FIRST RESOURCES

ANNUAL REPORT 2021

CONTENTS

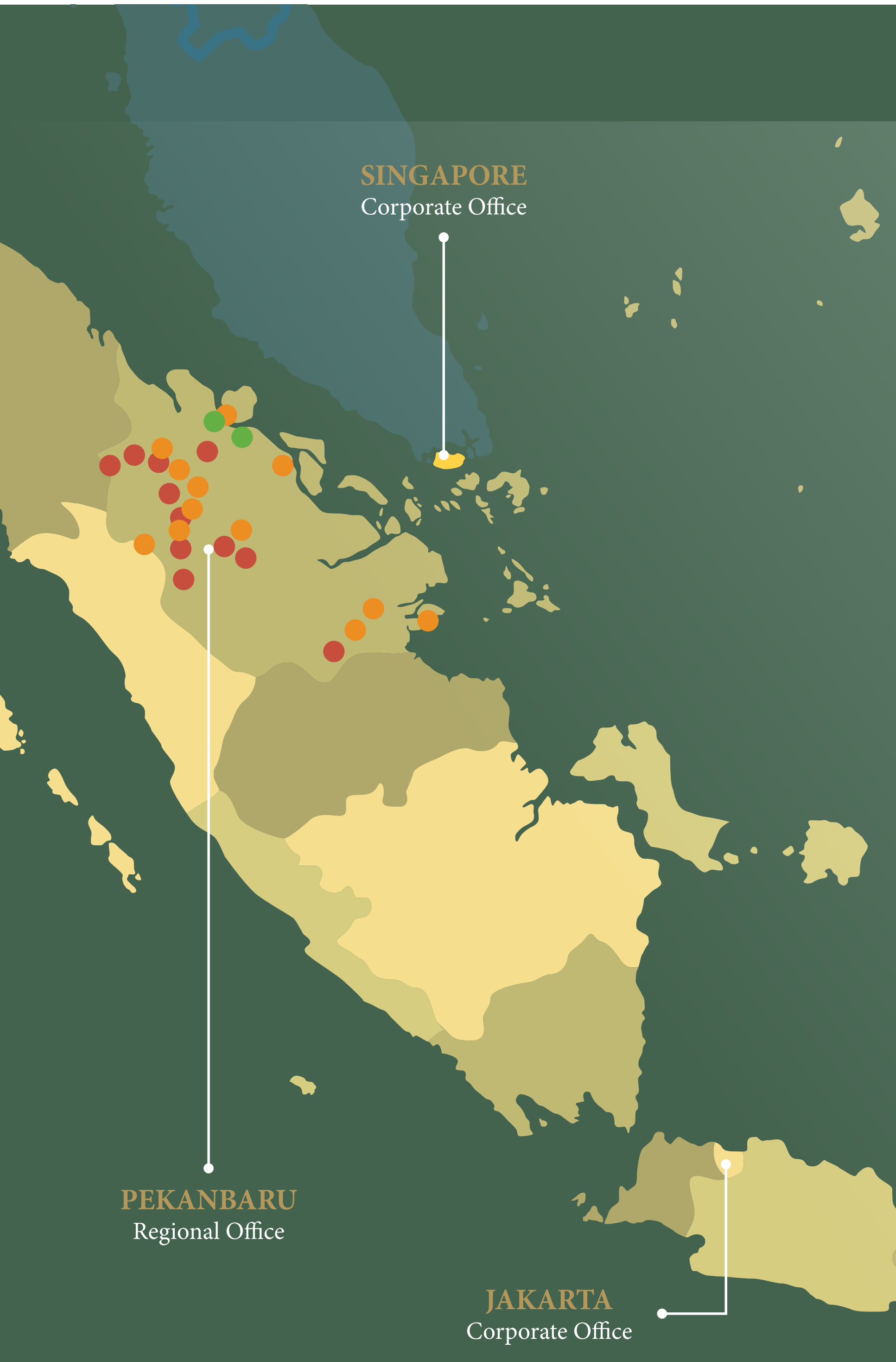
CORPORATE PROFILE

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



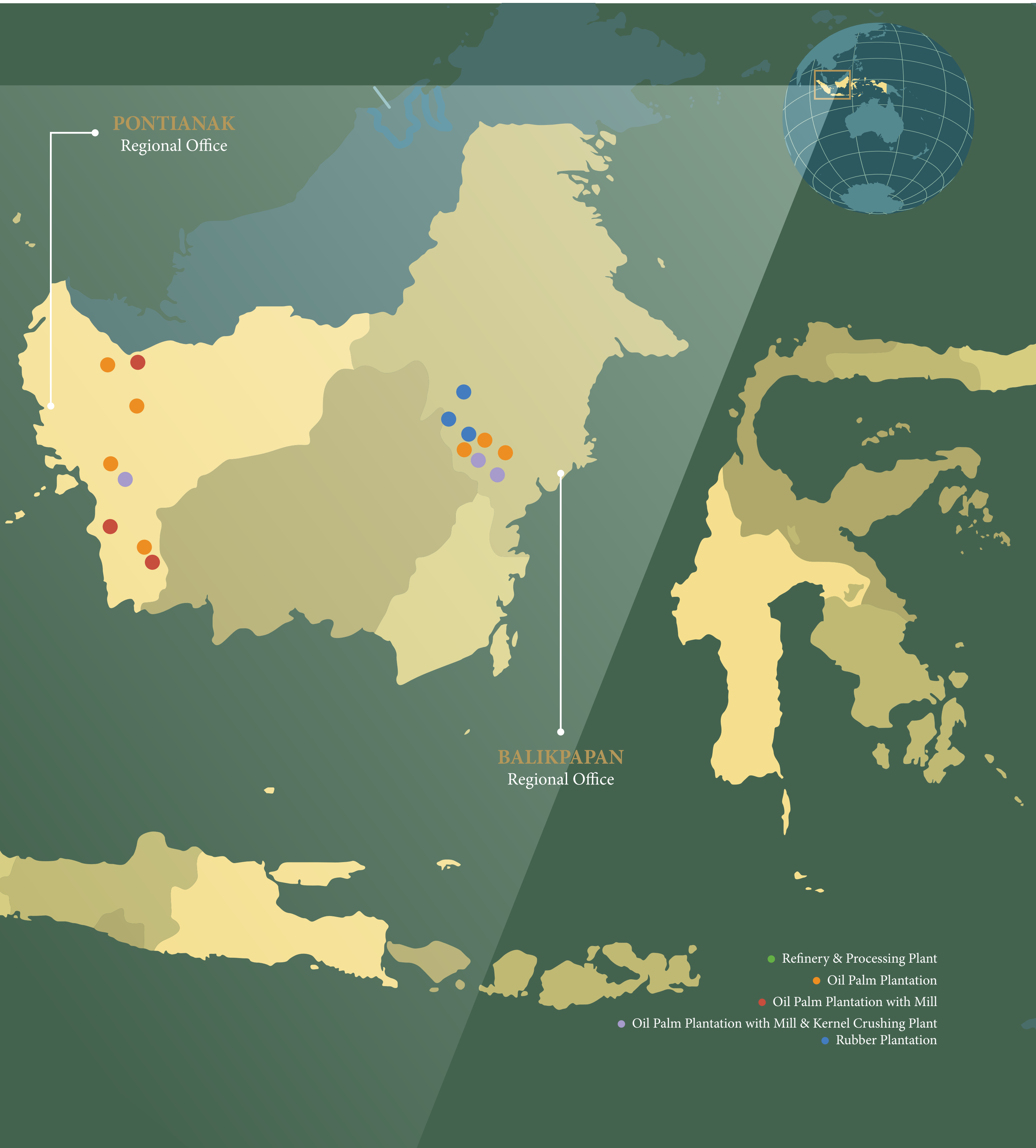
REFINING & BIODIESEL
combined capacity of
850,000
tonnes per annum

KERNEL CRUSHING
combined capacity of
375,000
tonnes per annum

212,208
hectares of oil palm plantations

18
Palm oil mills

6,321
hectares of rubber plantations


PONTIANAK
Regional Office
BALIKPAPAN
Regional Office
Refinery & Processing Plant
Oil Palm Plantation
Oil Palm Plantation with Mill
Oil Palm Plantation with Mill & Kernel Crushing Plant
Rubber Plantation

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.

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.

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.

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

OPERATIONAL HIGHLIGHTS

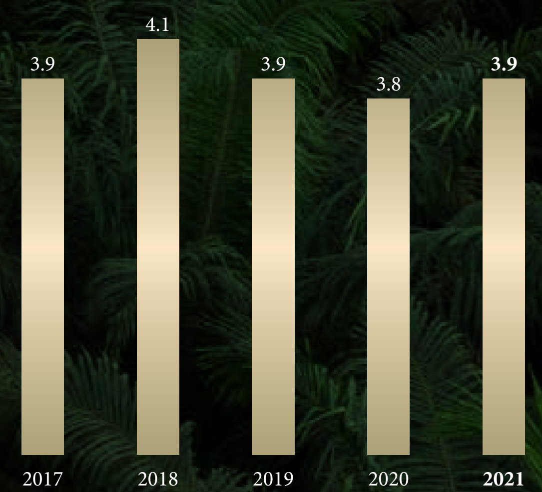
FINANCIAL YEAR	2017	2018	2019	2020	2021
OIL PALM PLANTATION AREA (hectares)					
Total Planted Area	**210,001**	**210,885**	**212,073**	**213,461**	**212,208**
Mature	173,409	190,820	197,384	199,924	**195,551**
Immature	36,592	20,065	14,689	13,537	**16,657**
Nucleus Planted Area	**179,521**	**180,172**	**181,065**	**182,029**	**178,733**
Mature	147,377	161,759	167,124	169,106	**162,560**
Immature	32,144	18,413	13,941	12,923	**16,173**
Plasma Planted Area	**30,480**	**30,713**	**31,008**	**31,432**	**33,475**
Mature	26,032	29,061	30,260	30,818	**32,991**
Immature	4,448	1,652	748	614	**484**
PRODUCTION VOLUME (tonnes)					
Total Fresh Fruit Bunches (“FFB”)	**3,037,842**	**3,435,159**	**3,362,364**	**3,273,584**	**3,367,668**
Nucleus	2,682,944	3,061,819	3,009,424	2,903,800	**2,940,434**
Plasma	354,898	373,340	352,940	369,784	**427,234**
Crude Palm Oil (“CPO”)	**702,368**	**823,679**	**811,947**	**855,668**	**869,241**
Palm Kernel (“PK”)	**170,664**	**188,471**	**185,599**	**192,840**	**197,384**
PRODUCTIVITY					
FFB Yield per Mature Hectare (tonnes)	**17.5**	**18.0**	**17.0**	**16.4**	**17.2**
CPO Yield per Mature Hectare (tonnes)	**3.9**	**4.1**	**3.9**	**3.8**	**3.9**
CPO Extraction Rate (%)	**22.2**	**22.9**	**23.1**	**23.2**	**22.7**
PK Extraction Rate (%)	**5.4**	**5.2**	**5.3**	**5.2**	**5.2**

FRESH FRUIT BUNCHES PRODUCTION (million tonnes)

CRUDE PALM OIL PRODUCTION (tonnes)

PALM KERNEL PRODUCTION (tonnes)

CPO YIELD (tonnes/mature hectare)



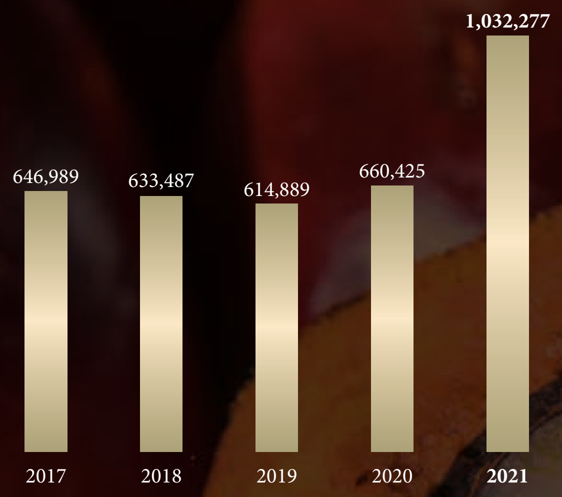
Note:
CAGR = Compounded Annual Growth Rate

FINANCIAL HIGHLIGHTS

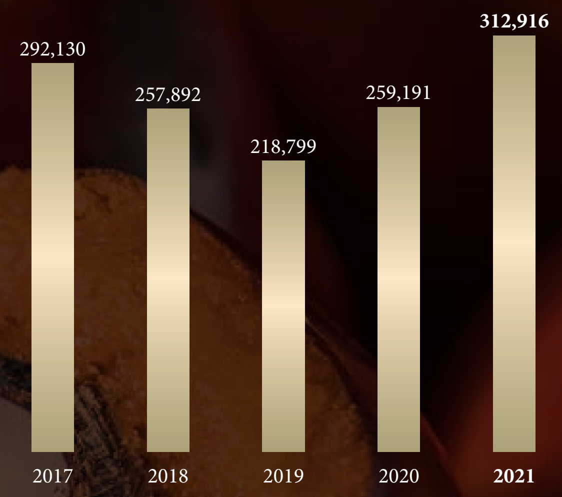
FINANCIAL YEAR	2017	2018	2019	2020	2021
INCOME STATEMENT (US$'000)					
Sales	646,989	633,487	614,889	660,425	**1,032,277**
Gross profit	306,691	278,787	227,160	292,398	**461,569**
(Loss)/gain arising from changes in fair value of biological assets	(2,382)	(3,456)	7,913	3,870	**15,959**
Profit from operations	226,923	187,152	154,577	190,006	**244,987**
EBITDA (1)	292,130	257,892	218,799	259,191	**312,916**
Profit before tax	208,879	181,115	131,201	156,839	**245,988**
Net profit attributable to owners of the Company	137,700	120,001	89,128	99,673	**161,108**
Underlying net profit (2)	139,487	122,593	89,082	97,059	**149,245**
BALANCE SHEET (US$'000)					
Total assets	1,730,995	1,571,037	1,708,936	1,785,917	**1,873,602**
Total liabilities	708,803	585,022	607,034	659,775	**602,503**
Total equity	1,022,192	986,015	1,101,902	1,126,142	**1,271,099**
Equity attributable to owners of the Company	971,905	932,165	1,044,312	1,063,573	**1,197,144**
FINANCIAL STATISTICS					
EBITDA margin (%)	45.2	40.7	35.6	39.2	**30.3**
Basic earnings per share (US cents) (3)	8.69	7.58	5.63	6.30	**10.21**
Net debt to equity (times) (4)	0.21	0.29	0.28	0.22	**0.02**
EBITDA to interest coverage (times) (5)	12.9	14.3	12.8	15.6	**22.8**
Net asset value per share (US$) (6)	0.61	0.59	0.66	0.67	**0.76**
Return on assets (%) (7)	8.5	7.7	5.7	6.1	**9.6**
Return on equity (%) (8)	14.9	12.6	9.0	9.5	**14.3**

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 (excluding treasury shares) 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

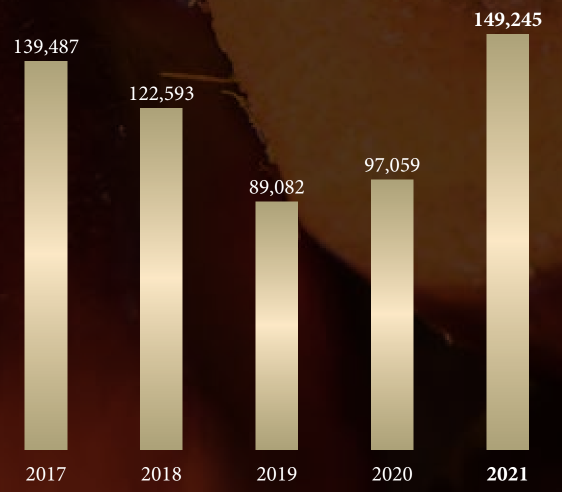
SALES (US$'000)



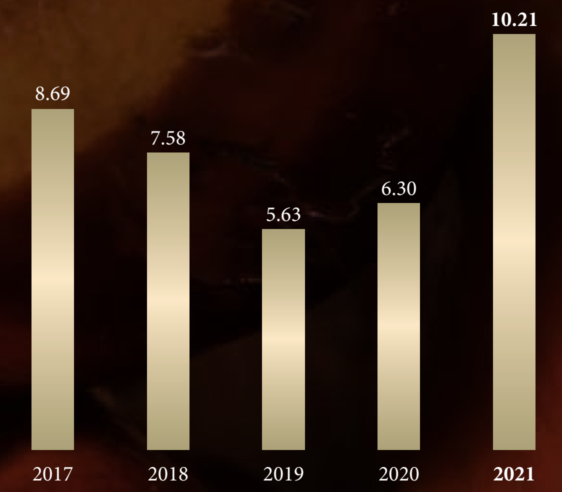
EBITDA (US$'000)



UNDERLYING NET PROFIT (US$'000)



BASIC EARNINGS PER SHARE (US cents)



MESSAGE TO SHAREHOLDERS

RECORD REVENUE OF
US$1
billion

FINAL DIVIDEND OF
5.10
Singapore Cents
Highest since listing

Dear Shareholders

We continued to witness high volatility in crude palm oil ("CPO") prices in the year ended 31 December 2021 ("FY2021"). CPO prices ranged from a low of US$960 per tonne in June to a high of US$1,415 per tonne in November. Despite the fragile re-opening of world economies, average CPO prices on a free-on-board ("FOB") Belawan basis rose year-on-year ("YoY") by 70.1% to an average of US$1,179 per tonne as compared to US$693 per tonne in the preceding year ("FY2020").

Unfortunately, in FY2021, the COVID-19 pandemic was still front and centre of the world's social and economic issues. Despite the development of vaccines in late 2020, the gargantuan task of rolling out vaccinations across the world and the virus' mutations caused continued disruptions to everyone's way of life. Indonesia suffered a new wave in daily Delta variant cases as well as its associated fatalities in July to August 2021. Strict movement restrictions were imposed by the Indonesian Government, including making the annual *mudik* illegal. That meant that our employees were prevented for a second year from returning to their hometowns for the Muslim new year. In addition, the flow of labour supply from other provinces ground to a halt. We supported the government's efforts to encourage and to avail vaccines to all our employees and the greater society at large, by participating in programmes such as *Vaksinasi Gotong Royong* where we contributed to the funding of vaccine procurement. We are pleased to announce a high vaccination rate of 95% for our office employees and 70% for our field employees. Thankfully the Indonesian situation has improved markedly since August 2021, and Indonesia is now taking firm steps towards recovery.

For the palm oil industry, the forces of climate change rang louder in FY2021. We faced the onslaught of La Nina for the second year running, with wind patterns shifting precipitation from South America to Southeast Asia. Such weather disruptions caused CPO production volumes to fall short of expectations, and this was also a common theme with the supply of several other competing oilseeds. Moreover, COVID-19 restrictions meant that Malaysian planters grappled with a critical shortage of foreign labour supply, which further exacerbated their operational challenges. The

resultant tight supply of palm and competing oils, coupled with rising global energy prices in FY2021, prompted the ascend in CPO prices.

A crucial highlight of FY2021 was also the changes in government policies. Indonesia and many other producing and importing countries have long adopted export and import taxes to support their agricultural sectors and food sufficiency demands. The Indonesian government first announced a major revamp in the export tax and levy structure in December 2020, which brought about hefty export charges to CPO producers. Subsequently, another major recalibration was made in July 2021. Overall for the year, the export tax and levy paid per tonne of CPO averaged US$350 in FY2021 versus US$68 in FY2020 – a huge increase which weighed heavily on the profitability of CPO producers. Major importing countries, particularly India, revised their import tariffs several times as well in FY2020. All these policy changes would have most definitely swayed international trade flows and tampered with the market pricing of edible cooking oil worldwide.

Given such uncertainties in the health situation, climate change, government policies, and the general macro environment at large, First Resources has kept the focus on striving for continued improvements in agricultural yields and operations. We believe that the global CPO supply has entered a new phase – ongoing below-trend investment in supply for sustainability and other concerns, will manifest in lower supply growth going forward, with or without factoring in weather shocks. With our favourable plantation maturity profile, we believe that First Resources is well-positioned to ride this current wave of strong prices.

FY2021 PERFORMANCE REVIEW

Lifted by higher average selling prices and stronger sales volumes, First Resources delivered record sales in FY2021. Our topline surged 56.3% YoY to US$1,032.3 million while underlying net profit rose 53.8% to US$149.2 million, with EBITDA coming in 20.7% higher at US$312.9 million.

The Group registered growth in both production volumes and yields in FY2021 with fresh fruit bunches (“FFB”) harvested increasing by 2.9% YoY to 3,367,668 tonnes and FFB yield coming in at 17.2 tonnes per hectare as compared to 16.4 tonnes

MESSAGE TO SHAREHOLDERS

per hectare in FY2020. CPO yield also increased marginally from 3.8 tonnes per hectare in FY2020 to 3.9 tonnes per hectare in FY2021, while CPO production recorded a slight YoY uptick of 1.6% to 869,241 tonnes during the year.

Using EBITDA per mature nucleus hectare as a performance metric (which we believe is appropriate as it represents the cash earnings generated by each productive nucleus hectare that we worked on), our plantations contributed US$1,552 of EBITDA per hectare in FY2021 versus US$1,395 per hectare 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 an attractive one.

Cash cost of production is another important determinant of EBITDA and net profit. In FY2021, each tonne of nucleus CPO on an ex-mill basis cost us approximately US$250 to produce, higher than the US$221 in FY2020 due to the significant increase in fertiliser costs, which is our second highest input cost. On the other hand, wages is our largest input cost and Indonesian minimum wages were largely flat year-on-year.

INVESTMENTS EXPECTED IN 2022

The Group has projected approximately US$120 million of capital expenditure for FY2022.

We will continue to invest in plantation development and maintenance of immature plantations, as well as the property, plant and equipment and other infrastructure needed in our upstream plantation operations. As part of the Group's ongoing efforts to maintain a favourable age profile across our plantations, we plan to replant about 4,000 hectares of oil palms in FY2022.

The rest of the projected capital expenditure will be put into expanding our processing capabilities, as well as the construction of a new CPO mill and the upgrading and maintenance of existing mills.

Backed by a robust balance sheet, the Group has and will continue to explore suitable opportunities for growth and investment.

SUSTAINABILITY REVIEW

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

First Resources officially launched our Sustainability Policy and declared our commitment to No Peat, No Deforestation and No Exploitation (popularly known as "NDPE") in 2015. Over the years, we have achieved steady progress to improve on our efforts, culminating in some notable results including the launch of a Sustainable Supply Chain Framework, which enabled us to achieve 100% traceability to mills in 2017 and 100% traceability to plantations for our own mills in 2020.

On the certification front, after a hiatus from onsite audits due to COVID-19 travel restrictions, the Group received an additional RSPO certification for one of our mills integrated with plantations in February 2022.

In keeping with our commitment to keep our shareholders and the market abreast of our progress on the sustainability front, we will be releasing our eighth sustainability report concurrently and in conjunction with this annual report. Do refer to the report for more detailed information about our progress and targets for the coming year.

ACKNOWLEDGMENTS AND APPRECIATION

In view of our record performance in FY2021 and to thank all shareholders for your unwavering support, the Board of Directors has proposed a final ordinary dividend of 5.10 Singapore cents per share in respect of FY2021. This brings the full-year ordinary dividend to 6.35 Singapore cents per share, which represents 50% of underlying net profit and the highest paid by the Group in a financial year since listing. It is also in line with our dividend policy, which was revised last year to distribute up to 50% of the Group's underlying net profit annually, an increase from the 30% cap previously. The dividend policy upgrade is an acknowledgement of our evolution to a more mature and free cashflow generative business.

We would like to thank the management team and our staff once again for putting their best foot forward so that the Group could achieve the record sales in FY2021. We owe our success to their hard work and dedication. We are also grateful to our business and community partners whom we continue to journey with in pursuit of mutual prosperity.

Lastly, we want to acknowledge our fellow directors on the Board for their guidance and advice through yet another difficult year. We would also like to take this opportunity to thank our former Chairman and Independent Director, Mr Lim Ming Seong, who had served on our Board for more than nine years and has stepped down as part of the Board renewal process. Our Group has greatly benefitted from his wisdom, leadership and guidance over the years and we wish him the very best in his future endeavours.

CHANG SEE HIANG
Chairman and Independent Director

CILIANDRA FANGIONO
Executive Director and Chief Executive Officer

OPERATIONAL REVIEW

PLANTATIONS AND PALM OIL MILLS

The Group saw growth in both production volumes and yields in FY2021, with total FFB harvested increasing 2.9% year-on-year to 3,367,668 tonnes and FFB yield coming in at 17.2 tonnes per mature hectare as compared to 16.4 tonnes per hectare in FY2020.

Out of the total FFB output for FY2021, nucleus plantations contributed 2,940,434 tonnes of FFB harvested, an increase of 1.3% from 2,903,800 tonnes in FY2020, while plasma plantations saw a 15.5% increase in FFB harvested to 427,234 tonnes. Our Riau plantations remained the Group's core production contributor, accounting for 69% of total FFB nucleus production, with the balance 31% coming from our plantations in West and East Kalimantan.

The improvement in overall FFB blended yield per mature hectare for the Group was contributed by 18.1 tonnes per hectare from our nucleus estates and 13.0 tonnes per hectare from our plasma estates, compared to 17.2 tonnes per hectare and 12.0 tonnes per hectare respectively a year ago.

Oil extraction rate dipped from 23.2% in FY2020 to 22.7% in FY2021, while CPO yield edged up to 3.9 tonnes per hectare from 3.8 tonnes per hectare a year ago. Correspondingly, CPO production rose by 1.6% to 869,241 tonnes, as compared to 855,668 tonnes in FY2020. Our production of palm kernel ("PK") also saw an increase of 2.4% to 197,384 tonnes in FY2021, with extraction rate remaining stable at 5.2%.

The Group's cash cost of production per tonne of nucleus CPO, on an ex-mill basis, came in at US$250 per tonne in FY2021, an increase of 13.1% as compared to US$221 per tonne in the preceding year.

REFINERY AND PROCESSING

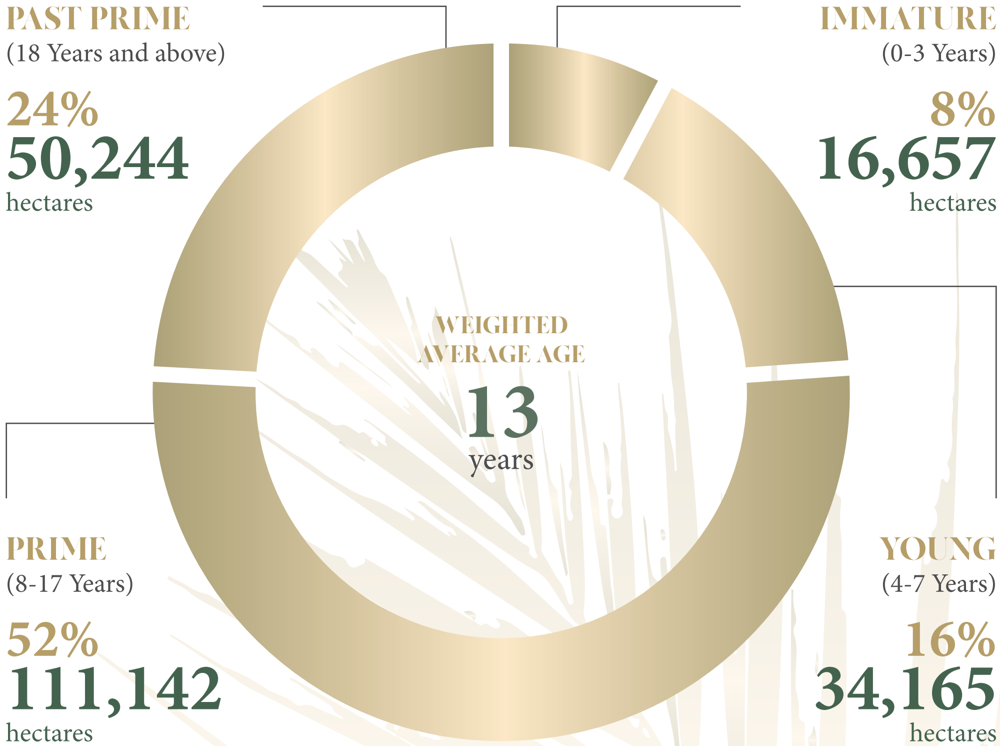
In FY2021, the Group registered sales volumes from processed products of 1,171,795 tonnes, up 8.7% from 1,078,105 tonnes in FY2020. Sold to both domestic and international markets, our processed products include biodiesel, refined, bleached, deodorised ("RBD") palm oil, palm fatty acid distillate, RBD palm olein, RBD stearin, crude glycerine, palm kernel oil and palm kernel expeller.

PLANTATION AGE PROFILE

Total

212,208

hectares



UPSTREAM ASSETS

The Group's total plantation area under management stood at 212,208 hectares as at 31 December 2021. Continuing with our replanting programme to rejuvenate the Group's older plantations in a measured approach, we have replanted approximately 3,000 hectares of oil palm estates during 2021.

To cater for the growth in production from our maturing plantations, we have embarked on the construction of our 19th CPO mill during the year and will continue with the upgrading and maintenance works on our existing CPO mills to improve their efficiencies.

As at 31 December 2021, the weighted average age of the Group's plantations is 13 years, with 52% at the prime production age of eight to 17 years and 24% at seven years and below. We are expecting approximately 3,000 hectares of our nucleus plantations to come into maturity in 2022, which will contribute to production growth for the year.

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

FINANCIAL REVIEW

First Resources delivered a robust set of results for FY2021 with EBITDA coming in at US$312.9 million, 20.7% higher than FY2020, while underlying net profit, excluding expected credit losses and gains/(losses) arising from changes in fair value of biological assets and unquoted investment, rose 53.8% year-on-year to US$149.2 million. This was achieved on the back of stronger sales volumes and higher average selling prices as palm oil prices rallied to record highs during 2021, fuelled by lower-than-expected supplies from key producing regions Malaysia and Indonesia, higher global energy prices and Indonesia's continued commitment to its biodiesel mandate. Average market CPO prices (FOB Indonesia basis) for the year rose to US$1,179 per tonne as compared to US$693 per tonne in 2020.

SALES, COST OF SALES AND GROSS PROFIT

The Group achieved record sales of US$1,032.3 million in FY2021, a surge of 56.3% from US$660.4 million in FY2020, driven by a combination of higher average selling prices and stronger sales volumes. Sales volumes in FY2021 were bolstered by a net inventory drawdown of 30,000 tonnes, as compared to a build-up of 44,000 tonnes in FY2020, and an increase in purchases of CPO from third parties. Under the Plantations and Palm Oil Mills segment, CPO and PK sales volumes grew 4.7% and 9.1% to 911,239 tonnes and 213,530 tonnes respectively, while the sales volumes from the Refinery and Processing segment rose 8.7% to 1,171,795 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, rose 55.1% to US$570.7 million in FY2021 largely on higher sales volumes and increased purchases of palm products from third parties.

Boosted by the higher average selling prices, gross profit jumped 57.9% to US$461.6 million in FY2021 with gross profit margin coming in at 44.7%.

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$16.0 million in

FY2021 compared to US$3.9 million in FY2020. The fair value gain in FY2021 was attributable to the higher FFB price used in the valuation as compared to the previous year.

OPERATING EXPENSES

Total operating expenses increased to US$232.5 million in FY2021 from US$106.3 million in FY2020, largely due to the higher export taxes from the progressive export levy structure implemented in Indonesia since December 2020.

NET FINANCIAL EXPENSES

The reduction in financial expenses from repayment of Islamic medium term notes led to a decline in the Group's net financial expenses by 17.3% to US$13.3 million. This was partially offset by an increase in interest expenses from drawdown of bank loans.

EBITDA

EBITDA grew by 20.7% to US$312.9 million in FY2021 from US$259.2 million in FY2020, primarily driven by the higher average selling prices and sales volumes, partially offset by the effects of higher export taxes. The Plantations and Palm Oil Mills segment continues to be the main earnings driver for the Group, complemented by the improved margins from the Refinery and Processing segment.

BALANCE SHEET

The Group's total assets expanded to US$1,873.6 million as at 31 December 2021 from US$1,785.9 million as at 31 December 2020. Non-current assets declined by 7.5% to US$1,234.3 million due to the reduction in plasma receivables and depreciation of bearer plants and property, plant and equipment, partially offset by the Group's capital expenditure on oil palm plantations, palm oil mills, kernel crushing plants and other property, plant and equipment during the year. On the other hand, current assets jumped 41.5% to US$639.3 million on higher cash and bank balances, biological assets and plasma receivables, partially offset by lower trade receivables and prepaid taxes.

Total liabilities of the Group shrank by 8.7% to US$602.5 million as at 31 December 2021, largely contributed by a US$34.9 million reduction in gross borrowings from the repayment of Islamic medium term notes, partially offset by a net drawdown of bank loans during the year.

Taking into consideration the increase in cash and bank balances during the year, net borrowings declined to US$25.2 million as at 31 December 2021 with net gearing ratio coming in at 0.02 times, a significant improvement against the 0.22 times as at 31 December 2020.

CASH FLOWS

The Group generated net cash from operating activities of US$292.2 million in FY2021, more than fifty percent higher than the US$192.4 million in FY2020. The stronger cash generation was mainly contributed by higher average selling prices and sales volumes, partially offset by the impact of higher export taxes on earnings.

Net cash used in investing activities amounted to US$1.3 million in FY2021, down from US$37.1 million in FY2020 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 preceding year.

The Group used US$100.2 million in financing activities in FY2021 as compared to US$23.3 million in FY2020, contributed by the higher repayment of amortising bank loans and dividends paid by the Company during the year.

Overall, the Group registered an increase in cash and cash equivalents of US$190.7 million in FY2021, bringing total cash and bank balances to US$381.5 million as at 31 December 2021.

BOARD OF DIRECTORS

CHANG SEE HIANG
Chairman and 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
Parkway Pantai Limited
Jardine Cycle & Carriage Limited
IHH Healthcare Berhad

Past principal commitments held over the preceding 5 years
Chang See Hiang & Partners

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 2001 / Financial Advisers Act 2001 / Insurance Act 1966; (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.

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 2021. He has been with the Group for more than a decade, playing a key role in charting its 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.

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 2021. 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.

BOARD OF DIRECTORS

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
Nil

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.

WONG SU YEN

Independent Director

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

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 the Singapore Institute of Directors, Chairman of Nera Telecommunications Ltd and also serves as an independent director on the boards of Yoma Strategic Holdings Ltd., CSE Global Ltd, and Pegasus Asia.

Ms Wong is an Adjunct Associate Professor of Leadership at the National University of Singapore, 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 University 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

Chang See Hiang
Chairman and Independent Director

Ciliandra Fangiono
Executive Director and Chief Executive Officer

Fang Zhixiang
Executive Director and Deputy Chief Executive Officer

Peter Ho Kok Wai
Independent Director

Wong Su Yen
Independent Director

Ong Beng Kee
Independent Director

Tan Seow Kheng
Non-Executive Non-Independent Director

AUDIT COMMITTEE

Peter Ho Kok Wai (*Chairman*)

Ong Beng Kee

Tan Seow Kheng

REMUNERATION COMMITTEE

Wong Su Yen (*Chairman*)

Chang See Hiang

Ong Beng Kee

NOMINATING COMMITTEE

Chang See Hiang (*Chairman*)

Ciliandra Fangiono

Wong Su Yen

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.
1 Harbourfront Avenue
#14-07
Keppel Bay Tower
Singapore 098632

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

FIRST RESOURCES

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 2021, with specific reference to the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore 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.

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
Chang See Hiang[(1)]	Chairman and Independent Director	–	Chairman	Member
Ciliandra Fangiono	Executive Director	–	Member	–
Fang Zhixiang	Executive Director	–	–	–
Peter Ho Kok Wai[(2)]	Independent Director	Chairman	–	–
Wong Su Yen[(3)]	Independent Director	–	Member	Chairman
Ong Beng Kee[(4)]	Independent Director	Member	–	Member
Tan Seow Kheng	Non-Executive Non-Independent Director	Member	–	–

Notes:

(1) *Mr Chang See Hiang was appointed as Deputy Chairman of the Board on 29 April 2021. He was subsequently appointed as Chairman of the Board, Chairman of the NC and member of the RC on 31 December 2021.*

(2) *Mr Peter Ho Kok Wai was appointed as Chairman of the AC on 29 April 2021.*

(3) *Ms Wong Su Yen was appointed as a member of the NC on 31 December 2021.*

(4) *Mr Ong Beng Kee was appointed as a member of the RC on 29 April 2021.*

Board Meetings

Following the amendments to the 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.

In June 2021, the Board held a strategy planning meeting to discuss, inter alia, the Group's strategy and growth plans.

CORPORATE GOVERNANCE

The Directors' attendance at Board, Board Committee and general meetings during the financial year ended 31 December 2021 is set out as follows:

	Board Meeting		**Audit Committee Meeting**		**Nominating Committee Meeting**		**Remuneration Committee Meeting**		**General Meeting**	
	Number of Meetings									
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Chang See Hiang[1]	5	5	4	4	1	1	–	–	1	1
Lim Ming Seong[2]	5	5	–	–	1	1	1	1	1	1
Ciliandra Fangiono	5	5	–	–	1	1	–	–	1	1
Fang Zhixiang	5	5	–	–	–	–	–	–	1	1
Peter Ho Kok Wai[3]	5	5	4	4	–	–	–	–	1	1
Teng Cheong Kwee[4]	5	1	4	1	–	–	1	1	1	1
Wong Su Yen[5]	5	5	–	–	1	–	1	1	1	1
Ong Beng Kee[6]	5	5	4	4	–	–	1	–	1	1
Tan Seow Kheng	5	5	4	4	–	–	–	–	1	1

Notes:

(1) *Mr Chang See Hiang was appointed as Deputy Chairman of the Board on 29 April 2021. He was subsequently appointed as Chairman of the Board, Chairman of the NC and member of the RC on 31 December 2021.*

(2) *Mr Lim Ming Seong resigned as an Independent Director on 31 December 2021.*

(3) *Mr Peter Ho Kok Wai was appointed as Chairman of the AC on 29 April 2021.*

(4) *Mr Teng Cheong Kwee retired as an Independent Director at the Annual General Meeting held on 29 April 2021.*

(5) *Ms Wong Su Yen was appointed a member of the NC on 31 December 2021.*

(6) *Mr Ong Beng Kee was appointed as a member of the RC on 29 April 2021.*

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.

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

As at the date of this report, the Board comprises seven Directors of whom four are Independent Directors. Accordingly, majority of the Board is made up of Independent Directors. In relation to gender diversity, one out of the seven 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). Given that Mr Ong Beng Kee, an Independent Director, had served for more than nine years from the date of his first appointment, the NC has reviewed his independence rigorously. Mr Ong has continuously demonstrated independence in character and judgement in the discharge of his responsibilities as a Director of the Company. The Board has also observed his participation and deliberations at Board meetings and other occasions and has no reason to doubt his ability to exercise independent judgement in the interest of the Company. Given his 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 him. Mr Ong Beng Kee's independence status has also been confirmed via two-tier voting at the Annual General Meeting held on 29 April 2021 and will remain in force until the earlier of his retirement or resignation as a Director or at the conclusion of the AGM to be held in 2024.

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 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 Chang See Hiang, Mr Peter Ho Kok Wai, Ms Wong Su Yen and Mr Ong Beng Kee 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 seven Board members, of whom four 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.

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.

Mr Chang See Hiang, who was the Deputy Chairman, assumed the role of Board Chairman on 31 December 2021 when Mr Lim Ming Seong stepped down as the Board Chairman as part of the board renewal process. Mr Chang, who is a Non-Executive Independent 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.

Principle 4: Board Membership

As at the date of this report, the NC comprises Mr Chang See Hiang as Chairman, Mr Ciliandra Fangiono and Ms Wong Su Yen as members. Ms Wong was appointed as a member of the NC during the financial year. 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. Mr Lim Ming Seong had stepped down as the Board Chairman and Independent Director on 31 December 2021 as part of the board renewal process.

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. After assessing the performance of the retiring Directors, the NC has recommended the re-election of Mr Chang See Hiang, Mr Fang Zhixiang and Mr Tan Seow Kheng who are due to retire pursuant to Regulation 103 of the Company's Constitution at the forthcoming AGM. The Board has accepted these recommendations.

The NC will seek to refresh the Board membership progressively and in an orderly manner, for long-term continuity and stability, taking into account the nine-year rule as set out in the SGX-ST Listing Rule 210(5)(d)(iii).

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, skills and competencies of the Board;

(c) gender and age diversity;

CORPORATE GOVERNANCE

(d) 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

(e) other prescribed factors under the Board Diversity Policy.

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 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.

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 Chang See Hiang and Mr Ong Beng Kee as members. Mr Chang See Hiang and Mr Ong Beng Kee were appointed during the financial year. 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.

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;

(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.

CORPORATE GOVERNANCE

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

During the financial year under review, the RC conducted a review of the framework for determining Non-Executive Directors' fees and proposed some changes to the framework. In proposing the changes, the RC had considered the results of a benchmarking exercise conducted with data sources publicly available such as data points from the Singapore Directorship Report and statistics on Directors' fees for large-cap companies. The revised framework is set out as follows:

(a) A single base fee of S$75,000 for serving as Non-Executive Director;
(b) Additional fee of S$25,000 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$20,000	S$15,000
Nominating Committee	S$15,000	S$10,000
Remuneration Committee	S$15,000	S$10,000

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 2021, which will be tabled for shareholders' approval at the forthcoming AGM:

Name	Directors' Fee Proposed
Chang See Hiang	S$110,000
Lim Ming Seong[(1)]	S$125,000
Peter Ho Kok Wai	S$93,333
Teng Cheong Kwee[(2)]	S$35,000
Wong Su Yen	S$90,000
Ong Beng Kee	S$96,667
Tan Seow Kheng	S$90,000
Total	**S$640,000**

Notes:

(1) *The Director's fees to be paid to Mr Lim Ming Seong is for his service from 1 January to 31 December 2021. He resigned as an Independent Director with effect from 31 December 2021.*

(2) *The Director's fees to be paid to Mr Teng Cheong Kwee is for his service from 1 January to 29 April 2021. He retired as an Independent Director with effect from 29 April 2021.*

The following table shows the Directors' fees for the financial year ended 31 December 2020, which was paid in the year ended 31 December 2021:

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

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 wholly-in cash in the year ended 31 December 2021:

Name	Fixed Salary	Variable Bonus	Total Remuneration
Ciliandra Fangiono (CEO)	68%	32%	S$1,257,000
Fang Zhixiang (Deputy CEO)	65%	35%	S$1,027,000

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 following table shows the remuneration of the top five KMP (who are not Directors or the CEO of the Company) paid wholly in cash in the year ended 31 December 2021:

Name	Fixed Salary	Variable Bonus	Remuneration Band
Executive A	78%	22%	S$500,000 – S$750,000
Executive B	69%	31%	S$250,000 – S$500,000
Executive C	86%	14%	S$250,000 – S$500,000
Executive D	75%	25%	S$250,000 – S$500,000
Executive E	87%	13%	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 2021 amounted to S$1,788,000.

CORPORATE GOVERNANCE

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 2021.

The Company has in place a share option scheme and a share award scheme known as the First Resources Employee Share Option Scheme 2020 (“ESOS”) and First Resources Employee Share Award Scheme 2020 (“ESAS”) respectively (collectively known as the “Schemes”), details of which are disclosed in the Directors’ Statement. The Schemes are administered by the Remuneration Committee.

During the financial year under review, awards comprising 321,000 ordinary shares have been granted under the ESAS to certain employees (who are not Directors) of the Group. One-third of the shares granted during the financial year shall vest in each of the months of April 2022, 2023 and 2024. Upon vesting, the participants have the flexibility to choose to receive the vested shares or the aggregate market price of such vested shares (defined under the ESAS rules to be determined based on the average of the last dealt prices for a share for a period of five consecutive market days immediately prior to the relevant vesting date) in cash in lieu of the allotment of new shares or transfer of existing shares held as treasury shares. Where applicable, the shares vested will be included in the disclosure of the remuneration of the top five KMP based on the open market price of the shares on vesting date or the value of the cash received in lieu of shares.

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.

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 42 "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.

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 2021 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 2021.

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 2021 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. The process of reviewing and strengthening the Company's control environment is an evolving process. When controls should be enhanced, the Board and Management will take action to rectify and strengthen the internal controls and risk management systems. The Board and Management will continue to devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

Principle 10: Audit Committee

As at the date of this report, the AC comprises Mr Peter Ho Kok Wai as Chairman, Mr Ong Beng Kee and Mr Tan Seow Kheng as members, the majority of whom, including the Chairman, are independent. Mr Peter Ho Kok Wai assumed the AC chairmanship after Mr Teng Cheong Kwee stepped down as AC Chairman on 29 April 2021 following his retirement from the Board. The Audit Committee met four times during the financial year under review.

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 ("EY"), 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 2021.
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 2021.

Following the review, the AC recommended to the Board to approve the financial statements for the financial year ended 31 December 2021.

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. It was noted that the fees for non-audit services did not exceed 50% of the aggregate amount of audit fees paid/payable to EY in 2021. 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.

In reviewing the performance of the external auditors and formulating its recommendation on the re-appointment of EY for the financial year ending 31 December 2022, the AC had considered the overall adequacy and quality of the firm's resources, the experience and expertise of the audit partners and other senior members of the engagement team, and the efficiency and effectiveness of the engagement team in carrying out its work. The AC had also considered the quality of audit services rendered, scope of audit plan and audit findings presented during the year, as well as the information provided by EY under the Audit Quality Indicators Disclosure Framework. Mr Philip Ling Soon Hwa has been appointed as the Group's engagement partner-in-charge since the financial year ended 31 December 2017. As part of the SGX-ST Listing Manual Rule 713 which requires the audit partner to be rotated every five years, Mr Ling will be replaced by Mr Vincent Toong who will be the lead audit engagement partner of the Group for the financial year ending 31 December 2022. On this basis, the AC recommended the re-appointment of EY at the upcoming AGM.

The Company is in compliance with the requirements under the 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 external stakeholders of the Group 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 AC is responsible for the oversight and monitoring of the whistle-blowing policy and ensuring that it is properly administered with the assistance of the Head of IA.

The Company does not tolerate nor condone any actions taken against any employee or other person 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.

Any external stakeholder wishing to report or raise any such concerns about the Company may also do so via audit.comm@first-resources.com.

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, accounting, finance and external audit.

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 the 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 had, 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 ended 31 December 2020.

To supplement the half year and full year financial reports which will continue in the 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.

Conduct of General Meetings

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. All substantial and relevant questions received from shareholders by the question submission deadline will be addressed by the Company via SGXNet and on our corporate website. 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.

CORPORATE GOVERNANCE

All votes on the resolutions to be tabled at the upcoming AGM would be voted by proxy on a one share, one vote basis. 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"), the Chairman of the Meeting may 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.

The 2021 AGM

In view of the COVID-19 situation in 2021, the AGM for financial year ended 31 December 2020 (the "2021 AGM") was convened and held by electronic means on 29 April 2021 pursuant to the Order. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via 'live' audio-visual webcast or 'live' audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, were put in place for the 2021 AGM.

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 close to 150 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 2021, 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 2021, the Board has proposed a final dividend of 5.10 Singapore cents per share, which brings the full year ordinary dividend to 6.35 Singapore cents per share, translating to an annual dividend payout ratio of 50% of the Group's underlying net profit.

First Resources' dividend policy is to distribute up to 50% of the Group's underlying net profit annually. The Board will review the dividend policy from time to time and reserves the right to modify, amend and update the policy.

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.

According to the Company's internal compliance 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.

CORPORATE GOVERNANCE

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.

Shareholders have approved the renewal of the interested person transactions mandate ("IPT Mandate") at the AGM on 29 April 2021. 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 2021 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$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) US$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) US$'000
Eight Capital Advisors Pte. Ltd.	Associate of Eight Capital Inc.	–	340
PT Surya Dumai Industri	Associate of Ciliandra Fangiono & Fang Zhixiang	–	300
PT Riau Agung Karya Abadi	Associate of Ciliandra Fangiono & Fang Zhixiang	3,233	10,109
PT Marsam Citra Adi Perkasa	Associate of Ciliandra Fangiono & Fang Zhixiang	3,814	9,998
PT Ketapang Hijau Lestari	Associate of Ciliandra Fangiono & Fang Zhixiang	2,289	6,469
PT Borneo Bhakti Sejahtera	Associate of Ciliandra Fangiono & Fang Zhixiang	3,772	5,334
Prinsep Management Limited	Associate of Ciliandra Fangiono & Fang Zhixiang	4,901	–

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 2020.

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 2021.

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 2021 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:

Chang See Hiang
Ciliandra Fangiono
Fang Zhixiang
Peter Ho Kok Wai
Wong Su Yen
Ong Beng Kee
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 1967 (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	**As at 01.01.2021**	**As at 31.12.2021**	**As at 21.01.2022**	**As at 01.01.2021**	**As at 31.12.2021**	**As at 21.01.2022**
Ordinary shares of the Company						
Ciliandra Fangiono	–	–	–	– [(1)]	– [(1)]	– [(2)]
Fang Zhixiang	–	–	–	– [(1)]	– [(1)]	– [(2)]
Tan Seow Kheng	30,000	30,000	30,000	–	–	–

Notes:

[(1)] As at the beginning and end of the financial year, 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.

[(2)] As at 21 January 2022, Eight Capital directly holds 1,043,966,230 shares and ECTPL holds the entire share capital of Eight Capital as trustee of 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.

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, Chang See Hiang and Ong Beng Kee. 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.

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 2021.

(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[5] 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.

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) During the financial year, awards comprising 321,000 ordinary shares have been granted under the ESAS to certain employees (who are not Directors) of the Group. One-third of the shares granted during the financial year shall vest in each of the months of April 2022, 2023 and 2024. Upon vesting, the participants have the flexibility to choose to receive the vested shares or the aggregate Market Price[5] of such vested shares in cash in lieu of the allotment of new shares or transfer of existing shares held as treasury shares.

(vi) Details of the movement in share awards outstanding under the ESAS during the financial year are as follows:

		Movement during the year			
Year of grant	**As at 01.01.2021**	**Granted**	**Vested**	**Lapsed**	**As at 31.12.2021**
2021	–	321,000	–	(55,800)	265,200

(vii) Since the commencement of the ESAS till the end of the financial year ended 31 December 2021, no participants have received 5% or more of the total number of awards available under the ESAS and no awards have been granted to Directors of the Company.

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.

DIRECTORS' STATEMENT

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

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

[5] Market Price in relation to the ESAS refer to the average of the last dealt prices for a share determined by reference to the daily list published by the SGX-ST for a period of five (5) consecutive Market Days[6] immediately prior to the relevant date of vesting, provided always that in the case of a Market Day on which the shares are not traded on the SGX-ST, the last dealt price for shares on such Market Day shall be deemed to be the last dealt price of the shares on the immediately preceding Market Day on which the shares were traded, rounded to the nearest whole cent in the event of fractional prices.

[6] Market Day refers to a day on which the SGX-ST is open for securities trading.

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;
- 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;

DIRECTORS' STATEMENT

AUDIT COMMITTEE (CONT'D)

- 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.

AUDITOR

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

On behalf of the Board of Directors,

Chang See Hiang
Director

Ciliandra Fangiono
Director

Singapore
30 March 2022

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

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 2021, 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 1967 (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 2021 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 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 2021, goodwill is carried at US$82.2 million which represents 7% of the total non-current assets and 6% 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 2021, the Group has recognised deferred tax assets ("DTA") of US$42.7 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 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 2021

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.

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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

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

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 2022

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2021

	Note	2021 US$'000	2020 US$'000
Sales	4	1,032,277	660,425
Cost of sales	5	(570,708)	(368,027)
Gross profit		461,569	292,398
Gain arising from changes in fair value of biological assets	20	15,959	3,870
Selling and distribution costs	6	(208,954)	(82,939)
General and administrative expenses	7	(31,910)	(26,818)
Other operating income		8,323	3,495
Profit from operations		244,987	190,006
Gain/(loss) on foreign exchange		266	(4,599)
Gain/(loss) on derivative financial instruments		10,622	(10,806)
Loss arising from changes in fair value of unquoted investment		–	(1,371)
Net financial expenses	8	(13,285)	(16,070)
Other non-operating income/(expenses)		3,398	(321)
Profit before tax	9	245,988	156,839
Tax expense	10	(69,547)	(49,450)
Profit for the year		176,441	107,389
Profit attributable to:			
Owners of the Company		161,108	99,673
Non-controlling interests		15,333	7,716
		176,441	107,389
Earnings per share attributable to owners of the Company (US cents)			
– Basic	11	10.21	6.30
– Diluted	11	10.21	6.30

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 2021

	Note	2021 US$'000	2020 US$'000
Profit for the year		176,441	107,389
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain/(loss) on defined benefits plan	33	3,900	(454)
		3,900	(454)
Items that may be reclassified subsequently to profit or loss			
Fair value loss on cash flow hedges		(52,536)	(55,403)
Fair value loss on cash flow hedges transferred to the income statement		76,047	26,215
Foreign currency translation		(16,258)	(14,854)
		7,253	(44,042)
Other comprehensive income for the year, net of tax		11,153	(44,496)
Total comprehensive income for the year		187,594	62,893
Total comprehensive income attributable to:			
Owners of the Company		173,185	56,084
Non-controlling interests		14,409	6,809
		187,594	62,893

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

BALANCE SHEETS

As at 31 December 2021

		Group		Company	
		2021	2020	2021	2020
	Note	US$'000	US$'000	US$'000	US$'000
Non-current assets					
Bearer plants	12	518,478	559,232	–	–
Plasma receivables	13	32,863	59,047	–	–
Property, plant and equipment	14	415,301	433,473	1,551	2,273
Land use rights	15	42,474	46,763	–	–
Investment in subsidiaries	16	–	–	1,036,081	876,081
Goodwill	17	82,216	83,172	–	–
Other intangible assets	18	28,986	29,216	–	–
Derivative financial assets	19	2,127	–	2,127	–
Tax recoverable		68,687	77,787	–	–
Deferred tax assets	10(c)	42,716	44,998	3	–
Other non-current assets		479	484	–	–
Total non-current assets		1,234,327	1,334,172	1,039,762	878,354
Current assets					
Biological assets	20	45,243	29,576	–	–
Plasma receivables	13	8,330	543	–	–
Inventories	21	100,106	102,825	–	–
Trade receivables	22	62,247	78,038	–	–
Other receivables	23	1,985	3,089	255	229
Derivative financial assets	19	635	4,209	–	–
Advances for purchase of property, plant and equipment	24	5,621	2,465	–	–
Other advances and prepayments	24	8,164	4,149	68	82
Prepaid taxes		25,426	31,746	–	–
Restricted cash balances	25	57	4,065	9	9
Cash and cash equivalents	25	381,461	191,040	9,061	18,649
Total current assets		639,275	451,745	9,393	18,969
Total assets		1,873,602	1,785,917	1,049,155	897,323

BALANCE SHEETS

As at 31 December 2021

		Group		Company	
		2021	2020	2021	2020
	Note	US$'000	US$'000	US$'000	US$'000
Current liabilities					
Trade payables	26	37,839	23,985	–	–
Other payables and accruals	27	46,957	40,767	2,510	2,255
Advances from customers	28	7,185	3,074	–	–
Loans and borrowings from financial institutions	29	114,896	85,221	113,642	83,340
Islamic medium term notes	30	–	99,441	–	99,441
Loan from subsidiary	31	–	–	240,000	–
Derivative financial liabilities	19	10,223	69,401	2,228	28,004
Provision for tax		46,195	26,637	–	57
Total current liabilities		263,295	348,526	358,380	213,097
Non-current liabilities					
Loans and borrowings from financial institutions	29	291,839	256,983	290,416	256,378
Derivative financial liabilities	19	–	3,974	–	3,974
Provision for post-employment benefits	33	36,746	34,636	–	–
Deferred tax liabilities	10(c)	10,623	15,656	–	211
Total non-current liabilities		339,208	311,249	290,416	260,563
Total liabilities		602,503	659,775	648,796	473,660
Net assets		1,271,099	1,126,142	400,359	423,663
Equity					
Share capital	34(a)	394,913	394,913	394,913	394,913
Treasury shares	34(b)	(6,703)	(5,572)	(6,703)	(5,572)
Differences arising from restructuring transactions involving entities under common control	35	34,992	35,016	–	–
Other reserves	36	(96,254)	(105,121)	10,642	2,055
Retained earnings		870,196	744,337	1,507	32,267
Equity attributable to owners of the Company		1,197,144	1,063,573	400,359	423,663
Non-controlling interests		73,955	62,569	–	–
Total equity		1,271,099	1,126,142	400,359	423,663

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 2021

	Attributable to owners of the Company							
Group	Share capital US$'000 (Note 34(a))	Treasury shares US$'000 (Note 34(b))	Differences arising from restructuring transactions involving entities under common control US$'000 (Note 35)	Other reserves US$'000 (Note 36)	Retained earnings US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
2021								
At 1 January 2021	394,913	(5,572)	35,016	(105,121)	744,337	1,063,573	62,569	1,126,142
Profit for the year	–	–	–	–	161,108	161,108	15,333	176,441
Other comprehensive income								
Remeasurement gain on defined benefits plan	–	–	–	–	3,210	3,210	690	3,900
Net change in fair value of cash flow hedges	–	–	–	23,511	–	23,511	–	23,511
Foreign currency translation	–	–	–	(14,644)	–	(14,644)	(1,614)	(16,258)
Other comprehensive income for the year, net of tax	–	–	–	8,867	3,210	12,077	(924)	11,153
Total comprehensive income for the year	–	–	–	8,867	164,318	173,185	14,409	187,594
Distributions to owners								
Dividends paid	–	–	–	–	(38,459)	(38,459)	(3,023)	(41,482)
Buy-back of ordinary shares	–	(1,131)	–	–	–	(1,131)	–	(1,131)
Changes in ownership interests in subsidiaries								
Decrease in differences arising from restructuring transaction among entities under common control	–	–	(24)	–	–	(24)	–	(24)
Total transactions with owners in their capacity as owners	–	(1,131)	(24)	–	(38,459)	(39,614)	(3,023)	(42,637)
At 31 December 2021	394,913	(6,703)	34,992	(96,254)	870,196	1,197,144	73,955	1,271,099

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

Group	Share capital US$'000 (Note 34(a))	Treasury shares US$'000 (Note 34(b))	Differences arising from restructuring transactions involving entities under common control US$'000 (Note 35)	Other reserves US$'000 (Note 36)	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 2021

Company	Share capital US$'000 (Note 34(a))	Treasury shares US$'000 (Note 34(b))	Other reserves US$'000 (Note 36)	Retained earnings US$'000	Total equity US$'000
2021					
At 1 January 2021	394,913	(5,572)	2,055	32,267	423,663
Profit for the year	–	–	–	7,699	7,699
Other comprehensive income					
Net change in fair value of cash flow hedges	–	–	8,587	–	8,587
Total comprehensive income for the year	–	–	8,587	7,699	16,286
Distributions to owners					
Dividends paid (Note 45)	–	–	–	(38,459)	(38,459)
Buy-back of ordinary shares	–	(1,131)	–	–	(1,131)
Total transactions with owners in their capacity as owners	–	(1,131)	–	(38,459)	(39,590)
At 31 December 2021	394,913	(6,703)	10,642	1,507	400,359
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 45)	–	–	–	(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

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 2021

	2021 US$'000	2020 US$'000
Cash flows from operating activities		
Profit before tax	245,988	156,839
Adjustments for:		
Depreciation of bearer plants and property, plant and equipment	81,636	71,869
Amortisation of land use rights and other intangible assets	2,519	2,423
Gain on disposal/write-off of bearer plants and property, plant and equipment	(1,931)	(410)
Financial expenses	14,710	17,374
Interest income	(1,425)	(1,304)
Write-back of expected credit losses	(267)	(1,237)
Gain arising from changes in fair value of biological assets	(15,959)	(3,870)
(Gain)/loss on derivative financial instruments	(10,622)	10,806
Loss arising from changes in fair value of unquoted investment	–	1,371
Gain arising from changes in carrying value of plasma receivables	(10,508)	(4,676)
Operating cash flows before changes in working capital	304,141	249,185
Changes in working capital:		
Inventories	1,422	(21,453)
Receivables and other assets	21,275	(22,910)
Payables and other liabilities	30,492	20,811
Unrealised translation differences	(725)	4,898
Cash flows generated from operations	356,605	230,531
Financial expenses paid	(14,610)	(17,238)
Interest income received	1,404	1,413
Tax paid	(51,209)	(22,320)
Net cash generated from operating activities	292,190	192,386
Cash flows from investing activities		
Capital expenditure on bearer plants	(14,790)	(14,159)
Capital expenditure on property, plant and equipment	(30,751)	(53,935)
Payment of advances for purchase of property, plant and equipment	(5,604)	(2,385)
Development costs on plasma receivables	(14,337)	(14,491)
Proceeds from plasma receivables	61,682	47,602
Additions to land use rights	–	(399)
Additions to other intangible assets	(311)	–
Proceeds from disposal of intangible assets	140	–
Proceeds from disposal of bearer plants and property, plant and equipment	2,639	626
Net cash used in investing activities	(1,332)	(37,141)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2021

	2021 US$'000	2020 US$'000
Cash flows from financing activities		
Proceeds from bank loans	147,580	227,900
Repayment of bank loans	(84,167)	(50,417)
Payment of obligations under leases liabilities	(2,262)	(3,005)
Repayment of Islamic medium term notes	(122,699)	(198,020)
Decrease in restricted cash balances	4,008	38,924
Dividends paid	(41,482)	(33,081)
Buy-back of ordinary shares	(1,131)	(5,572)
Net cash used in financing activities	(100,153)	(23,271)
Net increase in cash and cash equivalents	190,705	131,974
Effect of exchange rate changes on cash and cash equivalents	(284)	44
Cash and cash equivalents at 1 January	191,040	59,022
Cash and cash equivalents at 31 December (Note 25)	381,461	191,040

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 2021

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:

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2021 %	2020 %
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 2021

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2021 %	2020 %
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	95.51	94.90
PT Wahana Prima Sejati ("PT WPS") (4)	Indonesia	Land ownership	95.51	94.71
PT Meridan Sejatisurya Plantation ("PT MSSP") (2)	Indonesia	Oil palm plantation	90.73	90.73
Subsidiaries of PT PSA				
PT Pancasurya Binasejahtera ("PT PSBS") (3)	Indonesia	Investment holding	95.35	95.35
PT Muriniwood Indah Industry ("PT MII") (2)	Indonesia	Oil palm plantation	95.35	95.35
PT Kalimantan Green Persada ("PT KGP") (3)	Indonesia	Investment holding	95.34	95.34
PT Gerbang Sawit Indah ("PT GSI") (2)	Indonesia	Oil palm plantation	95.34	95.34

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2021 %	2020 %
Indirect Ownership (cont'd):				
Subsidiaries of PT PSA (cont'd)				
PT Matthew Air Nusantara ("PT MAN") (2)	Indonesia	Aircraft ownership and management	95.30	95.43
PT Setia Agrindo Jaya ("PT SAJ") (3)	Indonesia	Investment holding	95.10	94.99
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	95.35
PT Arindo Trisejahtera ("PT ATS") (2)	Indonesia	Oil palm plantation	95.35	95.35
Subsidiaries of PT BKP				
PT Limpah Sejahtera ("PT LS") (2)	Indonesia	Oil palm plantation	99.17	99.17
PT Mitra Karya Sentosa ("PT MKS") (2)	Indonesia	Oil palm plantation	99.36	99.36
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	99.37	99.11
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

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2021 %	2020 %
Indirect Ownership (cont'd):				
Subsidiaries of PT KGP (cont'd)				
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
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	95.09	94.99
PT Indo Manis Lestari ("PT IML") (5)	Indonesia	Non-operating	95.09	94.99
PT Indogreen Jaya Abadi ("PT IJA") (2)	Indonesia	Oil palm plantation	95.09	94.99
PT Setia Agrindo Lestari ("PT SAL") (2)	Indonesia	Oil palm plantation	95.09	94.99
PT Setia Agrindo Mandiri ("PT SAGM") (2)	Indonesia	Oil palm plantation	95.09	94.99
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 Irvan in Indonesia.
(5) Unaudited

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 2021. 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) 1-1 *Presentation of Financial Statements* and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates	1 January 2023
Amendments to SFRS(I) 1-12 *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.9 Bearer plants (cont'd)

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.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

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.

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.

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

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

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.

(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.

Investments 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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.

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

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.

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.

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

2.22 Hedge accounting (cont'd)

The Group does not have any fair value hedges or hedges of net investment in foreign operations in 2021 and 2020.

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.

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.

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 post-employment benefits to qualified employees in Indonesia as required under the applicable labour laws and government regulations. 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.

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.

(d) Share-based compensation benefits

The Company has in place a share option scheme and a share award scheme, under which eligible employees (including Directors) of the Group may receive share options and/or share awards as consideration for their services rendered.

Options granted under the share option scheme would be accounted for as equity-settled transactions.

Awards under the share award scheme, if settled by way of the issue of new shares or through the transfer of existing shares (including treasury shares), would be accounted for as equity-settled transactions. In the event participants have the right to receive cash in lieu of the allotment or transfer of shares, the awards would be accounted for as cash-settled transactions.

Equity-settled transactions

The cost of equity-settled transactions is measured by reference to the fair value of the options or awards at the date of grant, which takes into account market conditions and non-vesting conditions. This cost is recognised in the income statement, with a corresponding increase in the employee share-based compensation reserve, over the vesting period. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for equity instruments that do not ultimately vest because non-market performance and/or service conditions have not been met. Where equity instruments include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

In the case where the equity instrument does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the participant, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in the income statement upon cancellation.

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in income statement. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

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).

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 29.

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

2.29 Leases (cont'd)

(a) As lessee (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

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.

(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.

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

2.31 *Taxes (cont'd)*

(b) Deferred tax (cont'd)

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.

(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 44, 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 2021

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 2021 and 2020, 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.

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 20 and Note 41(d) respectively.

(b) 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.

(c) 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 2021 are US$46.2 million (2020: US$26.6 million) and US$68.7 million (2020: US$77.8 million) respectively.

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

3.2 Key sources of estimation uncertainty (cont'd)

(d) 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).

(e) 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 33.

(f) 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 42(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 22 and Note 42(d) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4. SALES

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

	Group 2021 US$'000	Group 2020 US$'000
Crude palm oil	108,110	8,840
Palm kernel	–	1,425
Fresh fruit bunches	6,564	10,150
Processed palm based products	917,603	640,010
	1,032,277	660,425

5. COST OF SALES

	Group 2021 US$'000	Group 2020 US$'000
Cost of inventories recognised as an expense	352,494	181,917
Depreciation of bearer plants and property, plant and equipment (Note 14)	79,147	68,910
Net employee benefit expense relating to defined benefit plans (Note 33)	5,455	5,684
Plantation, milling and processing costs (including employee benefits)	133,612	111,516
	570,708	368,027

6. SELLING AND DISTRIBUTION COSTS

	Group 2021 US$'000	Group 2020 US$'000
Export taxes	154,824	28,274
Freight charges	48,348	48,587
Depreciation of property, plant and equipment (Note 14)	824	742
Others	4,958	5,336
	208,954	82,939

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

7. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Group	
	2021	**2020**
	US$'000	**US$'000**
Audit fees paid to:		
– Auditors of the Company	167	163
– Affiliates of auditors of the Company	424	396
– Other auditors	7	9
Non-audit fees paid to:		
– Auditors of the Company	106	95
Salaries, bonuses and other benefits (including Central Provident Fund contributions)	17,517	14,580
Net employee benefit expense relating to defined benefit plans (Note 33)	3,267	1,377
Share-based compensation expense	92	–
Lease expense	487	460
Depreciation of property, plant and equipment (Note 14)	1,665	2,217
Amortisation of other intangible assets (Note 14)	66	4
Directors' fees	476	384

8. NET FINANCIAL EXPENSES

	Group	
	2021	**2020**
	US$'000	**US$'000**
Interest expense and amortisation on loans and borrowings from financial institutions carried at amortised cost	10,522	9,228
Profit distribution and amortisation on Islamic medium term notes carried at amortised cost	4,188	8,146
	14,710	17,374
Interest income from financial assets carried at amortised cost	(1,425)	(1,304)
	13,285	16,070

9. PROFIT BEFORE TAX

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

	Group 2021 US$'000	Group 2020 US$'000
Provision for/(write-back of) expected credit losses on financial assets:		
– Trade receivables (Note 22)	121	(471)
– Plasma receivables (Note 42(d))	(294)	(1,421)
– Financial guarantees provided for plasma bank loans (Note 42(d))	(94)	655
Gain on disposal/write-off of bearer plants and property, plant and equipment	(1,931)	(410)
Write-off of advances to unquoted investment	–	997

10. TAX EXPENSE

(a) *Major components of tax expense*

The major components of tax expense for the financial years ended 31 December 2021 and 2020 are as follows:

	Group 2021 US$'000	Group 2020 US$'000
Income statement:		
Current income tax		
– Current year	73,057	35,866
– Under/(over) provision in respect of previous years	141	(263)
Deferred income tax		
– Origination and reversal of temporary differences	(4,812)	3,965
– Under/(over) provision in respect of previous years	713	(141)
– Effect of change in tax rates	(2,500)	6,021
Withholding tax	2,948	4,002
	69,547	49,450
Income tax related to other comprehensive income:		
Actuarial movements on defined benefits plan	1,141	(128)
Net change in fair value of cash flow hedges	1,658	(2,394)
Foreign currency translation	–	(631)
	2,799	(3,153)

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 2021 and 2020 is as follows:

	Group	
	2021	**2020**
	US$'000	**US$'000**
Profit before tax	245,988	156,839
Tax expense at domestic rate applicable to profits in the countries where the Group operates	62,113	37,211
Adjustments:		
Non-deductible expenses	3,750	4,455
Income not subject to tax	(2,865)	(2,443)
Deferred tax assets not recognised	828	461
Benefits from previously unrecognised tax losses	(360)	(201)
Effect of tax incentives	4,680	560
Under/(over) provision in respect of previous years	854	(404)
Withholding tax	2,948	4,002
Effect of change in tax rates	(2,500)	6,021
Others	99	(212)
Tax expense recognised in profit or loss	69,547	49,450

The corporate tax rate for companies in Indonesia and Singapore is 22% and 17% (2020: 22% and 17%) respectively.

(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	
	2021	**2020**	**2021**	**2020**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Deferred tax assets	42,716	44,998	3	–
Deferred tax liabilities	(10,623)	(15,656)	–	(211)

10. TAX EXPENSE (CONT'D)

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

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

Group	Consolidated balance sheet		Consolidated income statement	
	2021	**2020**	**2021**	**2020**
	US$'000	US$'000	US$'000	US$'000
Deferred tax assets:				
Unutilised tax losses	32,239	28,903	(3,322)	11,853
Provisions	2,601	1,865	(1,199)	473
Post-employment benefits	7,784	6,580	(2,347)	174
Bearer plants	12,137	11,694	(575)	3,011
Differences in depreciation for tax purposes	3,684	2,736	(976)	(135)
Others	5,909	3,675	(2,709)	(1,570)
	64,354	55,453		
Deferred tax liabilities:				
Biological assets	(9,548)	(5,625)	2,891	(665)
Differences in depreciation for tax purposes	(1,270)	(2,773)	(1,210)	(1,433)
Lease liabilities	(945)	(652)	269	32
Fair value adjustments on acquisition of subsidiaries	(14,778)	(13,588)	667	(2,593)
Others	(5,720)	(3,473)	1,912	698
	(32,261)	(26,111)		
Net deferred tax assets	32,093	29,342		
Deferred income tax			(6,599)	9,845

10. TAX EXPENSE (CONT'D)

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

	Balance sheet	
Company	**2021 US$'000**	**2020 US$'000**
Deferred tax assets:		
Provisions	236	116
	236	116
Deferred tax liabilities:		
Differences in depreciation for tax purposes	(217)	(318)
Others	(16)	(9)
	(233)	(327)
Net deferred tax assets/(liabilities)	3	(211)

Unrecognised tax losses and tax credits

As at 31 December 2021, the Group has unrecognised tax losses and tax credits of US$10.6 million (2020: US$9.9 million) and US$257.5 million (2020: US$279.0 million) respectively. The related deferred tax assets of US$2.3 million (2020: US$2.0 million) and US$56.7 million (2020: US$55.8 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. Other than tax losses amounting to US$0.3 million (2020: nil) which has no expiry date, the remaining tax losses will expire between 2022 and 2026 (2020: between 2021 and 2025).

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2021 and 2020, 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$1,392 million (2020: US$1,148 million). The related deferred tax liability is estimated to be US$139.2 million (2020: US$114.8 million).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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	
	2021	**2020**
Profit for the year attributable to owners of the Company (US$'000)	161,108	99,673
Weighted average number of ordinary shares* ('000)	1,577,824	1,581,726
Basic earnings per share (US cents)	10.21	6.30

* 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 2021 and 2020.

12. BEARER PLANTS

Bearer plants primarily comprise of oil palm plantations.

	Group	
	2021	**2020**
	US$'000	**US$'000**
Cost		
At 1 January	796,378	811,499
Additions	17,317	17,619
Disposals/write-offs	(8,574)	(5,119)
Reclassification to plasma receivables (Note 13)	(21,774)	(17,203)
Exchange differences	(7,306)	(10,418)
At 31 December	776,041	796,378
Accumulated depreciation		
At 1 January	237,146	215,941
Charge for the year (Note 14)	34,072	30,431
Disposals/write-offs	(8,177)	(5,058)
Reclassification to plasma receivables (Note 13)	(2,897)	(1,923)
Exchange differences	(2,581)	(2,245)
At 31 December	257,563	237,146
Net carrying amount	518,478	559,232

12. BEARER PLANTS (CONT'D)

	Group	
	2021	2020
	US$'000	US$'000
Nucleus production volume (tonnes)		
FFB	2,940,434	2,903,800
Nucleus planted area (hectares)*		
Mature	167,159	172,566
Immature	16,340	14,520
	183,499	187,086

* 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	
	2021	2020
	US$'000	US$'000
Capital expenditure on bearer plants using cash	14,790	14,159
Capitalisation of depreciation on property, plant and equipment (Note 14)	2,527	3,460
	17,317	17,619

Assets pledged as security

As at 31 December 2021 and 2020, certain of the Group's bearer plants are pledged to secure facilities from financial institutions (Note 29).

13. PLASMA RECEIVABLES

	Group	
	2021	**2020**
	US$'000	**US$'000**
At 1 January	59,590	72,864
Additional development costs	14,337	14,491
Gain arising from changes in carrying value of plasma receivables	10,508	4,676
Proceeds received	(61,682)	(47,602)
Reclassification from bearer plants (Note 12)	18,877	15,280
Write-back of expected credit losses	294	1,421
Exchange differences	(731)	(1,540)
At 31 December	41,193	59,590
Current	8,391	549
Less: Allowance for expected credit losses	(61)	(6)
	8,330	543
Non-current	33,220	59,762
Less: Allowance for expected credit losses	(357)	(715)
	32,863	59,047
	41,193	59,590

Expected credit losses

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

	Group	
	2021	**2020**
	US$'000	**US$'000**
At 1 January	721	2,119
Credit for the year	(294)	(1,421)
Exchange differences	(9)	23
At 31 December	418	721

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 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/write-offs	(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 and 1 January 2021	419,337	242,957	67,780	13,534	28,499	772,107
Additions	11,766	1,826	4,001	465	17,604	35,662
Disposals/write-offs	(626)	(11)	(4,224)	(25)	(57)	(4,943)
Reclassifications	11,753	20,620	(9)	24	(32,388)	–
Reclassification from land use rights (Note 15)	1,281	–	–	–	–	1,281
Exchange differences	(4,615)	(2,636)	(626)	(149)	(319)	(8,345)
At 31 December 2021	438,896	262,756	66,922	13,849	13,339	795,762
Accumulated depreciation						
At 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/write-offs	(10)	–	(1,036)	(25)	–	(1,071)
Exchange differences	(1,095)	(1,128)	(382)	(124)	–	(2,729)
At 31 December 2020 and 1 January 2021	154,143	122,159	50,798	11,534	–	338,634
Charge for the year	28,792	15,243	5,229	827	–	50,091
Disposals/write-offs	(482)	(11)	(4,115)	(24)	–	(4,632)
Exchange differences	(1,692)	(1,359)	(455)	(126)	–	(3,632)
At 31 December 2021	180,761	136,032	51,457	12,211	–	380,461
Net carrying amount						
At 31 December 2021	258,135	126,724	15,465	1,638	13,339	415,301
At 31 December 2020	265,194	120,798	16,982	2,000	28,499	433,473

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 2020	13,465	368	13,833
Additions	293	17	310
Disposals/write-offs	(463)	–	(463)
At 31 December 2020, 1 January 2021 and 31 December 2021	13,295	385	13,680
Accumulated depreciation			
At 1 January 2020	10,269	318	10,587
Charge for the year	1,258	25	1,283
Disposals/write-offs	(463)	–	(463)
At 31 December 2020 and 1 January 2021	11,064	343	11,407
Charge for the year	699	23	722
At 31 December 2021	11,763	366	12,129
Net carrying amount			
At 31 December 2021	1,532	19	1,551
At 31 December 2020	2,231	42	2,273

Additions to property, plant and equipment consist of:

	Group	
	2021 US$'000	2020 US$'000
Capital expenditure on property, plant and equipment using cash	30,751	53,935
Reclassification from advances for purchase of property, plant and equipment	2,429	8,146
Right-of-use assets	2,482	115
	35,662	62,196

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

Assets under construction

As at 31 December 2021 and 2020, 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 2021 and 2020, certain subsidiaries' property, plant and equipment are pledged to secure facilities from financial institutions (Note 29).

Right-of-use assets

As at 31 December 2021, the Group's right-of-use assets with carrying amount of US$3.3 million (2020: US$4.3 million) are classified under farming and transportation equipment.

Depreciation and amortisation

The depreciation and amortisation charges for the financial years ended 31 December 2021 and 2020 are as follows:

	Group	
	2021	**2020**
	US$'000	**US$'000**
Depreciation of bearer plants (Note 12)	34,072	30,431
Depreciation of property, plant and equipment	50,091	44,898
Amortisation of land use rights (Note 15)	2,453	2,419
Amortisation of other intangible assets (Note 18)	66	4
	86,682	77,752
Depreciation included in cost of sales (Note 5)	79,147	68,910
Depreciation included in selling and distribution costs (Note 6)	824	742
Depreciation included in general and administrative expenses (Note 7)	1,665	2,217
Amortisation included in general and administrative expenses (Note 7)	66	4
Amortisation included in other operating expenses	2,453	2,419
Depreciation capitalised in bearer plants (Note 12)	2,527	3,460
	86,682	77,752

15. LAND USE RIGHTS

	Group	
	2021	2020
	US$'000	US$'000
Cost		
At 1 January	66,008	67,445
Additions	–	399
Reclassification to property, plant and equipment (Note 14)	(1,281)	(1,133)
Reclassification from land permits (Note 18)	–	287
Exchange differences	(762)	(990)
At 31 December	63,965	66,008
Accumulated amortisation		
At 1 January	19,245	16,988
Amortisation charge for the year (Note 14)	2,453	2,419
Exchange differences	(207)	(162)
At 31 December	21,491	19,245
Net carrying amount	42,474	46,763
Amount to be amortised		
– Not later than one year	2,453	2,419
– Later than one year but not more than five years	9,812	9,676
– Later than five years	30,209	34,668
	42,474	46,763

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 2021, the Group's land use rights cover a total land area of 253,812 hectares (2020: 253,812 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.

Assets pledged as security

As at 31 December 2021 and 2020, certain of the Group's land use rights are pledged to secure facilities from financial institutions (Note 29).

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16. INVESTMENT IN SUBSIDIARIES

	Company 2021 US$'000	Company 2020 US$'000
Unquoted equity shares, at cost	1,036,081	876,081
At 1 January	876,081	751,081
Subscription for shares in subsidiaries (Note 16(d))	160,000	125,000
At 31 December	1,036,081	876,081

(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 2021:					
PT CLP	Indonesia	4.49%	11,209	56,040	3,023
31 December 2020:					
PT CLP	Indonesia	4.49%	5,808	48,549	1,830

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	
	2021	**2020**
	US$'000	**US$'000**
Summarised balance sheet		
Non-current		
Assets	1,122,924	928,359
Liabilities	(207,718)	(215,809)
Net non-current assets	915,206	712,550
Current		
Assets	424,254	428,943
Liabilities	(91,364)	(60,224)
Net current assets	332,890	368,719
Net assets	1,248,096	1,081,269
Summarised statement of comprehensive income		
Sales	685,413	493,795
Profit before tax	316,524	166,999
Tax expense	(66,875)	(37,638)
Profit for the year	249,649	129,361
Other comprehensive income	(9,220)	(13,734)
Total comprehensive income	240,429	115,627
Other summarised information		
Net cash generated from operating activities	360,963	135,941
Net cash generated from/(used in) investing activities	5,464	(49,637)
Net cash (used in)/generated from financing activities	(358,930)	68,083

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) *Subscription for shares in subsidiaries*

In 2021, the Company increased its investment in subsidiaries through the subscription of shares in First Resources Trading Pte. Ltd. ("FRT") amounting to US$160.0 million. After the subscription, FRT remains as a direct wholly-owned subsidiary of the Company.

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. After the subscription, the equity interest of the Company in PT BKP remains unchanged at 95.00%.

17. GOODWILL

	Group	
	2021	**2020**
	US$'000	**US$'000**
Cost		
At 1 January	83,172	84,393
Exchange differences	(956)	(1,221)
At 31 December	82,216	83,172

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	
	2021	**2020**
	US$'000	**US$'000**
PT Borneo Ketapang Permai Group	4,655	4,709
PT Kalimantan Green Persada Group	9,101	9,207
PT Gerbang Sawit Indah	8,153	8,248
Lynhurst Group	31,239	31,602
PT Falcon Agri Persada	29,040	29,378
Others	28	28
	82,216	83,172

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:

	2021	2020
Terminal growth rate	3%	3%
Pre-tax discount rate	9%	9%
Projected average CPO price	US$1,062/tonne	US$722/tonne

The value in use is determined using a discounted cash flow model based on cash flow projections covering a period of 10 years (2020: 10 years), with cash flows beyond the projected periods extrapolated using the estimated terminal growth rate.

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 2021 and 2020.

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.

18. OTHER INTANGIBLE ASSETS

Group	Land permits US$'000	Software US$'000	Total US$'000
Cost			
At 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 and 1 January 2021	29,211	2,106	31,317
Additions	–	311	311
Disposals	(140)	–	(140)
Exchange differences	(336)	(15)	(351)
At 31 December 2021	28,735	2,402	31,137
Accumulated amortisation			
At 1 January 2020	–	2,117	2,117
Amortisation charge for the year (Note 14)	–	4	4
Exchange differences	–	(20)	(20)
At 31 December 2020 and 1 January 2021	–	2,101	2,101
Amortisation charge for the year (Note 14)	–	66	66
Exchange differences	–	(16)	(16)
At 31 December 2021	–	2,151	2,151
Net carrying amount			
At 31 December 2021	28,735	251	28,986
At 31 December 2020	29,211	5	29,216

Company	Software US$'000
Cost	
At 1 January 2020, 31 December 2020 and 31 December 2021	475
Accumulated amortisation	
At 1 January 2020, 31 December 2020 and 31 December 2021	475
Net carrying amount	
At 31 December 2020 and 31 December 2021	–

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. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2021		2020	
	Assets US$'000	**Liabilities US$'000**	**Assets US$'000**	**Liabilities US$'000**
Group				
Cross currency swaps	–	–	–	24,300
Commodity futures, options and swap contracts	635	7,995	4,209	41,158
Foreign currency options and forward contracts	–	–	–	239
Interest rate swaps	2,127	2,228	–	7,678
	2,762	10,223	4,209	73,375
Current	635	10,223	4,209	69,401
Non-current	2,127	–	–	3,974
	2,762	10,223	4,209	73,375
Company				
Cross currency swaps	–	–	–	24,300
Interest rate swaps	2,127	2,228	–	7,678
	2,127	2,228	–	31,978
Current	–	2,228	–	28,004
Non-current	2,127	–	–	3,974
	2,127	2,228	–	31,978

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 had 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 would 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 2021, a net fair value gain of US$1.0 million (2020: US$1.1 million) has been included in other comprehensive income in respect of these contracts. The cross currency swaps have been fully repaid during the financial year ended 31 December 2021. As at 31 December 2020, the notional amount of the cross currency swaps outstanding amounted to MYR 0.4 billion.

19. 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 gain of US$16.3 million (2020: loss of US$23.7 million), with a related deferred tax charge of US$1.6 million (2020: credit of US$2.4 million), 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 gain of US$0.2 million (2020: loss of US$0.2 million), with a related deferred tax charge of US$24,000 (2020: credit of US$24,000), has 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 2021, a net fair value gain of US$7.5 million (2020: loss of US$8.7 million) has been included in other comprehensive income in respect of these contracts. As at 31 December 2021, the notional amount of the interest rate swaps outstanding amounted to US$408.1 million (2020: US$342.3 million).

20. 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	
	2021	**2020**
	US$'000	**US$'000**
Fair value		
At 1 January	29,576	25,952
Gain arising from changes in fair value of biological assets	15,959	3,870
Exchange differences	(292)	(246)
At 31 December	45,243	29,576

21. INVENTORIES

	Group	
	2021	2020
	US$'000	US$'000
Palm based products	79,213	77,731
Fertilisers and chemicals	11,143	11,868
Spare parts and other consumables	9,750	13,226
	100,106	102,825

22. TRADE RECEIVABLES

	Group	
	2021	2020
	US$'000	US$'000
Trade receivables from:		
– Third parties	62,660	76,142
– Related parties	126	2,348
Less: Allowance for expected credit losses	(539)	(452)
	62,247	78,038

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	
	2021	2020
	US$'000	US$'000
Indonesian Rupiah	41,748	36,828
United States Dollar	20,499	41,210
	62,247	78,038

22. TRADE RECEIVABLES (CONT'D)

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	
	2021	**2020**
	US$'000	**US$'000**
Trade receivables past due:		
– Lesser than 30 days	166	1,282
– 30 to 60 days	59	106
– More than 60 days	725	527
	950	1,915

Expected credit losses

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

	Group	
	2021	**2020**
	US$'000	**US$'000**
At 1 January	452	923
Charge/(credit) for the year (Note 9)	121	(471)
Write-off against credit impaired trade receivables	(34)	–
At 31 December	539	452

23. OTHER RECEIVABLES

	Group		Company	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
Interest receivable	30	9	29	3
Amounts due from related parties	85	5	–	–
Sundry receivables	1,870	3,075	226	226
	1,985	3,089	255	229

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	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
Indonesian Rupiah	1,723	2,849	–	–
United States Dollar	255	232	254	226
Singapore Dollar	7	8	1	3
	1,985	3,089	255	229

24. 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	
	2021 US$'000	2020 US$'000
Buildings and improvements	4,449	1,344
Machinery and installations	1,172	1,121
	5,621	2,465

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.

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25. CASH AND BANK BALANCES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash at banks and on hand	381,461	191,040	9,061	18,649
Restricted cash balances	57	4,065	9	9
	381,518	195,105	9,070	18,658

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	
	2021	**2020**
	US$'000	**US$'000**
Cash at banks and on hand (Gross carrying amounts prior to offsetting)	406,948	363,348
Bank overdrafts (Gross amounts offset in the balance sheet)	(25,487)	(172,308)
Cash at banks and on hand (Net amounts in the balance sheet)	381,461	191,040

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 0.3% (2020: 0.3%) 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	
	2021	**2020**	**2021**	**2020**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Indonesian Rupiah	63,070	31,535	–	–
United States Dollar	317,092	155,924	8,252	11,527
Singapore Dollar	1,305	7,609	809	7,122
Others	51	37	9	9
	381,518	195,105	9,070	18,658

26. TRADE PAYABLES

	Group 2021 US$'000	Group 2020 US$'000
Trade payables to:		
– Third parties	34,249	21,731
– Related parties	3,590	2,254
	37,839	23,985

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

Trade payables are denominated in the following currencies:

	Group 2021 US$'000	Group 2020 US$'000
Indonesian Rupiah	36,908	21,885
United States Dollar	931	2,100
	37,839	23,985

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
Accrued employee costs	17,491	14,228	1,974	1,112
Accrued financial expenses	77	950	54	950
Accrued contractor fees	6,269	9,510	–	–
Accrued transportation costs	1,509	2,107	–	–
Amounts due to financial institutions	12,119	5,642	–	–
Allowance for expected credit losses on financial guarantees	1,274	1,384	–	–
Others	8,218	6,946	482	193
	46,957	40,767	2,510	2,255

Other payables and accruals are denominated in the following currencies:

	Group		Company	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
Indonesian Rupiah	31,404	31,802	–	–
United States Dollar	12,824	7,228	248	975
Singapore Dollar	2,729	1,737	2,262	1,280
	46,957	40,767	2,510	2,255

28. 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 2021 that was included in the advances from customers at the beginning of the year amounted to US$3.1 million (2020: US$2.6 million).

29. LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS

		Interest rate (per annum)		Group	
	Maturity	2021 %	2020 %	2021 US$'000	2020 US$'000
Current					
Bank loans	2022	1.2 – 1.9	1.3 – 3.6	113,642	83,340
Lease liabilities	2022	3.5 – 13.8	3.4 – 13.8	1,254	1,881
				114,896	85,221
Non-current					
Bank loans	2023-2026	1.2 – 1.9	1.3 – 3.6	290,416	256,378
Lease liabilities	2023-2026	3.5 – 13.8	3.4 – 13.8	1,423	605
				291,839	256,983
				406,735	342,204

		Interest rate (per annum)		Company	
	Maturity	2021 %	2020 %	2021 US$'000	2020 US$'000
Current					
Bank loans	2022	1.2 – 1.9	1.3 – 3.6	113,642	83,340
Non-current					
Bank loans	2023-2026	1.2 – 1.9	1.3 – 3.6	290,416	256,378
				404,058	339,718

Bank loans

The Group's bank loans as at 31 December 2021 and 2020 comprise of unsecured term loan facilities from banks in Singapore.

As at 31 December 2021, the Group has undrawn committed unsecured credit facilities available of US$100.0 million (2020: US$100.0 million), which may be utilised for the Group's general corporate purposes.

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

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 32).

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

	Group		Company	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
Indonesian Rupiah	2,677	2,486	–	–
United States Dollar	404,058	339,718	404,058	339,718
	406,735	342,204	404,058	339,718

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

	01.01.2021 US$'000	Cash inflows US$'000	Cash outflows US$'000	Non-cash changes: Foreign exchange US$'000	Non-cash changes: Amortisation of issuance costs US$'000	Non-cash changes: Others US$'000	31.12.2021 US$'000
Bank loans							
– current	83,340	–	(84,167)	–	927	113,542	113,642
– non-current	256,378	147,580	–	–	–	(113,542)	290,416
Lease liabilities							
– current	1,881	–	(2,262)	(23)	–	1,658	1,254
– non-current	605	–	–	(6)	–	824	1,423
Islamic medium term notes (Note 30)							
– current	99,441	–	(122,699)	(3,126)	47	26,337	–
	441,645	147,580	(209,128)	(3,155)	974	28,819	406,735

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.

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

				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 30)							
– 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.

30. ISLAMIC MEDIUM TERM NOTES

	Maturity date	Distribution rate (per annum)	Group and Company 2021 US$'000	Group and Company 2020 US$'000
Fourth issuance	27 October 2021	4.85%	–	99,488
Less:				
Issuance costs			–	401
Accumulated amortisation			–	(354)
			–	47
Islamic medium term notes, net			–	99,441
Current			–	99,441
Non-current			–	–
			–	99,441

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, third and fourth issuances of the Islamic medium term notes on 31 July 2017, 8 December 2017, 5 June 2020 and 27 October 2021 respectively.

31. LOAN FROM SUBSIDIARY

The loan from subsidiary is denominated in USD, unsecured, bears interest at London Interbank Offer Rate plus 1.60% per annum and is repayable on 31 December 2022 unless extended by mutual agreement.

	Company 2021 US$'000	Company 2020 US$'000
Loan from subsidiary	240,000	–

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32. 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 29 and the maturity analysis of lease liabilities is disclosed in Note 42(e). The Group has applied an incremental borrowing rate of 2.3% (2020: 2.9%) to discount the future lease payments.

33. PROVISION FOR POST-EMPLOYMENT BENEFITS

The Group recognised post-employment benefits for qualified employees in Indonesia pursuant to the applicable labour laws and government regulations. The provision for post-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 post-employment benefits.

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

	2021	2020
Normal Pension Age	55 Years	55 Years
Salary Increment Rate per annum	8%	8%
Discount Rate per annum	7.16%	6.83%
Mortality Rate	Table Mortality Indonesia 2019	Table Mortality Indonesia 2019
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

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

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

	Group	
	2021	**2020**
	US$'000	**US$'000**
At 1 January	34,636	27,425
Net employee benefit expense charged to profit or loss (Note 37)	9,177	7,265
Remeasurement (gain)/loss		
– Actuarial (gain)/loss arising from changes in financial assumptions	(5,041)	582
Benefits paid	(1,634)	(471)
Exchange differences	(392)	(165)
At 31 December	36,746	34,636

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

	Group	
	2021	**2020**
	US$'000	**US$'000**
Interest cost on benefit obligation	1,619	1,862
Current service cost	7,558	5,403
	9,177	7,265

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

	Group	
	2021	**2020**
	US$'000	**US$'000**
Cost of sales (Note 5)	5,455	5,684
General and administrative expenses (Note 7)	3,267	1,377
Others	455	204
	9,177	7,265

33. 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.

		Change in present value of defined benefit obligation	
		2021	2020
Group	**Increase/ (decrease)**	**US$'000**	**US$'000**
Discount rate	1% increase	(3,317)	(3,451)
	1% decrease	3,919	4,090
Future salary growth	1% increase	4,003	4,157
	1% decrease	(3,444)	(3,567)

34. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	2021		2020	
Group and Company	**No. of shares '000**	**US$'000**	**No. of shares '000**	**US$'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.

(b) *Treasury shares*

	2021		2020	
Group and Company	**No. of shares '000**	**US$'000**	**No. of shares '000**	**US$'000**
At 1 January	5,923	5,572	–	–
Buy-back of ordinary shares	1,084	1,131	5,923	5,572
At 31 December	7,007	6,703	5,923	5,572

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

(b) Treasury shares (cont'd)

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

During the financial year, the Company acquired 1,084,500 (2020: 5,922,500) shares in the Company through purchases on the Singapore Exchange. The total amount paid to acquire the shares was US$1,131,000 (2020: 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 years ended 31 December 2021 and 2020.

35. 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.

36. OTHER RESERVES

The composition of other reserves are as follows:

	Group		Company	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'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	(6,696)	(30,207)	(73)	(8,660)
Foreign translation reserve	(71,063)	(56,419)	393	393
	(96,254)	(105,121)	10,642	2,055

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.

36. OTHER RESERVES (CONT'D)

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	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
At 1 January	(30,207)	(1,019)	(8,660)	(1,019)
Fair value (loss)/gain on cash flow hedges, net of tax and non-controlling interests	(52,536)	(55,403)	1,241	(14,906)
Reclassification to profit or loss				
– Sales	68,701	18,950	–	–
– Loss on foreign exchange	3,125	3,906	3,125	3,906
– Net financial expenses	4,221	3,359	4,221	3,359
At 31 December	(6,696)	(30,207)	(73)	(8,660)

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.

	Group		Company	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
At 1 January	(56,419)	(42,526)	393	393
Foreign currency translation adjustments	(14,644)	(13,893)	–	–
At 31 December	(71,063)	(56,419)	393	393

37. EMPLOYEE BENEFITS

	Group	
	2021	**2020**
	US$'000	**US$'000**
Salaries, bonuses and other benefits	92,328	84,605
Net employee benefit expense relating to defined benefit plans (Note 33)	9,177	7,265
Central Provident Fund contributions	243	237
Share-based compensation expenses	92	–
	101,840	92,107

38. 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	
	2021	**2020**
	US$'000	**US$'000**
Lease of office premises	639	596
Purchases of goods	42,770	47,915
Sales of goods	1,797	247
Net settlement for commodity sale and purchase contracts	4,901	7,160
Milling fee	452	–
Service fees	2	118

(b) *Compensation of key management personnel*

	Group	
	2021	**2020**
	US$'000	US$'000
Salaries, bonuses and other benefits	5,730	5,241
Directors' fees	394	332
Net employee benefit expense relating to defined benefit plans	304	304
Central Provident Fund contributions	52	50
	6,480	5,927
Comprise amounts paid to:		
– Directors of the Company	2,095	1,749
– Other key management personnel	4,385	4,178
	6,480	5,927

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39. 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	
	2021	**2020**
	US$'000	**US$'000**
Capital commitments in respect of property, plant and equipment	3,256	16,041

(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	
	2021	**2020**
	US$'000	**US$'000**
Sales	86,729	173,738
Purchases	–	26,196

(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 2021, the Company's contingent liabilities arising from these corporate guarantees amounted to US$7.4 million (2020: US$40.5 million).

Certain subsidiaries have guaranteed US$119.2 million (2020: US$70.7 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.

40. 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	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
Assets				
At amortised cost				
Plasma receivables	41,193	59,590	–	–
Trade receivables	62,247	78,038	–	–
Other receivables	1,985	3,089	255	229
Restricted cash balances	57	4,065	9	9
Cash and cash equivalents	381,461	191,040	9,061	18,649
	486,943	335,822	9,325	18,887
At fair value through other comprehensive income				
Derivative financial assets	2,762	896	2,127	–
At fair value through profit or loss				
Derivative financial assets	–	3,313	–	–
Liabilities				
At amortised cost				
Trade payables	37,839	23,985	–	–
Other payables and accruals	46,957	40,767	2,510	2,255
Loans and borrowings from financial institutions	406,735	342,204	404,058	339,718
Islamic medium term notes	–	99,441	–	99,441
Loan from subsidiary	–	–	240,000	–
	491,531	506,397	646,568	441,414
At fair value through other comprehensive income				
Derivative financial liabilities	10,223	56,815	2,228	31,978
At fair value through profit or loss				
Derivative financial liabilities	–	16,560	–	–

41. 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.

(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:

	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
Group				
2021				
Assets measured at fair value:				
Non-financial assets				
Biological assets	–	–	45,243	45,243
Financial assets				
Derivative financial assets	–	2,762	–	2,762
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	–	10,223	–	10,223

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

(b) Assets and liabilities measured at fair value (cont'd)

	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
Group				
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
Company				
2021				
Assets measured at fair value:				
Financial assets				
Derivative financial assets	–	2,127	–	2,127
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	–	2,228	–	2,228
2020				
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	–	31,978	–	31,978

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

(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:

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
2021				
Biological assets	45,243	Income approach	Projected harvest quantities	228,000 tonnes
			Market price of FFB	US$165/tonne –US$229/tonne
2020				
Biological assets	29,576	Income approach	Projected harvest quantities	227,000 tonnes
			Market price of FFB	US$111/tonne –US$155/tonne

For biological assets, changes in projected harvest quantities and market price of FFB will result in directionally similar changes in fair value measurement.

41. 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 biological assets measured at fair value are disclosed in Note 20.

(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.

(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

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 the financial year ended 31 December 2020.

42. 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 (2020: 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:

	2021		2020	
Group	**Profit before tax US$'000**	**Equity US$'000**	**Profit before tax US$'000**	**Equity US$'000**
Increase in interest rates	1,908	5,208	976	4,277
Decrease in interest rates	(1,908)	(5,275)	(976)	(4,340)

42. 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 22, 23, 25, 26, 27, 29 and 30 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.

	2021		2020	
Group	**Profit before tax US$'000**	**Equity US$'000**	**Profit before tax US$'000**	**Equity US$'000**
IDR against USD				
– strengthened 10% (2020: 10%)	(45,247)	153,868	(10,531)	151,178
– weakened 10% (2020: 10%)	55,302	(146,026)	12,871	(149,353)
SGD against USD				
– strengthened 5% (2020: 5%)	(71)	(59)	294	244
– weakened 5% (2020: 5%)	71	59	(294)	(244)
MYR against USD				
– strengthened 10% (2020: 10%)	5	4	4	430
– weakened 10% (2020: 10%)	(5)	(4)	(4)	(430)

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42. 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 2021 would have been US$74.3 million (2020: US$51.3 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:

	2021		2020	
Group	**Profit before tax US$'000**	**Equity US$'000**	**Profit before tax US$'000**	**Equity US$'000**
Increase in prices of palm based products	–	(11,267)	(7,257)	(22,446)
Decrease in prices of palm based products	–	11,267	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.

For other financial assets (including cash and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Credit risk (cont'd)

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
2021						
Gross carrying amount	61,836	166	59	–	725	62,786
Loss allowance	539	–	–	–	–	539
2020						
Gross carrying amount	76,532	1,290	106	67	495	78,490
Loss allowance	409	8	–	–	35	452

Information regarding the movement in the allowance for expected credit loss of trade receivables is disclosed in Note 22.

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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Credit risk (cont'd)

Plasma receivables and financial guarantees provided for plasma bank loans (cont'd)

The movements in the allowance for expected credit losses of plasma receivables and the financial guarantees provided for plasma bank loans are as follows:

	2021		2020	
Group	**Plasma receivables US$'000**	**Financial guarantees US$'000**	**Plasma receivables US$'000**	**Financial guarantees US$'000**
At 1 January	721	1,384	2,119	684
(Credit)/charge for the year (Note 9)	(294)	(94)	(1,421)	655
Exchange differences	(9)	(16)	23	45
At 31 December	418	1,274	721	1,384

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$119.2 million (2020: US$70.7 million) relating to financial guarantees provided by certain subsidiaries for repayment of plasma farmers' loans to banks (Note 39(c)).

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, 88.4% (2020: 64.6%) of the Group's trade receivables were due from three (2020: three) customers.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Credit risk (cont'd)

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 22.

(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.

42. 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
2021				
Trade and other payables	84,796	–	–	84,796
Bank loans	119,907	304,122	–	424,029
Lease liabilities	1,466	1,575	–	3,041
Derivative financial liabilities:				
– Other derivatives	10,231	–	–	10,231
	216,400	305,697	–	522,097
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

42. 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
2021				
Trade and other payables	2,510	–	–	2,510
Bank loans	119,907	304,122	–	424,029
Loan from subsidiary	241,485	–	–	241,485
Derivative financial liabilities:				
– Other derivatives	2,230	–	–	2,230
	366,132	304,122	–	670,254
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

43. 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 2021 and 2020.

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	
	2021	**2020**
	US$'000	**US$'000**
Loans and borrowings from financial institutions (Note 29)	406,735	342,204
Islamic medium term notes (Note 30)	–	99,441
Gross debt	406,735	441,645
EBITDA	312,916	259,191
Debt/EBITDA	1.30 times	1.70 times

44. 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.

44. 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.

2021	Plantations and Palm Oil Mills US$'000	Refinery and Processing US$'000	Elimination US$'000	Total US$'000
Sales:				
External customers	114,674	917,603	–	1,032,277
Inter-segment	527,420	–	(527,420)	–
Total sales	642,094	917,603	(527,420)	1,032,277
Results:				
EBITDA	252,257	69,554	(8,895)	312,916
Depreciation and amortisation	(76,380)	(7,775)	–	(84,155)
Gain arising from changes in fair value of biological assets	15,959	–	–	15,959
Write-back of expected credit losses	267	–	–	267
Profit from operations	192,103	61,779	(8,895)	244,987
Gain on foreign exchange				266
Gain on derivative financial instruments				10,622
Net financial expenses				(13,285)
Other non-operating income				3,398
Profit before tax				245,988

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

44. SEGMENT INFORMATION (CONT'D)

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

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	
	2021 US$'000	2020 US$'000
Singapore	406,143	238,925
Indonesia	424,546	227,923
China	155,649	73,930
Others	45,939	119,647
	1,032,277	660,425

44. SEGMENT INFORMATION (CONT'D)

Geographical information (cont'd)

	Non-current assets	
	2021	**2020**
	US$'000	**US$'000**
Singapore	66,493	67,972
Indonesia	1,021,441	1,084,368
	1,087,934	1,152,340

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

During the financial year ended 31 December 2021, sales to two major customers amounted to US$407.8 million, made up of US$261.4 million from the refinery and processing segment and US$146.4 million from the plantations and palm oil mills segment.

During the financial year ended 31 December 2020, sales to two major customers amounted to US$168.4 million from the refinery and processing segment.

45. DIVIDENDS

	Group and Company	
	2021	**2020**
	US$'000	**US$'000**
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Final tax exempt (one-tier) dividend for 2020: 2.00 Singapore cents (2019: 1.725 Singapore cents) per share	23,800	19,638
– Interim tax exempt (one-tier) dividend for 2021: 1.25 Singapore cents (2020: 1.00 Singapore cents) per share	14,659	11,613
	38,459	31,251
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 2021: 5.10 Singapore cents (2020: 2.00 Singapore cents) per share	59,516*	23,800

* *Based on USD/SGD exchange rate of 1.3514.*

46. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 30 March 2022.

STATISTICS OF SHAREHOLDING

As at 11 March 2022

SHAREHOLDERS' INFORMATION

Number of issued shares	:	1,584,072,969
Number of issued shares (excluding treasury shares)	:	1,577,065,969
Number/percentage of treasury shares held against the total number of issued shares (excluding treasury shares)	:	7,007,000 (0.44%)
Class of shares	:	Ordinary share
Voting rights	:	One vote per share

The Company does not have any subsidiary holdings as at 11 March 2022.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	10	0.64	243	0.00
100 – 1,000	220	13.99	187,677	0.01
1,001 – 10,000	1,018	64.76	5,295,458	0.34
10,001 – 1,000,000	307	19.53	14,316,905	0.91
1,000,001 and above	17	1.08	1,557,265,686	98.74
Total	**1,572**	**100.00**	**1,577,065,969**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%*
1.	Eight Capital Inc.	599,644,130	38.02
2.	Citibank Nominees Singapore Pte Ltd	517,317,265	32.80
3.	HSBC (Singapore) Nominees Pte Ltd	139,763,630	8.86
4.	Raffles Nominees (Pte.) Limited	123,409,438	7.83
5.	DB Nominees (Singapore) Pte Ltd	90,542,800	5.74
6.	DBS Nominees (Private) Limited	24,139,943	1.53
7.	DBSN Services Pte. Ltd.	19,722,905	1.25
8.	BPSS Nominees Singapore (Pte.) Ltd.	10,737,381	0.68
9.	CGS-CIMB Securities (Singapore) Pte. Ltd.	9,784,625	0.62
10.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	8,053,118	0.51
11.	DBS Vickers Securities (Singapore) Pte Ltd	4,827,500	0.31
12.	OCBC Securities Private Limited	2,059,500	0.13
13.	Lim & Tan Securities Pte Ltd	1,973,500	0.13
14.	Maybank Securities Pte. Ltd.	1,559,900	0.10
15.	ABN AMRO Clearing Bank N.V	1,346,400	0.09
16.	UOB Kay Hian Private Limited	1,244,900	0.08
17.	Phillip Securities Pte Ltd	1,138,751	0.07
18.	Merrill Lynch (Singapore) Pte. Ltd.	763,461	0.05
19.	Teh Li Li	738,000	0.05
20.	Teng Nam Seng	600,000	0.04
		1,559,367,147	98.89

* Based on 1,577,065,969 shares (excluding treasury shares) as at 11 March 2022.

STATISTICS OF SHAREHOLDING

As at 11 March 2022

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders, as at 11 March 2022)

	Direct Interest	%*	Deemed Interest	%*
Eight Capital Inc.	1,043,966,230	66.20	–	–
Eight Capital Trustees Pte Ltd	–	–	1,043,966,230 (1)	66.20
TMF Trustees Singapore Limited	–	–	1,043,966,230 (2)	66.20
Infinite Capital Fund Limited	88,982,400	5.64	–	–
King Fortune International Inc.	–	–	88,982,400 (3)	5.64
Butterfield Trust (Asia) Limited	–	–	88,982,400 (4)	5.64
Abigail P. Johnson	–	–	125,963,269 (5)	7.99
FMR LLC	–	–	125,963,269 (6)	7.99
Fidelity Management & Research Company LLC	–	–	105,855,676 (7)	6.71
Fidelity Investment Trust	95,994,000 (8)	6.09	–	–

* Based on 1,577,065,969 shares (excluding treasury shares) as at 11 March 2022.

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) Abigail P. Johnson's interests in the securities of First Resources Limited are currently entirely comprised as deemed interest. Abigail P. Johnson is deemed to have interest in the securities of First Resources Limited because she is entitled to exercise or control the exercise of 20% or more of the voting power over FMR LLC.

(6) 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.

STATISTICS OF SHAREHOLDING

As at 11 March 2022

(7) 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.

(8) 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 its capacity as investment advisor of various funds and accounts, including certain funds of Fidelity Investment Trust.

PERCENTAGE OF SHARES HELD BY THE PUBLIC

Approximately 20.17% 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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