020, the notional amount of the interest rate swaps outstanding amounted to US$342.3 million (2019: US$227.7 million).

21. LOAN TO SUBSIDIARY

The loan to subsidiary was denominated in USD, unsecured and bore interest at 5.50% per annum as at 31 December 2019.

	Company	
	2020	**2019**
	US$'000	**US$'000**
Loan to subsidiary	–	125,000
Less: Allowance for expected credit losses	–	(875)
	–	124,125

In 2020, US$125.0 million (2019: US$245.0 million) of the loan to subsidiary has been capitalised as investment in subsidiaries (Note 16(d)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

21. LOAN TO SUBSIDIARY (CONT'D)

Expected credit losses

The movement in allowance for expected credit losses of the loan to subsidiary is as follows:

	Group	
	2020	**2019**
	US$'000	**US$'000**
At 1 January	875	2,590
Write-back during the year	(875)	(1,715)
At 31 December	–	875

22. BIOLOGICAL ASSETS

Biological assets relate to agricultural produce growing on bearer plants, which is referred to as FFB, with the following movements in carrying value:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Fair value		
At 1 January	25,952	17,183
Gain arising from changes in fair value of biological assets	3,870	7,913
Exchange differences	(246)	856
At 31 December	29,576	25,952

23. INVENTORIES

	Group	
	2020	**2019**
	US$'000	**US$'000**
Palm based products	77,731	46,674
Fertilisers and chemicals	11,868	21,874
Spare parts and other consumables	13,226	13,173
	102,825	81,721

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

24. TRADE RECEIVABLES

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Trade receivables from:				
– Third parties	76,142	43,086	–	–
– Subsidiaries	–	–	–	1,143
– Related parties	2,348	223	–	–
Less: Allowance for expected credit losses	(452)	(923)	–	–
	78,038	42,386	–	1,143

Trade receivables are non-interest bearing and generally due within 30 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables are denominated in the following currencies:

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Indonesian Rupiah	36,828	8,904	–	–
United States Dollar	41,210	33,482	–	1,143
	78,038	42,386	–	1,143

Receivables that are past due but not impaired

An analysis of trade receivables that are past due but not impaired as at the end of the reporting period is as follows:

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Trade receivables past due:				
Lesser than 30 days	1,282	28	–	–
30 to 60 days	106	118	–	–
More than 60 days	527	946	–	–
	1,915	1,092	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

24. TRADE RECEIVABLES (CONT'D)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables is as follows:

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
At 1 January	923	462	–	–
(Credit)/charge for the year (Note 9)	(471)	447	–	–
Exchange differences	–	14	–	–
At 31 December	452	923	–	–

25. OTHER RECEIVABLES

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Interest receivable	9	119	3	60
Amounts due from related parties	5	7	–	–
Sundry receivables	3,075	2,686	226	226
	3,089	2,812	229	286

The amounts due from related parties are non-trade related, unsecured, non-interest bearing, repayable on demand and expected to be settled in cash.

Other receivables are denominated in the following currencies:

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Indonesian Rupiah	2,849	2,465	–	–
United States Dollar	232	340	226	285
Singapore Dollar	8	7	3	1
	3,089	2,812	229	286

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

26. ADVANCES AND PREPAYMENTS

Advances for purchase of property, plant and equipment

Advances for purchase of property, plant and equipment represent advance payments made to suppliers and contractors in relation to the following items:

	Group	
	2020 US$'000	2019 US$'000
Buildings and improvements	1,344	5,493
Machinery and installations	1,121	2,864
Others	–	182
	2,465	8,539

Other advances and prepayments

Other advances and prepayments relate mainly to payments made for purchase of inventories and other miscellaneous items. These payments are non-interest bearing, unsecured and expected to be fulfilled within the next 12 months.

27. CASH AND BANK BALANCES

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Cash at banks and on hand	191,040	59,022	18,649	4,496
Restricted cash balances	4,065	42,989	9	41,849
	195,105	102,011	18,658	46,345

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

27. CASH AND BANK BALANCES (CONT'D)

As at the end of the reporting period, the Group has the following bank overdrafts which have been netted against cash at banks as the Group has the legal rights to set off the overdrafts against the cash at banks, which are with the same banks:

	Group	
	2020	2019
	US$'000	US$'000
Cash at banks and on hand (Gross carrying amounts prior to offsetting)	363,348	140,860
Bank overdrafts (Gross amounts offset in the balance sheet)	(172,308)	(81,838)
Cash at banks and on hand (Net amounts in the balance sheet)	191,040	59,022

Cash at banks earn interest at floating rates based on daily bank deposit rates. The weighted average effective interest rate of the Group's cash and cash equivalents during the year is 0.2% (2019: 0.5%) per annum.

Restricted cash balances relate to cash deposits maintained with brokers and banks which are not freely remissible for use by the Group.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
Indonesian Rupiah	31,535	21,209	–	–
United States Dollar	155,924	78,451	11,527	44,542
Singapore Dollar	7,609	2,214	7,122	1,794
Others	37	137	9	9
	195,105	102,011	18,658	46,345

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

28. TRADE PAYABLES

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Trade payables to:				
– Third parties	21,731	18,332	–	–
– Related parties	2,254	827	–	–
	23,985	19,159	–	–

Trade payables are non-interest bearing and generally due within 30 to 90 days.

Trade payables are denominated in the following currencies:

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Indonesian Rupiah	21,885	18,134	–	–
United States Dollar	2,100	1,025	–	–
	23,985	19,159	–	–

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Accrued employee costs	14,228	13,530	1,112	1,442
Accrued financial expenses	950	1,573	950	1,555
Accrued contractor fees	9,510	11,943	–	–
Accrued transportation costs	2,107	2,725	–	–
Amounts due to financial institutions	5,642	12	–	–
Allowance for expected credit losses on financial guarantees	1,384	684	–	–
Others	6,946	4,669	193	311
	40,767	35,136	2,255	3,308

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

29. OTHER PAYABLES AND ACCRUALS (CONT'D)

Other payables and accruals are denominated in the following currencies:

	Group		Company	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
Indonesian Rupiah	31,802	31,053	–	–
United States Dollar	7,228	2,204	975	1,784
Singapore Dollar	1,737	1,879	1,280	1,524
	40,767	35,136	2,255	3,308

30. ADVANCES FROM CUSTOMERS

Advances from customers represent advance payments relating to the sale of palm based products. These payments are trade related, unsecured, non-interest bearing and the obligations to the customers are expected to be fulfilled within the next 12 months.

Revenue recognised during the financial year ended 31 December 2020 that was included in the advances from customers at the beginning of the year amounted to US$2.6 million (2019: US$2.9 million).

31. LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS

		Interest rate (per annum)		Group	
		2020	2019	2020	2019
	Maturity	%	%	US$'000	US$'000
Current					
Bank loans	2021	1.3 – 3.6	2.8 – 4.4	83,340	45,010
Lease liabilities	2021	3.4 – 13.8	3.4 – 14.9	1,881	3,137
				85,221	48,147
Non-current					
Bank loans	2022-2025	1.3 – 3.6	2.8 – 4.4	256,378	116,571
Lease liabilities	2022-2023	3.4 – 13.8	3.4 – 14.9	605	2,415
				256,983	118,986
				342,204	167,133

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31. LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS (CONT'D)

	Maturity	Interest rate (per annum) 2020 %	Interest rate (per annum) 2019 %	Company 2020 US$'000	Company 2019 US$'000
Current					
Bank loans	2021	1.3 – 3.6	2.8 – 4.4	83,340	45,010
Non-current					
Bank loans	2022-2025	1.3 – 3.6	2.8 – 4.4	256,378	116,571
				339,718	161,581

Bank loans

The Group's bank loans as at 31 December 2020 and 2019 comprise of unsecured term loan facilities from banks in Singapore.

As at 31 December 2020, the Group has undrawn committed unsecured credit facilities available of US$100.0 million (2019: US$325.0 million), which may be utilised for the Group's general corporate purposes.

Subsequent to 31 December 2020, the Group has obtained additional committed unsecured credit facilities of US$150.0 million, which is available to be drawn down from July to October 2021 and may be utilised for the full refinancing of the Islamic medium term notes due in October 2021 as well as the Group's general corporate purposes.

Lease liabilities

The Group entered into capital lease agreements for the purchase of farming equipment and motor vehicles incidental to the ordinary course of its business (Note 33).

Loans and borrowings from financial institutions are denominated in the following currencies:

	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
Indonesian Rupiah	2,486	5,552	–	–
United States Dollar	339,718	161,581	339,718	161,581
	342,204	167,133	339,718	161,581

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31. LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS (CONT'D)

A reconciliation of liabilities arising from the Group's financing activities is as follows:

				Non-cash changes			
	01.01.2020 US$'000	Cash inflows US$'000	Cash outflows US$'000	Foreign exchange US$'000	Amortisation of issuance costs US$'000	Others US$'000	31.12.2020 US$'000
Bank loans							
– current	45,010	13,815	(45,417)	–	654	69,278	83,340
– non-current	116,571	214,085	(5,000)	–	–	(69,278)	256,378
Lease liabilities							
– current	3,137	–	(3,005)	(84)	–	1,833	1,881
– non-current	2,415	–	–	(93)	–	(1,717)	605
Islamic medium term notes (Note 32)							
– current	146,554	–	(198,020)	(2,420)	62	153,265	99,441
– non-current	97,631	–	–	(1,484)	43	(96,190)	–
	411,318	227,900	(251,442)	(4,081)	759	57,191	441,645

The 'others' column relates to reclassification of non-current portion of loans and borrowings due to passage of time, lease liabilities entered into for acquisition of property, plant and equipment and settlement of cross currency swaps upon maturity of the Islamic medium term notes.

				Non-cash changes			
	01.01.2019 US$'000	Cash inflows US$'000	Cash outflows US$'000	Foreign exchange US$'000	Amortisation of issuance costs US$'000	Others US$'000	31.12.2019 US$'000
Bank loans							
– current	27,582	11,386	(27,917)	–	337	33,622	45,010
– non-current	106,795	43,398	–	–	–	(33,622)	116,571
Lease liabilities							
– current	2,529	–	(3,450)	115	–	3,943	3,137
– non-current	3,022	–	–	113	–	(720)	2,415
Islamic medium term notes (Note 32)							
– current	–	–	–	1,765	113	144,676	146,554
– non-current	241,073	–	–	1,177	57	(144,676)	97,631
	381,001	54,784	(31,367)	3,170	507	3,223	411,318

The 'others' column relates to reclassification of non-current portion of loans and borrowings due to passage of time and lease liabilities entered into for acquisition of property, plant and equipment.

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32. ISLAMIC MEDIUM TERM NOTES

	Maturity date	Distribution rate (per annum)	Group and Company 2020 US$'000	Group and Company 2019 US$'000
Third issuance	5 June 2020	4.35%	–	146,602
Fourth issuance	27 October 2021	4.85%	99,488	97,735
			99,488	244,337
Less:				
Issuance costs			401	1,183
Accumulated amortisation			(354)	(1,031)
			47	152
Islamic medium term notes, net			99,441	244,185
Current			99,441	146,554
Non-current			–	97,631
			99,441	244,185

On 18 June 2012, the Company was granted approval by the Securities Commission of Malaysia to establish a Ringgit-denominated Islamic medium term note programme ("Programme") of up to MYR 2.0 billion under the laws of Malaysia. The tenure of the Programme shall be up to 10 years from the date of the first issuance being 31 July 2012.

Under the Programme, the Company may issue Islamic medium term notes from time to time in Malaysian Ringgit in various amounts and tenors of more than a year and up to a maximum tenor of 10 years. The Islamic medium term notes are unsecured, bear periodic distribution rates payable semi-annually in arrears, and will not be listed on any stock exchange.

The Company had repaid the first, second and third issuances of the Islamic medium term notes on 31 July 2017, 8 December 2017 and 5 June 2020 respectively.

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33. LEASES

Group as a lessee

The Group has lease contracts for land use rights, property, plant and equipment and office premises. Where practicable, extension options exercisable by the lessees are included in the lease contracts to provide operational flexibility.

(a) Right-of-use assets

The Group's associated right-of-use assets were recognised and presented within property, plant and equipment (Note 14) and land use rights (Note 15), while rental of office premises did not have any material financial impact.

(b) Lease liabilities

The Group's lease liabilities and the movement during the year are disclosed in Note 31 and the maturity analysis of lease liabilities is disclosed in Note 43(e). The Group has applied an incremental borrowing rate of 2.9% (2019: 3.5%) to discount the future lease payments.

34. PROVISION FOR POST-EMPLOYMENT BENEFITS

The Group recognised employment benefits for all its permanent employees in Indonesia pursuant to Indonesian Labor Law No. 13/2003. The provision for employment benefits is based on the calculation of an independent actuary, using the "Projected Unit Credit" method. No fund was provided for such liability for employment benefits.

The significant assumptions used in determining the provision for post-employment benefits are as follows:

	2020	**2019**
Normal Pension Age	55 Years	55 Years
Salary Increment Rate per annum	8%	8%
Discount Rate per annum	6.83%	7.79%
Mortality Rate	Table Mortality Indonesia 2019	Table Mortality Indonesia 2011
Disability Rate	1% of mortality rate	1% of mortality rate
Resignation Rate	0% to 5%	0% to 5%
Valuation Method	Projected Unit Credit	Projected Unit Credit

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34. PROVISION FOR POST-EMPLOYMENT BENEFITS (CONT'D)

Changes in the present value of defined benefit obligation are as follows:

	Group	
	2020 US$'000	2019 US$'000
At 1 January	27,425	21,490
Net employee benefit expense charged to profit or loss (Note 38)	7,265	6,651
Remeasurement loss/(gain)		
– Actuarial loss/(gain) arising from changes in financial assumptions	582	(342)
Benefits paid	(471)	(1,357)
Exchange differences	(165)	983
At 31 December	34,636	27,425

The following summarises the components of net employee benefit expense relating to defined benefit plans recognised in profit or loss as follows:

	Group	
	2020 US$'000	2019 US$'000
Interest cost on benefit obligation	1,862	1,367
Current service cost	5,403	5,099
Past service cost	–	185
	7,265	6,651

The breakdown of net employee benefit expense relating to defined benefit plans are as follows:

	Group	
	2020 US$'000	2019 US$'000
Cost of sales (Note 5)	5,684	4,701
General and administrative expenses (Note 7)	1,377	1,315
Others	204	635
	7,265	6,651

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34. PROVISION FOR POST-EMPLOYMENT BENEFITS (CONT'D)

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefits obligation as of the end of the reporting period, assuming if all the other assumptions were held constant.

Group	Increase/ (decrease)	Change in present value of defined benefit obligation 2020 US$'000	2019 US$'000
Discount rate	1% increase	(3,451)	(2,645)
	1% decrease	4,090	3,126
Future salary growth	1% increase	4,157	3,209
	1% decrease	(3,567)	(2,758)

35. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

Group and Company	2020 No. of shares '000	2020 US$'000	2019 No. of shares '000	2019 US$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	1,584,073	394,913	1,584,073	394,913

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restriction. The ordinary shares have no par value.

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For the financial year ended 31 December 2020

35. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(b) *Treasury shares*

	2020	
Group and Company	**No. of shares '000**	**US$'000**
At 1 January	–	–
Buy-back of ordinary shares	5,923	5,572
At 31 December	5,923	5,572

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 5,922,500 shares in the Company through purchases on the Singapore Exchange during the financial year ended 31 December 2020. The total amount paid to acquire the shares was US$5,572,000 and this was presented as a component within shareholders' equity. There were no treasury shares issued pursuant to the Company's employee share option scheme and share award scheme during the financial year ended 31 December 2020.

The Company did not have any treasury shares or employee share schemes as at 31 December 2019.

36. DIFFERENCES ARISING FROM RESTRUCTURING TRANSACTIONS INVOLVING ENTITIES UNDER COMMON CONTROL

This represents the difference between the consideration paid and the share capital of the "acquired" entities.

37. OTHER RESERVES

The composition of other reserves are as follows:

	Group		Company	
	2020 US$'000	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**
Capital reserve	(29,096)	(29,096)	–	–
Revaluation reserve	279	279	–	–
Gain on sale of treasury shares	10,322	10,322	10,322	10,322
Hedging reserve	(30,207)	(1,019)	(8,660)	(1,019)
Foreign translation reserve	(56,419)	(42,526)	393	393
	(105,121)	(62,040)	2,055	9,696

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For the financial year ended 31 December 2020

37. OTHER RESERVES (CONT'D)

Capital reserve

Capital reserve represents the premium paid for the acquisition of non-controlling interests over the fair value of the identifiable assets and liabilities of a subsidiary.

Revaluation reserve

Revaluation reserve represents increases in the fair value of property, plant and equipment, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

Gain on sale of treasury shares

This represents the gain arising from sale of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

Hedging reserve

Hedging reserve represents the cumulative fair value changes, net of tax, of the derivative financial instruments designated as cash flow hedges.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
At 1 January	(1,019)	1,792	(1,019)	1,792
Fair value loss on cash flow hedges, net of tax and non-controlling interests	(55,403)	(123)	(14,906)	(221)
Reclassification to profit or loss				
– Sales	18,950	(98)	–	–
– Loss/(gain) on foreign exchange	3,906	(2,943)	3,906	(2,943)
– Net financial expenses	3,359	353	3,359	353
At 31 December	(30,207)	(1,019)	(8,660)	(1,019)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

37. OTHER RESERVES (CONT'D)

Foreign translation reserve

The foreign translation reserve represents exchange differences arising from the translation of the financial statements of companies in the Group whose functional currencies are different from that of the Group's presentation currency and a loan to subsidiary which forms part of the Company's net investment in subsidiaries.

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
At 1 January	(42,526)	(98,416)	393	393
Foreign currency translation adjustments	(13,893)	55,890	–	–
At 31 December	(56,419)	(42,526)	393	393

38. EMPLOYEE BENEFITS

	Group	
	2020 US$'000	2019 US$'000
Salaries, bonuses and other benefits	84,605	87,482
Net employee benefit expense relating to defined benefit plans (Note 34)	7,265	6,651
Central Provident Fund contributions	237	254
	92,107	94,387

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For the financial year ended 31 December 2020

39. RELATED PARTY DISCLOSURES

(a) *Transactions with related parties*

In addition to those related party information provided elsewhere in the relevant notes to the consolidated financial statements, the following significant transactions between the Group and related parties (who are not members of the Group) took place during the financial year at terms agreed between the parties:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Lease of office premises	596	627
Purchases of goods	47,915	8,690
Sales of goods	247	118
Net settlement for commodity sale and purchase contracts	7,160	–
Service fees	118	–

(b) *Compensation of key management personnel*

	Group	
	2020	**2019**
	US$'000	**US$'000**
Salaries, bonuses and other benefits	5,241	6,011
Directors' fees	332	303
Net employee benefit expense relating to defined benefit plans	304	277
Central Provident Fund contributions	50	51
	5,927	6,642
Comprise amounts paid to:		
– Directors of the Company	1,749	2,161
– Other key management personnel	4,178	4,481
	5,927	6,642

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

40. COMMITMENTS AND CONTINGENCIES

(a) *Capital commitments*

Significant capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group 2020 US$'000	Group 2019 US$'000
Capital commitments in respect of property, plant and equipment	16,041	11,877

(b) *Commitments for sales and purchases contracts*

The Group enters into sales and purchases contracts for palm based products in the normal course of its business. The notional amounts of the committed contacts with fixed pricing terms that were outstanding as at 31 December are as follows:

	Group 2020 US$'000	Group 2019 US$'000
Sales	173,738	79,628
Purchases	26,196	10,736

(c) *Contingent liabilities*

The Company has provided corporate guarantees to certain external parties in the ordinary course of business, guaranteeing the obligations of a subsidiary in the event of any non-performance by the subsidiary in respect of its contracts with these external parties. As at 31 December 2020, the Company's contingent liabilities arising from these corporate guarantees amounted to US$40.5 million (2019: nil).

Certain subsidiaries have guaranteed US$70.7 million (2019: US$26.3 million) in respect of plasma farmers' loans repayable to banks at the time when the plasma plantations are converted. These loans are being repaid by the plasma farmers on an instalment basis through a withholding mechanism on sales of the plasma crops to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

41. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

As at the end of the reporting period, the following are the different classes of financial assets and liabilities:

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Assets				
At amortised cost				
Plasma receivables	59,590	72,864	–	–
Trade receivables	78,038	42,386	–	1,143
Other receivables	3,089	2,812	229	286
Loan to subsidiary	–	–	–	124,125
Restricted cash balances	4,065	42,989	9	41,849
Cash and cash equivalents	191,040	59,022	18,649	4,496
	335,822	220,073	18,887	171,899
At fair value through other comprehensive income				
Derivative financial assets	896	1,473	–	1,473
At fair value through profit or loss				
Derivative financial assets	3,313	257	–	–
Unquoted investment	–	1,371	–	1,371
	3,313	1,628	–	1,371

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

41. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Liabilities				
At amortised cost				
Trade payables	23,985	19,159	–	–
Other payables and accruals	40,767	35,136	2,255	3,308
Loans and borrowings from financial institutions	342,204	167,133	339,718	161,581
Islamic medium term notes	99,441	244,185	99,441	244,185
	506,397	465,613	441,414	409,074
At fair value through other comprehensive income				
Derivative financial liabilities	56,815	78,963	31,978	78,963
At fair value through profit or loss				
Derivative financial liabilities	16,560	73	–	–

42. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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42. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
2020				
Assets measured at fair value:				
Non-financial assets				
Biological assets	–	–	29,576	29,576
Financial assets				
Derivative financial assets	1	4,208	–	4,209
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	–	73,375	–	73,375
2019				
Assets measured at fair value:				
Non-financial assets				
Biological assets	–	–	25,952	25,952
Financial assets				
Derivative financial assets	251	1,479	–	1,730
Unquoted investment	–	–	1,371	1,371
	251	1,479	1,371	3,101
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	73	78,963	–	79,036

NOTES TO THE FINANCIAL STATEMENTS

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42. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value (cont'd)

Company	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
2020				
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	–	31,978	–	31,978
2019				
Assets measured at fair value:				
Financial assets				
Derivative financial assets	–	1,473	–	1,473
Unquoted investment	–	–	1,371	1,371
	–	1,473	1,371	2,844
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	–	78,963	–	78,963

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

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42. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) *Level 2 fair value measurements (cont'd)*

Derivative financial assets/liabilities

Commodity options and swap contracts

Commodity options and swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and Black-Scholes models, using present value calculations. The models incorporate various inputs including commodity spot and forward rates, commodity volatility prices based on broker quotes and forward rate curves.

Cross currency swaps and interest rate swaps

Cross currency swap and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves.

(d) *Level 3 fair value measurements*

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value US$'000	Valuation techniques	Unobservable inputs	Range
2020				
Biological assets	29,576	Income approach	Projected harvest quantities	227,000 tonnes
			Market price of FFB	US$111/tonne – US$155/tonne
2019				
Biological assets	25,952	Income approach	Projected harvest quantities	223,000 tonnes
			Market price of FFB	US$99/tonne – US$145/tonne
Unquoted investment	1,371	Income approach	Costs of disposal based on management estimate	US$500,000 – US$700,000

For biological assets, changes in projected harvest quantities and market price of FFB will result in directionally similar changes in fair value measurement.

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42. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) Level 3 fair value measurements (cont'd)

(ii) Movements in Level 3 assets measured at fair value

The movements in unquoted investment and biological assets measured at fair value are disclosed in Note 19 and Note 22 respectively.

(iii) Valuation policies and procedures

Fair value of biological assets

To determine the fair value of biological assets, the income approach has been adopted by the Group as being the most appropriate valuation technique. Under the income approach, the expected cash flows from the agricultural produce on the bearer plants are estimated based on the projected harvest quantities and the market price of FFB, net of harvesting costs and estimated costs to sell. The price of the FFB is largely dependent on the prevailing market prices of crude palm oil and palm kernel.

Management reviews the appropriateness of the fair valuation methodologies and assumptions adopted and also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

Fair value of unquoted investment

The fair value of the unquoted investment has been determined based on fair value less costs of disposal, which approximates its adjusted net asset value at reporting date.

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42. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(e) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the assets and liabilities not measured at fair value but for which fair value is disclosed:

	Fair value measurements at the end of the reporting period using				
Group and Company	**Quoted prices in active market for identical instruments (Level 1) US$'000**	**Significant other observable inputs (Level 2) US$'000**	**Significant unobservable inputs (Level 3) US$'000**	**Total US$'000**	**Carrying amount US$'000**
2020					
Liabilities					
Islamic medium term notes	–	101,617	–	101,617	99,441
2019					
Liabilities					
Islamic medium term notes	–	247,128	–	247,128	244,185

Determination of fair value

The fair values of the Islamic medium term notes as disclosed in the table above are estimated by reference to the latest transacted prices during 2020 and 2019.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, market risk (including foreign currency risk and commodity price risk), credit risk and liquidity risk. The board of directors reviews and agrees on the policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from its floating rate bank loans and deposits with financial institutions.

The Group manages interest rate risk on an ongoing basis and may enter into interest rate swaps with the primary objective of limiting the effects of adverse movements in interest rates on floating rate debt.

Sensitivity analysis for interest rate risk

At the end of the reporting period, had the interest rates been 50 basis points (2019: 50 basis points) higher/lower, ceteris paribus, the Group's profit before tax and equity would have increased/(decreased) by the amounts shown below, as a result of higher/lower interest income from floating rate deposits with financial institutions and changes in fair value of interest rate swap contracts:

	2020		2019	
Group	**Profit before tax US$'000**	**Equity US$'000**	**Profit before tax US$'000**	**Equity US$'000**
Increase in interest rates	976	4,277	235	2,717
Decrease in interest rates	(976)	(4,340)	(235)	(2,769)

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily Indonesian Rupiah ("IDR") and USD. The foreign currencies in which these transactions are denominated are mainly USD, Singapore Dollar ("SGD") and Malaysian Ringgit ("MYR"). To the extent that the foreign denominated sales and purchases of the Group are not evenly matched in terms of quantum and/or timing, the Group has exposure to foreign currency risk.

The Group is also exposed to currency translation risk arising from its financial assets and liabilities that are denominated in currencies other than the respective functional currencies of the Group's entities.

To manage the currency risk, the Group may enter into foreign currency options and forward contracts to hedge against volatility in exchange rates.

The Group's foreign currency exposures are highlighted in Notes 24, 25, 27, 28, 29, 31 and 32 respectively.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in the IDR, SGD and MYR exchange rates against the USD as at the end of the reporting period, ceteris paribus.

	2020		2019	
Group	**Profit before tax US$'000**	**Equity US$'000**	**Profit before tax US$'000**	**Equity US$'000**
IDR against USD				
– strengthened 10% (2019: 10%)	(10,531)	151,178	(316)	144,755
– weakened 10% (2019: 10%)	12,871	(149,353)	386	(146,563)
SGD against USD				
– strengthened 5% (2019: 5%)	294	244	17	14
– weakened 5% (2019: 5%)	(294)	(244)	(17)	(14)
MYR against USD				
– strengthened 10% (2019: 10%)	4	430	39	654
– weakened 10% (2019: 10%)	(4)	(430)	(39)	(654)

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) *Commodity price risk*

The Group's exposure to commodity price risk arises primarily from its purchases of raw materials and sales of palm based products. Prices of raw materials and palm based products may fluctuate significantly depending on the market situation and factors such as weather, government policy, level of demand and supply in the market and the global economic environment. During periods of unfavourable price volatility, the Group may enter into forward physical contracts with suppliers and customers or use commodity futures, options and swap contracts in the conduct of business to manage our price risk.

Sensitivity analysis for commodity price risk

During the reporting period, had the average selling prices of palm based products been 10% higher/lower, ceteris paribus, profit before tax for the financial year ended 31 December 2020 would have been US$51.3 million (2019: US$50.5 million) higher/lower.

At the end of the reporting period, had the market price of palm based products been 10% higher/lower, ceteris paribus, the Group's profit before tax and equity would have (decreased)/increased by the amounts shown below, as a result of changes in fair value of commodity futures, options and swap contracts:

	2020		2019	
Group	**Profit before tax US$'000**	**Equity US$'000**	**Profit before tax US$'000**	**Equity US$'000**
Increase in prices of palm based products	(7,257)	(22,446)	–	–
Decrease in prices of palm based products	7,352	23,276	–	–

(d) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's and the Company's exposure to credit risk arises primarily from trade and plasma receivables.

The Group trades only with recognised and creditworthy third parties and conducts business by requiring payment in advance, letter of credit, cash on delivery or may grant customers credit terms, where appropriate. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Credit risk (cont'd)

For other financial assets (including cash and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company consider the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The following are the quantitative and qualitative information about the expected credit losses provided by the Group.

Trade receivables

The Group provides for lifetime ECL for its trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on company size and payment mode. The calculation of the expected credit losses also incorporates forward looking information such as forecasts of economic conditions in the industry that the customers operate in.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Current US$'000	<30 days past due US$'000	31-60 days past due US$'000	61-90 days past due US$'000	>90 days past due US$'000	Total US$'000
2020						
Gross carrying amount	76,532	1,290	106	67	495	78,490
Loss allowance	409	8	–	–	35	452
2019						
Gross carrying amount	42,217	28	118	102	844	43,309
Loss allowance	592	2	15	21	293	923

Information regarding the movement in the allowance for expected credit loss of trade receivables is disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) *Credit risk (cont'd)*

Plasma receivables and financial guarantees provided for plasma bank loans

The Group computes expected credit loss for plasma receivables and the financial guarantees provided for plasma bank loans using the general approach. Loss allowance for 12-month ECL is recognised, which represents the consequences and probabilities of possible defaults. In calculating the expected credit loss rates, the Group considers the difference in credit spreads between the interest rate on loans provided by banks to the plasma farmers and the Indonesian Government bond yield rates, and adjusts for forward-looking information such as forecasts of future economic conditions and interest rates.

The movements in the allowance for expected credit losses of plasma receivables and the financial guarantees provided for plasma bank loans are as follows:

	2020		2019	
Group	**Plasma receivables US$'000**	**Financial guarantees US$'000**	**Plasma receivables US$'000**	**Financial guarantees US$'000**
At 1 January	2,119	684	1,355	533
(Credit)/charge for the year (Note 9)	(1,421)	655	696	126
Exchange differences	23	45	68	25
At 31 December	721	1,384	2,119	684

Excessive risk concentration

The Group's policies and procedures include specific guidelines on maintaining a diversified portfolio of counterparties, wherein counterparty limits are set to avoid excessive concentrations of credit risks in a single customer or bank. Any identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the balance sheets; and

– an amount of US$70.7 million (2019: US$26.3 million) relating to financial guarantees provided by certain subsidiaries for repayment of plasma farmers' loans to banks (Note 40(c)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual customers' outstanding balances on an ongoing basis.

At the end of the reporting period, 64.6% (2019: 78.3%) of the Group's trade receivables were due from three (2019: five) customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group. Cash and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 and Note 24.

(e) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting obligations due to shortage of funds. The Group monitors its liquidity risk by actively managing its operating cash flows, debt maturity profile and availability of funding. The Group also aims at maintaining flexibility in funding by keeping credit facilities available with different banks, including trade finance lines and committed credit facilities that can be used for the Group's purchases and general corporate purposes.

The COVID-19 pandemic has no significant impact on the liquidity risk for the Group, as the Group has sufficient credit facilities to meet both its long and short term requirements

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
2020				
Trade and other payables	64,752	–	–	64,752
Bank loans	88,560	263,760	–	352,320
Lease liabilities	2,109	660	–	2,769
Islamic medium term notes	104,313	–	–	104,313
Derivative financial liabilities:				
– Cross currency swaps (gross receipts)	(104,313)	–	–	(104,313)
– Cross currency swaps (gross payments)	127,738	–	–	127,738
– Other derivatives	45,139	3,982	–	49,121
	328,298	268,402	–	596,700
2019				
Trade and other payables	54,295	–	–	54,295
Bank loans	49,827	120,697	–	170,524
Lease liabilities	3,633	2,685	–	6,318
Islamic medium term notes	154,510	102,475	–	256,985
Derivative financial liabilities:				
– Cross currency swaps (gross receipts)	(154,510)	(102,475)	–	(256,985)
– Cross currency swaps (gross payments)	206,508	127,738	–	334,246
– Other derivatives	201	242	–	443
	314,464	251,362	–	565,826

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
2020				
Trade and other payables	2,255	–	–	2,255
Bank loans	88,560	263,760	–	352,320
Islamic medium term notes	104,313	–	–	104,313
Derivative financial liabilities:				
– Cross currency swaps (gross receipts)	(104,313)	–	–	(104,313)
– Cross currency swaps (gross payments)	127,738	–	–	127,738
– Other derivatives	3,705	3,982	–	7,687
	222,258	267,742	–	490,000
2019				
Trade and other payables	3,308	–	–	3,308
Bank loans	49,827	120,697	–	170,524
Islamic medium term notes	154,510	102,475	–	256,985
Derivative financial liabilities:				
– Cross currency swaps (gross receipts)	(154,510)	(102,475)	–	(256,985)
– Cross currency swaps (gross payments)	206,508	127,738	–	334,246
– Other derivatives	128	242	–	370
	259,771	248,677	–	508,448

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

44. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2020 and 2019.

The Group monitors capital through its Debt/EBITDA ratio, which is gross debt divided by profit from operations before depreciation, amortisation, expected credit losses and gain/(loss) arising from changes in fair value of biological assets ("EBITDA"). The Group's policy is to maintain a Debt/EBITDA ratio of no more than 3.75 times.

	Group	
	2020 US$'000	**2019 US$'000**
Loans and borrowings from financial institutions (Note 31)	342,204	167,133
Islamic medium term notes (Note 32)	99,441	244,185
Gross debt	441,645	411,318
EBITDA	259,191	218,799
Debt/EBITDA	1.70 times	1.88 times

45. SEGMENT INFORMATION

For management reporting purposes, the Group is organised into business units based on their products, and has two reportable segments as follows:

(a) Plantations and Palm Oil Mills

Plantations and palm oil mills segment is principally involved in the cultivation and maintenance of oil palm plantations and operation of palm oil mills.

(b) Refinery and Processing

Refinery and processing segment markets and sells processed palm based products produced from the refinery, fractionation and biodiesel plants and other downstream processing facilities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA, which is not measured differently from EBITDA computed using the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

45. SEGMENT INFORMATION (CONT'D)

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

2020	Plantations and Palm Oil Mills US$'000	Refinery and Processing US$'000	Elimination US$'000	Total US$'000
Sales:				
External customers	20,415	640,010	–	660,425
Inter-segment	524,187	–	(524,187)	–
Total sales	544,602	640,010	(524,187)	660,425
Results:				
EBITDA	235,829	31,456	(8,094)	259,191
Depreciation and amortisation	(67,212)	(7,080)	–	(74,292)
Gain arising from changes in fair value of biological assets	3,870	–	–	3,870
Write-back of expected credit losses	1,237	–	–	1,237
Profit from operations	173,724	24,376	(8,094)	190,006
Loss on foreign exchange				(4,599)
Loss on derivative financial instruments				(10,806)
Loss arising from changes in fair value of unquoted investment				(1,371)
Net financial expenses				(16,070)
Other non-operating expenses				(321)
Profit before tax				156,839

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

45. SEGMENT INFORMATION (CONT'D)

2019	Plantations and Palm Oil Mills US$'000	Refinery and Processing US$'000	Elimination US$'000	Total US$'000
Sales:				
External customers	22,223	592,666	–	614,889
Inter-segment	440,954	–	(440,954)	–
Total sales	463,177	592,666	(440,954)	614,889
Results:				
EBITDA	177,050	28,937	12,812	218,799
Depreciation and amortisation	(63,544)	(7,322)	–	(70,866)
Gain arising from changes in fair value of biological assets	7,913	–	–	7,913
Provision for expected credit losses	(1,269)	–	–	(1,269)
Profit from operations	120,150	21,615	12,812	154,577
Gain on foreign exchange				181
Loss on derivative financial instruments				(808)
Loss arising from changes in fair value of unquoted investment				(4,900)
Net financial expenses				(16,067)
Other non-operating expenses				(1,782)
Profit before tax				131,201

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

45. SEGMENT INFORMATION (CONT'D)

Geographical information

The Group operates primarily in Singapore and Indonesia.

The following tables present sales and non-current assets based on the geographical location of the customers and assets respectively:

	Sales	
	2020	**2019**
	US$'000	**US$'000**
Singapore	238,925	284,970
Indonesia	227,923	139,685
China	73,930	47,262
Europe	31,447	88,118
Others	88,200	54,854
	660,425	614,889

	Non-current assets	
	2020	**2019**
	US$'000	**US$'000**
Singapore	67,972	69,903
Indonesia	1,084,368	1,111,298
	1,152,340	1,181,201

Non-current assets information presented above consist of bearer plants, property, plant and equipment, land use rights, goodwill, other intangible assets and other non-current assets.

Information about major customers

Sales to two major customers amounted to US$168.4 million (2019: one major customer amounted to US$92.6 million) from the refinery and processing segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

46. DIVIDENDS

	Group and Company	
	2020	2019
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Final tax exempt (one-tier) dividend for 2019: 1.725 Singapore cents (2018: 2.00 Singapore cents) per share	19,638	23,242
– Interim tax exempt (one-tier) dividend for 2020: 1.00 Singapore cents (2019: 0.625 Singapore cents) per share	11,613	7,157
	31,251	30,399
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
– Final tax exempt (one-tier) dividend for 2020: 2.00 Singapore cents (2019: 1.725 Singapore cents) per share	23,877*	19,638

* Based on USD/SGD exchange rate of 1.3219.

47. IMPACT OF COVID-19

The COVID-19 pandemic has affected almost all countries of the world, resulting in border closures, movement controls and other measures imposed by the various governments. In line with advisories from the relevant government agencies, the Group has implemented measures to prevent the spread of COVID-19 within its operations, including putting in place health and safety protocols like social distancing rules and work-from-home arrangements.

Amidst the macro-economic uncertainties and volatility in commodity markets caused by the pandemic, there has been no significant disruptions to the Group's operational activities during the financial year ended 31 December 2020.

48. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 30 March 2021.

STATISTICS OF SHAREHOLDING

As at 12 March 2021

SHAREHOLDERS' INFORMATION

Number of issued shares	:	1,584,072,969
Number of issued shares (excluding treasury shares)	:	1,578,150,469
Number/Percentage of Treasury Shares held against the number of issued shares (excluding treasury shares)	:	5,922,500 (0.38%)
Class of shares	:	Ordinary share
Voting rights	:	One vote per share

The Company does not have any subsidiary holdings as at 12 March 2021.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	10	0.46	243	0.00
100 – 1,000	227	10.39	203,377	0.01
1,001 – 10,000	1,437	65.80	7,844,414	0.50
10,001 – 1,000,000	495	22.66	22,635,470	1.43
1,000,001 and above	15	0.69	1,547,466,965	98.06
Total	**2,184**	**100.00**	**1,578,150,469**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%*
1	Citibank Nominees Singapore Pte Ltd	508,434,471	32.22
2	Eight Capital Inc.	332,400,130	21.06
3	HSBC (Singapore) Nominees Pte Ltd	305,702,960	19.37
4	DBS Nominees (Private) Limited	225,452,357	14.29
5	DB Nominees (Singapore) Pte Ltd	53,814,800	3.41
6	Raffles Nominees (Pte.) Limited	43,213,619	2.74
7	DBSN Services Pte. Ltd.	26,265,438	1.66
8	OCBC Securities Private Limited	25,031,500	1.59
9	CGS-CIMB Securities (Singapore) Pte. Ltd.	10,790,362	0.68
10	DBS Vickers Securities (Singapore) Pte Ltd	5,569,200	0.35
11	UOB Kay Hian Private Limited	3,300,000	0.21
12	Phillip Securities Pte Ltd	2,228,928	0.14
13	Lim & Tan Securities Pte Ltd	1,858,900	0.12
14	Maybank Kim Eng Securities Pte. Ltd.	1,765,900	0.11
15	United Overseas Bank Nominees (Private) Limited	1,638,400	0.10
16	Teh Li Li	738,000	0.05
17	Teng Nam Seng	600,000	0.04
18	iFAST Financial Pte. Ltd.	503,200	0.03
19	Asdew Acquisitions Pte Ltd	479,000	0.03
20	Morgan Stanley Asia (Singapore) Securities Pte Ltd	444,200	0.03
Total		**1,550,231,365**	**98.23**

* Based on 1,578,150,469 shares (excluding treasury shares) as at 12 March 2021.

STATISTICS OF SHAREHOLDING

As at 12 March 2021

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders, as at 12 March 2021)

	Direct Interest	%*	Deemed Interest	%*
Eight Capital Inc.	1,041,966,230	66.02	–	–
Eight Capital Trustees Pte Ltd	–	–	1,041,966,230 [1]	66.02
TMF Trustees Singapore Limited	–	–	1,041,966,230 [2]	66.02
Infinite Capital Fund Limited	88,000,000	5.58	–	–
King Fortune International Inc.	–	–	88,000,000 [3]	5.58
Butterfield Trust (Asia) Limited (formerly known as Butterfield (Singapore) Pte. Ltd.)	–	–	88,000,000 [4]	5.58
FMR LLC	–	–	112,146,666 [5]	7.11
Fidelity Management & Research Company LLC	–	–	95,883,500 [6]	6.08
Fidelity Investment Trust	86,287,500 [7]	5.47	–	–
Employees Provident Fund Board of Malaysia	81,982,900	5.19	–	–

* Based on 1,578,150,469 shares (excluding treasury shares) as at 12 March 2021.

Notes:

(1) Eight Capital Trustees Pte Ltd ("ECTPL") holds the entire share capital of Eight Capital Inc. ("Eight Capital") as trustee of the Eight Capital Master Trust (the "Trust"), which is a discretionary family trust and subject to the terms of the Trust. The Trust is held for the benefit of the Eight Capital Sub Trust which is held for the benefit of the following beneficiaries: Wirastuty Fangiono, Wirasneny Fangiono, Wirashery Fangiono, Ciliandra Fangiono, Fang Zhixiang, Ciliandrew Fangiono, and their respective children and remoter issue. The proportionate interest of each beneficiary cannot be determined. Eight Capital is the investment holding vehicle of the Trust and ECTPL is deemed to be interested in the shares held by Eight Capital.

(2) TMF Trustees Singapore Limited is the trustee of Eight Cap Purpose Trust (the "Purpose Trust"). Pursuant to the Purpose Trust, TMF Trustees Singapore Limited is the sole shareholder of ECTPL and is therefore deemed interested in the shares held by Eight Capital.

(3) King Fortune International Inc. ("King Fortune") holds the entire issued and paid-up share capital of Infinite Capital Fund Limited and is deemed to be interested in the shares held by Infinite Capital Fund Limited.

(4) Butterfield Trust (Asia) Limited (the "Trustee") is the sole shareholder of King Fortune and the trustee of the King Fortune Trust, a discretionary family trust. The shares held indirectly by King Fortune are property that is subject to the King Fortune Trust. Distribution of the income and capital of the King Fortune Trust to the beneficiaries of the King Fortune Trust are at the discretion of the Trustee.

(5) FMR LLC's interests in the securities of First Resources Limited are currently entirely comprised as deemed interests. FMR LLC is deemed to have interests in the securities of First Resources Limited because such securities are held by funds and/or accounts managed by one or more of its direct and indirect subsidiaries, which are fund managers.

(6) Fidelity Management & Research Company LLC's interests in the securities of First Resources Limited are currently entirely comprised as deemed interests. Fidelity Management & Research Company LLC ("FMRC") is deemed to have interests in the securities of First Resources Limited because such securities are held by funds and/or accounts managed by FMRC as well as by one or more of its direct and indirect subsidiaries, which are fund managers. FMRC is a wholly-owned subsidiary of FMR LLC.

(7) Fidelity Investment Trust is interested in the shares of First Resources Limited in its capacity as beneficial owner. FMRC is deemed interested in the shares of First Resources Limited in their capacity as investment advisor of various funds and accounts, including certain funds of Fidelity Investment Trust.

PERCENTAGE OF SHARES HELD BY THE PUBLIC

Approximately 16.09% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

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FIRST RESOURCES LIMITED
Company Registration Number : 200415931M

8 Temasek Boulevard
#36-02 Suntec Tower Three
Singapore 038988

Tel : +65 6602 0200
Fax : +65 6333 6711

Email : contactus@first-resources.com

www.first-resources.com

FIRST RESOURCES LIMITED

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