Securities Investors Association (Singapore)
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www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: First Resources Limited

Stock code: EB5

Meeting details:
Date: 27 April 2023
Time: 2.30 p.m.
Venue: Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Level 3, Room 330, Suntec City, Singapore 039593

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Q1. For the financial year ended 31 December 2022, the group achieved underlying net profit of US$334.2 million, an increase of 123.9%. The strong financial performance was driven by higher average selling prices of US$1,239 per tonne despite unprecedented volatility in Crude palm oil (CPO) prices in 2022.

Fresh fruit bunches (FFB) production reached a new high of 3.566 million tonnes, while CPO and palm kernel production also hit highs of 881,062 tonnes and 197,620 tonnes respectively. There was a net inventory build-up of 40,000 tonnes in FY2022, as opposed to a drawdown of 30,000 tonnes in FY2021.

(i) **What were the reasons for the lower sales volume (863,019 tonnes vs 911,239 tonnes)? Was the decline in sales volume due to a deliberate strategy by management to hold back sales and build up inventory to optimise selling prices and profit, or were there other factors such as logistics or operational challenges that affected sales volume?**

The cash cost of production of each tonne of nucleus CPO on an ex-mill basis was approximately US$276 (2021: US$250) due to increase in wages and infrastructure maintenance. The increase in cash cost of production was offset by sub-optimal application of fertilisers due to adverse weather conditions.

(ii) **What is the estimated impact of missed/lower fertiliser application on the FFB yield going forward?**

In the message to shareholders, there was an in-depth discussion on CPO prices and the policy impact on prices (pages 10 & 11). The chairman and CEO further added that the group believes that the combined demand and supply dynamics will keep CPO prices at sufficiently remunerative levels, although they expect the average prices in 2023 to moderate from the high base recorded in 2022.

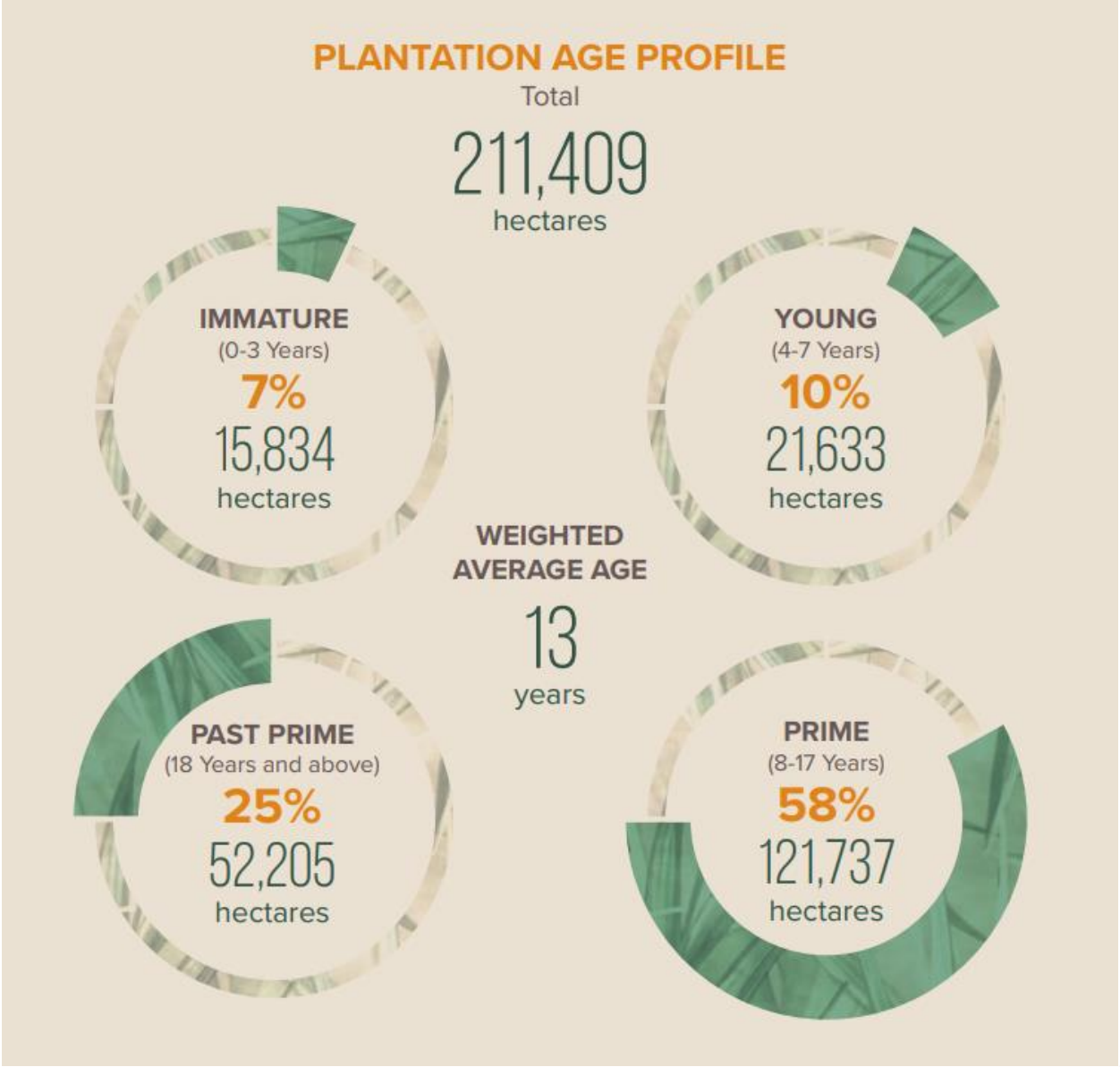
(iii) **Can management also share its thoughts on hedging CPO prices and/or entering into (more) forward sales?**

(iv) **To what extent can management leverage technology, such as sensors and drones, to mitigate the negative effects of El Nino?**

Q2. The planned capital expenditure (capex) for FY2023 will be approximately US$170 million. Apart from replanting, the group will expand its processing capabilities and carry out ongoing maintenance of immature oil palm plantations and other upstream infrastructure, and upgrade and maintain its mills.

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The age profile of the group's plantations is shown on page 15 and reproduced below:



(Source: company annual report)

(i) **What is the desired age distribution of plantations that the group is striving to attain?**

(ii) **Are the individual capex projects approved based on normalised CPO prices, or were any of them brought forward due to higher-than-expected CPO prices seen in 2022?**

(iii) **What guidance has the board given to management to ensure that the group invests and expands at a prudent pace while still capitalising on good opportunities that arise?**

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Q3. As mentioned in the message to shareholders, the group received Roundtable on Sustainable Palm Oil (RSPO) certifications for an additional four mills, covering 40,263 hectares of plantations.

As at December 2022, the group has received RSPO certifications for eight of the subsidiaries covering six mills and more than 59,000 hectares of plantations in the provinces of Riau and East Kalimantan, representing 34% of the group's nucleus planted area.

Compare that to the situation about 2.5 years ago at the onset of the COVID pandemic, as of May 2020, RSPO certifications were obtained for three of its subsidiaries covering three mills and more than 27,000 hectares of plantations located in the province of Riau.

The group is committed to achieving 100% RSPO certification across its operations by 2026.

(i) **Can management provide an update on the group's RSPO certifications, specifically if any certifications have expired or been revoked?**

(ii) **Has the pandemic caused the group to delay achieving 100% RSPO certification by 2 years (to 2026)?**

(iii) **What are the main challenges the group is facing in obtaining RSPO certification, now that the pandemic is under control?**

(iv) **How does RSPO certification impact the group's sales and marketing efforts? Is RSPO certification becoming a basic requirement in the industry?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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