



# FIRST RESOURCES LIMITED

## Unaudited Financial Statements for the Second Quarter (“2Q”) and Six Months (“6M”) Ended 30 June 2010

### 1(a)(i) Income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group					
	6M 2010	6M 2009	Change	2Q 2010	2Q 2009	Change
	US\$'000	US\$'000	(%)	US\$'000	US\$'000	(%)
Sales	124,052	90,069	37.7%	59,980	52,906	13.4%
Cost of sales	(50,718)	(42,141)	20.4%	(24,769)	(23,251)	6.5%
<b>Gross profit</b>	<b>73,334</b>	<b>47,928</b>	<b>53.0%</b>	<b>35,211</b>	<b>29,655</b>	<b>18.7%</b>
Selling and distribution costs	(1,114)	(1,654)	(32.6%)	(794)	(976)	(18.6%)
General and administrative expenses	(5,448)	(4,501)	21.0%	(2,477)	(2,117)	17.0%
Other operating expenses	(512)	(356)	43.8%	(285)	(234)	21.8%
<b>Profit from operations</b>	<b>66,260</b>	<b>41,417</b>	<b>60.0%</b>	<b>31,655</b>	<b>26,328</b>	<b>20.2%</b>
(Losses)/gains on foreign exchange	(1,826)	4,137	n.m.	(3,836)	4,427	n.m.
Gains/(losses) on cross currency swap	3,593	9,702	(63.0%)	(506)	11,817	n.m.
Net financial expenses	(17,658)	(8,229)	114.6%	(10,590)	(4,798)	120.7%
Other non-operating income/(expenses)	599	58	932.8%	16	(164)	n.m.
<b>Profit before taxation</b>	<b>50,968</b>	<b>47,085</b>	<b>8.2%</b>	<b>16,739</b>	<b>37,610</b>	<b>(55.5%)</b>
Tax expense	(13,322)	(11,886)	12.1%	(5,484)	(7,916)	(30.7%)
<b>Profit for the period</b>	<b>37,646</b>	<b>35,199</b>	<b>7.0%</b>	<b>11,255</b>	<b>29,694</b>	<b>(62.1%)</b>
<b>Attributable to :</b>						
Owners of the parent	35,710	33,525	6.5%	10,259	28,268	(63.7%)
Non-controlling interests	1,936	1,674	15.7%	996	1,426	(30.2%)
	<b>37,646</b>	<b>35,199</b>	<b>7.0%</b>	<b>11,255</b>	<b>29,694</b>	<b>(62.1%)</b>

n.m. – not meaningful

**1(a) (ii) A statement of total comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group					
	6M 2010	6M 2009	Change	2Q 2010	2Q 2009	Change
	US\$'000	US\$'000	(%)	US\$'000	US\$'000	(%)
<b>Profit for the period</b>	37,646	35,199	7.0%	11,255	29,694	(62.1%)
<b>Other comprehensive income</b>						
Foreign currency translation adjustments	22,194	28,317	(21.6%)	3,765	49,235	(92.4%)
Write-back of fair value loss of available-for-sale financial assets	88	-	n.m.	-	-	n.m.
<b>Total comprehensive income for the period</b>	<b>59,928</b>	<b>63,516</b>	<b>(5.6%)</b>	<b>15,020</b>	<b>78,929</b>	<b>(81.0%)</b>
<b>Attributable to :</b>						
Owners of the parent	57,992	61,842	(6.2%)	14,024	77,503	(81.9%)
Non-controlling interests	1,936	1,674	15.7%	996	1,426	(30.2%)
	<b>59,928</b>	<b>63,516</b>	<b>(5.6%)</b>	<b>15,020</b>	<b>78,929</b>	<b>(81.0%)</b>

n.m. – not meaningful

**Additional Information**

	Group					
	6M 2010	6M 2009	Change	2Q 2010	2Q 2009	Change
	USD'000	USD'000	(%)	US\$'000	US\$'000	(%)
Profit from operations	66,260	41,417	60.0%	31,655	26,328	20.2%
Depreciation of property, plant and equipment	5,974	3,819	56.4%	2,911	2,008	45.0%
Amortisation of land use rights and intangible assets	532	373	42.6%	295	244	20.9%
<b>EBITDA</b>	<b>72,766</b>	<b>45,609</b>	<b>59.5%</b>	<b>34,861</b>	<b>28,580</b>	<b>22.0%</b>
EBITDA margin	58.7%	50.6%		58.1%	54.0%	

**1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	Group		Company	
	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
	US\$'000	US\$'000	US\$'000	US\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Biological assets	580,170	534,953	-	-
Plasma plantation receivables	18,080	16,166	-	-
Property, plant and equipment	206,492	186,287	312	297
Land use rights	20,397	19,236	-	-
Investment in subsidiaries	-	-	249,829	249,829
Goodwill	7,073	7,073	-	-
Other intangible assets	31,748	30,489	-	-
Tax recoverable	3,468	278	-	-
Deferred tax assets	2,082	2,743	362	132
Available-for-sale financial assets	-	7,977	-	7,977
Other non-current assets	24	132	525	525
<b>Total non-current assets</b>	<b>869,534</b>	<b>805,334</b>	<b>251,028</b>	<b>258,760</b>
<b>Current assets</b>				
Inventories	18,582	15,395	-	-
Trade receivables	1,119	8	-	-
Other receivables	4,269	3,848	1,082	1,233
Advance for purchase of plant, property and equipment	7,899	2,123	-	-
Other advances and prepayments	7,447	2,956	18	12
Prepaid taxes	1,892	3,356	-	-
Advance subscription for shares in subsidiary	-	-	62,030	37,980
Due from subsidiary	-	-	45	-
Cash and bank balances	152,440	179,598	68,843	98,954
<b>Total current assets</b>	<b>193,648</b>	<b>207,284</b>	<b>131,973</b>	<b>138,179</b>
<b>Total assets</b>	<b>1,063,182</b>	<b>1,012,618</b>	<b>383,001</b>	<b>396,939</b>

**1(b)(i) Statement of financial position (continued)**

	Group		Company	
	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
	US\$'000	US\$'000	US\$'000	US\$'000
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	22,087	11,043	42	-
Other payables and accruals	14,385	18,196	2,095	2,814
Advances from customers	1,919	4,275	-	-
Loans and borrowings from financial institutions	18,749	10,929	13	12
Provision for taxation	6,320	12,882	81	157
<b>Total current liabilities</b>	<b>63,460</b>	<b>57,325</b>	<b>2,231</b>	<b>2,983</b>
<b>Non-current liabilities</b>				
Loans and borrowings from financial institutions	131,773	1,453	42	49
Notes payable	-	137,743	-	-
Rupiah bonds payable	52,876	51,252	-	-
Liability component of convertible bonds	85,666	83,923	85,666	83,923
Derivative financial liabilities	138	2,536	-	-
Provision for post employment benefits	4,806	4,306	-	-
Deferred tax liabilities	83,690	80,789	-	16
Other non-current liabilities	500	500	500	500
<b>Total non-current liabilities</b>	<b>359,449</b>	<b>362,502</b>	<b>86,208</b>	<b>84,488</b>
<b>Total liabilities</b>	<b>422,909</b>	<b>419,827</b>	<b>88,439</b>	<b>87,471</b>
<b>Net assets</b>	<b>640,273</b>	<b>592,791</b>	<b>294,562</b>	<b>309,468</b>
<b>Equity attributable to owners of the parent</b>				
Share capital	288,735	288,735	288,735	288,735
Treasury shares	(6,816)	(6,816)	(6,816)	(6,816)
Differences arising from restructuring transactions involving entities under common control	35,066	35,066	-	-
Other reserves	3,431	(18,851)	393	305
Equity component of convertible bonds	13,971	13,971	13,971	13,971
Retained earnings/(accumulated losses)	274,894	251,573	(1,721)	13,273
	609,281	563,678	294,562	309,468
Non-controlling interests	30,992	29,113	-	-
<b>Total equity</b>	<b>640,273</b>	<b>592,791</b>	<b>294,562</b>	<b>309,468</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities:**

- amount repayable in one year or less, or on demand
- amount repayable after one year

	Group					
	As at 30 Jun 2010			As at 31 Dec 2009		
	US\$'000			US\$'000		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Amount repayable in one year or less, or on demand	16,853	1,896	18,749	-	10,929	10,929
Amount repayable after one year	181,934	102,352	284,286	188,995	99,347	288,342
<b>Total</b>	<b>198,787</b>	<b>104,248</b>	<b>303,035</b>	<b>188,995</b>	<b>110,276</b>	<b>299,271</b>

**Details of any collateral**

The secured borrowings are collateralised by certain of the Group's cash and bank balances, biological assets, land use rights and property, plant and equipment.

**1(c) Statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group			
	6M 2010	6M 2009	2Q 2010	2Q 2009
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cash flows from operating activities</b>				
Profit before taxation	50,968	47,085	16,739	37,610
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	5,974	3,819	2,911	2,008
Amortisation of land use rights and intangible assets	532	373	295	244
Interest expenses	15,980	8,519	8,657	4,928
Interest income	(451)	(290)	(213)	(130)
Loss on redemption of notes payable and Rupiah bonds payable	2,129	-	2,146	-
(Gains)/losses on cross currency swap	(3,593)	(9,702)	506	(11,817)
Unrealised foreign exchange losses/(gains)	2,697	(2,291)	7,536	(1,287)
<b>Operating cash flows before changes in working capital</b>	<b>74,236</b>	<b>47,513</b>	<b>38,577</b>	<b>31,556</b>
<u>Changes in working capital</u>				
(Increase)/decrease:				
Inventories	(989)	7,452	(5,368)	1,853
Trade receivables	(1,111)	(3,659)	1,207	(7,369)
Other receivables	(455)	595	(440)	807
Advances and prepayments	(4,490)	872	(1,358)	3,495
Prepaid taxes	(1,680)	(3,026)	(725)	(2,449)
Other non-current assets	(180)	(56)	(289)	(47)
(Decrease)/increase:				
Trade payables	11,044	3,427	10,094	(1,515)
Other payables and accruals	(6,487)	(1,245)	(9,928)	2,316
Advances from customers	(2,356)	(3,326)	(2,744)	579
Changes in provision for post-employment benefits	500	415	213	533
<b>Cash flows generated from operations</b>	<b>68,032</b>	<b>48,962</b>	<b>29,239</b>	<b>29,759</b>
Interest paid	(14,363)	(12,311)	(9,342)	(11,059)
Interest received	485	296	181	128
Tax paid	(19,743)	(29,168)	(8,593)	(26,358)
<b>Net cash generated from/(used in) operating activities</b>	<b>34,411</b>	<b>7,779</b>	<b>11,485</b>	<b>(7,530)</b>

**1(c) Statement of cash flow (continued)**

	<b>Group</b>			
	<b>6M 2010</b>	<b>6M 2009</b>	<b>2Q 2010</b>	<b>2Q 2009</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from investing activities</b>				
Capital expenditure on property, plant and equipment	(18,675)	(14,877)	(8,892)	(7,261)
(Increase)/decrease in advance purchase of property, plant and equipment	(5,776)	480	(4,959)	(261)
Capital expenditure on biological assets	(28,288)	(18,649)	(18,525)	(12,043)
Decrease/(increase) in plasma plantation receivables	1,963	(1,387)	(536)	(725)
Acquisition of intangible assets	(101)	(117)	(101)	(52)
Proceeds from available-for-sale financial assets	7,959	-	-	-
<b>Net cash used in investing activities</b>	<b>(42,918)</b>	<b>(34,550)</b>	<b>(33,013)</b>	<b>(20,342)</b>
<b>Cash flows from financing activities</b>				
Net cash proceeds from cross currency swap transactions	1,136	612	591	400
Redemption of notes payable and Rupiah bonds payable	(141,239)	-	(141,023)	-
Proceeds from bank loan, net	134,302	6,647	134,302	6,647
Placement of secured bank balances	-	(7,914)	-	(7,914)
Payments of obligation under capital leases	(717)	(331)	(379)	(253)
Payments of consumer financing loans	(272)	(479)	(147)	(197)
Dividend paid	(12,449)	-	(12,449)	-
Share application monies	3	-	3	-
<b>Net cash used in financing activities</b>	<b>(19,236)</b>	<b>(1,465)</b>	<b>(19,102)</b>	<b>(1,317)</b>
Net decrease in cash and cash equivalents	(27,743)	(28,236)	(40,630)	(29,189)
Effect of exchange rate on cash and cash equivalents	215	126	39	1,064
Cash and cash equivalents, at the beginning of the financial period	168,999	99,739	182,062	99,754
<b>Cash and cash equivalents, at the end of the financial period (Note A)</b>	<b>141,471</b>	<b>71,629</b>	<b>141,471</b>	<b>71,629</b>
<u>Note A</u>				
Reconciliation of cash and cash equivalents :				
Cash on hand and in banks, unsecured	29,676	35,723	29,676	35,723
Time deposits, unsecured	111,795	35,906	111,795	35,906
<b>Cash and cash equivalents</b>	<b>141,471</b>	<b>71,629</b>	<b>141,471</b>	<b>71,629</b>
Cash in banks, secured	10,969	7,914	10,969	7,914
<b>Cash and bank balances</b>	<b>152,440</b>	<b>79,543</b>	<b>152,440</b>	<b>79,543</b>

**1(d) (i) Statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

Group	----- Attributable to owners of the Parent-----								Total equity
	Share capital	Treasury shares	Differences arising from restructuring transactions involving entities under common control	Other reserves	Equity component of convertible bonds	Retained earnings	Total share capital and reserves	Non-controlling interests	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
At 1 Jan 2010	288,735	(6,816)	35,066	(18,851)	13,971	251,573	563,678	29,113	592,791
Total comprehensive income for the period	-	-	-	22,282	-	35,710	57,992	1,936	59,928
Dividend paid	-	-	-	-	-	(12,389)	(12,389)	(60)	(12,449)
Share application monies	-	-	-	-	-	-	-	3	3
<b>At 30 Jun 2010</b>	<b>288,735</b>	<b>(6,816)</b>	<b>35,066</b>	<b>3,431</b>	<b>13,971</b>	<b>274,894</b>	<b>609,281</b>	<b>30,992</b>	<b>640,273</b>
At 1 Jan 2009	277,056	(6,886)	35,066	(80,954)	-	149,285	373,567	22,840	396,407
Total comprehensive income for the period	-	-	-	28,317	-	33,525	61,842	1,674	63,516
<b>At 30 Jun 2009</b>	<b>277,056</b>	<b>(6,886)</b>	<b>35,066</b>	<b>(52,637)</b>	<b>-</b>	<b>182,810</b>	<b>435,409</b>	<b>24,514</b>	<b>459,923</b>
At 1 Apr 2010	288,735	(6,816)	35,066	(334)	13,971	277,024	607,646	30,053	637,699
Total comprehensive income for the period	-	-	-	3,765	-	10,259	14,024	996	15,020
Dividend paid	-	-	-	-	-	(12,389)	(12,389)	(60)	(12,449)
Share application monies	-	-	-	-	-	-	-	3	3
<b>At 30 Jun 2010</b>	<b>288,735</b>	<b>(6,816)</b>	<b>35,066</b>	<b>3,431</b>	<b>13,971</b>	<b>274,894</b>	<b>609,281</b>	<b>30,992</b>	<b>640,273</b>
At 1 Apr 2009	277,056	(6,886)	35,066	(101,872)	-	154,542	357,906	23,088	380,994
Total comprehensive income for the period	-	-	-	49,235	-	28,268	77,503	1,426	78,929
<b>At 30 Jun 2009</b>	<b>277,056</b>	<b>(6,886)</b>	<b>35,066</b>	<b>(52,637)</b>	<b>-</b>	<b>182,810</b>	<b>435,409</b>	<b>24,514</b>	<b>459,923</b>



### 1(d) (i) Statement of changes in equity (cont'd)

Company	Share capital	Treasury shares	Other reserves	Equity component of convertible bonds	Retained earnings (Accumulated losses)	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 Jan 2010	288,735	(6,816)	305	13,971	13,273	309,468
Total comprehensive income for the period	-	-	88	-	(2,605)	(2,517)
Dividend paid	-	-	-	-	(12,389)	(12,389)
<b>At 30 Jun 2010</b>	<b>288,735</b>	<b>(6,816)</b>	<b>393</b>	<b>13,971</b>	<b>(1,721)</b>	<b>294,562</b>
At 1 Jan 2009	277,056	(6,886)	(4,229)	-	2,857	268,798
Total comprehensive income for the period	-	-	(336)	-	651	315
<b>At 30 Jun 2009</b>	<b>277,056</b>	<b>(6,886)</b>	<b>(4,565)</b>	<b>-</b>	<b>3,508</b>	<b>269,113</b>
At 1 Apr 2010	288,735	(6,816)	393	13,971	11,405	307,688
Total comprehensive income for the period	-	-	-	-	(737)	(737)
Dividend paid	-	-	-	-	(12,389)	(12,389)
<b>At 30 Jun 2010</b>	<b>288,735</b>	<b>(6,816)</b>	<b>393</b>	<b>13,971</b>	<b>(1,721)</b>	<b>294,562</b>
At 1 Apr 2009	277,056	(6,886)	(5,925)	-	4,163	268,408
Total comprehensive income for the period	-	-	1,360	-	(655)	705
<b>At 30 Jun 2009</b>	<b>277,056</b>	<b>(6,886)</b>	<b>(4,565)</b>	<b>-</b>	<b>3,508</b>	<b>269,113</b>

#### Other Reserves

	Group			Company		
	As at			As at		
	30 Jun 2010	31 Dec 2009	30 Jun 2009	30 Jun 2010	31 Dec 2009	30 Jun 2009
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Capital reserve	(29,096)	(29,096)	(29,096)	-	-	-
Foreign translation reserve	32,248	10,054	(23,820)	393	393	(4,565)
Revaluation reserve	279	279	279	-	-	-
Available-for-sale reserve	-	(88)	-	-	(88)	-
<b>Total other reserves</b>	<b>3,431</b>	<b>(18,851)</b>	<b>(52,637)</b>	<b>393</b>	<b>305</b>	<b>(4,565)</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

There were no changes to the company's share capital in the three months and six months ended 30 June 2010.

	Company	
	30 Jun 2010	30 Jun 2009
Number of shares held as treasury shares	15,000,000	15,000,000
Number of issued shares excluding treasury shares	1,453,459,221	1,453,459,221
Total number of issued shares	1,468,459,221	1,468,459,221
Number of shares that may be issued on conversion of outstanding convertible bonds	116,078,086	n.a.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

	Company	
	30 Jun 2010	31 Dec 2009
Number of issued shares excluding treasury shares	1,453,459,221	1,453,459,221

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on**

There were no treasury shares which were sold, transferred, disposed, cancelled or used in the current financial period.

**2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice**

The financial statements presented above have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements as at 31 December 2009 except for the adoption of the Financial Reporting Standards (FRS) and Interpretation of FRS (INT FRS) that are mandatory for the financial years beginning on or after 1 January 2010. The adoption of these FRS and INT FRS has no significant impact to the Group.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group has changed its presentation currency from Indonesian Rupiah ("IDR") to United States Dollars ("USD") with effect from 1 January 2010. The functional currency of the underlying subsidiaries in Indonesia remains as IDR and the functional currency of the Company remains as USD. The change of the presentation currency resulted in the following effects:

	Group		Company	
	As at 31 Dec 2009			
	Restated	Previously Reported	Restated	Previously Reported
	US\$'000	Rp 'million	USD\$'000	Rp 'million
<b>Balance Sheets</b>				
Share capital	288,735	2,793,775	288,735	2,793,775
Retained earnings	251,573	2,773,676	13,273	128,052
Translation reserve	10,054	(344,758)	393	3,582
Non-controlling interests	29,113	240,259	-	-
Equity attributable to owners of the parent	563,678	5,334,225	309,468	2,994,022
Total equity	592,791	5,574,484	309,468	2,994,022

**6. Earnings Per Ordinary Share (EPS) of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

Basic earnings per share amounts are calculated by dividing earnings for the corresponding periods attributable to owners of the parent by the weighted average number of ordinary shares outstanding at the end of the respective financial period. Diluted earnings per share is calculated on the same basis as the basic earnings per share except that the weighted average number of shares outstanding during the period is adjusted for the effect of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares as at 30 June 2010 and 30 June 2009.

Items	Group			
	6M 2010	6M 2009	2Q 2010	2Q 2009
Weighted average number of shares applicable to basic EPS computation	1,453,459,221	1,453,459,221	1,453,459,221	1,453,459,221
EPS - basic (US cents)	2.46	2.31	0.71	1.94
EPS - diluted (US cents)	n.a.	n.a.	n.a.	n.a.

**7. Net Asset Value Per Ordinary Share (NAV) (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial period reported on; and  
(b) immediately preceding financial year

	Group		Company	
	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
	US\$	US\$	US\$	US\$
Net asset value per ordinary share	0.42	0.39	0.20	0.21

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

## **REVIEW OF INCOME STATEMENT**

### **Overview**

The Group recorded a 63.7% fall in net profit to US\$10.3 million in 2Q2010. This was mainly due to high non-operating income booked in 2Q2009, such as mark-to-market gains from the Group's cross currency swap. The Group's operating performance is better reflected in its profit from operations, which increased 20.2% in 2Q2010. In 6M2010, the Group's net profit increased 6.5% to US\$35.7 million while its profit from operations jumped 60.0% to US\$66.3 million.

The overall improvement in performance was mainly driven by the recovery of palm oil prices during the period.

### **Sales**

Sales totaled US\$60.0 million in 2Q2010, up 13.4% against 2Q2009. For 6M2010, sales increased by 37.7% to US\$124.1 million. This improvement was mainly due to increases in selling prices of palm oil and palm kernel. Our average selling price of palm oil was 55.7% higher in 6M2010 as compared to the same period last year.

However, the gains from better selling prices were partially offset by the decrease in sales volumes as our production decreased over the same period. Our CPO production declined due to tree stress exhibited by our nucleus plantations and lower volume of fresh fruit bunches ("FFB") purchased from plasma farmers.

The following tables provide breakdowns of our sales, sales volume and average selling prices:

Sales	6M 2010	6M 2009	Change	2Q 2010	2Q 2009	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Palm oil	110,930	79,768	39.1%	53,128	47,074	12.9%
Palm kernel	13,122	10,301	27.4%	6,852	5,832	17.5%
<b>Total sales</b>	<b>124,052</b>	<b>90,069</b>	<b>37.7%</b>	<b>59,980</b>	<b>52,906</b>	<b>13.4%</b>

Sales Volume	6M 2010	6M 2009	Change	2Q 2010	2Q 2009	Change
	Tonne	Tonne	%	Tonne	Tonne	%
Palm oil	153,648	172,055	(10.7%)	71,782	93,538	(23.3%)
Palm kernel	33,198	39,045	(15.0%)	16,047	18,692	(14.2%)

Average Selling Price/tonne	6M 2010	6M 2009	Change	2Q 2010	2Q 2009	Change
	US\$	US\$	%	US\$	US\$	%
Palm oil	722.0	463.6	55.7%	740.1	503.3	47.0%
Palm kernel	395.3	263.8	49.9%	427.0	312.0	36.9%

## **8. Review of Group Performance (continued)**

### **Cost of Sales**

Cost of sales comprises mainly harvesting costs, plantation maintenance costs, FFB purchases from plasma farmers, plantation general expenses and mill processing costs. In 2Q2010, cost of sales increased by 6.5% to US\$24.8 million and in 6MQ2010, cost of sales increased 20.4% to US\$50.7 million. These increases were mainly due to higher depreciation of property, plant and equipment, increases in maintenance costs (due to larger mature hectarage), increases in harvesting costs and plantation general expenses (due to increases in minimum wage rate and variable wages).

### **Gross Profit**

Gross profit increased by 18.7% to US\$35.2 million in 2Q2010 and gross profit margin improved to 58.7% as compared to 56.1% in 2Q2009. For 6M2010, gross profit increased by 53% to US\$73.3 million, and gross profit margin improved to 59.1% from 53.2% in the previous period. The better margins were driven mainly by the Group's higher average selling prices.

### **Selling and Distribution costs**

Selling and distribution expenses, comprising mainly freight charges, warehousing charges and export taxes, decreased by 18.6% in 2Q2010 to US\$0.8 million and by 32.6% in 6M2010 to US\$1.1 million. The decrease in this period was mainly because the Group had more domestic sales as compared to export sales, and therefore incurred lower export taxes and warehousing charges.

### **General and Administrative expenses**

General and administrative expenses, comprising professional fees, remuneration of office staff, licences and software fees, increased by 17.0% in 2Q2010 to US\$2.5 million and by 21.0% in 6M2010 to US\$5.4 million. This was mainly due to increases in staff remuneration as our headcount increased.

### **(Losses)/gains on Foreign Exchange, net**

We recorded a loss of US\$3.8 million on foreign exchange in 2Q2010 versus a gain of US\$4.4 million in 2Q2009. The losses were largely due to a refinancing exercise in 2Q2010 to redeem our USD Notes, which will lower the Group's interest costs and extend our debt maturity profile. As the USD/IDR exchange rate at date of redemption was higher than the closing rate as at 31 March 2010, there were foreign exchange losses booked. In addition, there were losses arising from the capital distribution of the issuer of the Notes, as the distribution was lower than the book value carried due to unfavourable exchange rate movements. In 6M2010, the Group recorded a loss of US\$1.8 million on foreign exchange versus a gain of US\$4.1 million in 6M2009.

### **Net Financial Expenses**

Net financial expenses comprise interest expenses after deducting interest income and other financial gains/losses. Part of the interest expenses are capitalised to our immature plantations and property, plant and equipment.

Net financial expenses totaled US\$10.6 million in 2Q2010, an increase of 120.7% from 2Q2009. In 6M2010, net financial expenses stood at US\$17.7 million, a 114.6% increase over 6M2009.

A portion of the increase in net financial expenses in 2Q2010 and 6M2010 was attributed to the issuance of our 5.625% US\$100 million convertible bonds in 3Q2009. Apart from recognising interest expense on the convertible bond coupon, convertible bond accounting also requires the non-cash accretion of the liability value to be expensed in the income statement. In addition, we conducted a refinancing exercise to redeem our USD Notes in 2Q2010. The redemption of these Notes caused the remaining unamortised issuance costs to be immediately recognized in the quarter's income statement.

## 8. Review of Group Performance (continued)

The following table reflects the computation of net financial expenses:

	6M 2010	6M 2009	2Q 2010	2Q 2009
	US\$'000	US\$'000	US\$'000	US\$'000
Interest expenses and amortisation on:				
- notes payable	8,957	8,811	3,909	4,398
- Rupiah bonds payable	3,092	2,716	1,562	1,405
- convertible bonds payable	4,540	-	2,188	-
- loans and borrowings from financial institutions	1,963	160	1,759	144
	<b>18,552</b>	<b>11,687</b>	<b>9,418</b>	<b>5,947</b>
Less:				
Capitalised to biological assets	(1,725)	(1,620)	(754)	(422)
Capitalised to property, plant and equipment	(847)	(1,548)	(7)	(597)
<b>Interest expenses recognised in profit or loss</b>	<b>15,980</b>	<b>8,519</b>	<b>8,657</b>	<b>4,928</b>
Losses on redemption of notes and Rupiah bonds payable - net	2,129	-	2,129	-
Interest and other financial income	(451)	(290)	(213)	(130)
<b>Net financial expenses</b>	<b>17,658</b>	<b>8,229</b>	<b>10,590</b>	<b>4,798</b>

### Gains/(Losses) on Cross Currency Swap

We have entered into a cross currency swap to convert our 11.50% Rp500 billion bond (issued in November 2007) into a 7.40% US\$53.4 million liability. Changes in the mark-to-market position as at the end of every balance sheet date will be booked in profit or loss.

In 2Q2010, there was a loss of US\$0.5 million due to deterioration in the mark-to-market position of the swap. In contrast, there was a significant mark-to-market gain of US\$11.8 million in 2Q2009. For 6M2010, we recorded a gain of US\$3.6 million versus a gain of US\$9.7 million in 6M2009.

### Tax Expense

Tax expense decreased by 30.7% in 2Q2010 to US\$5.5 million in line with lower taxable income. For 6M2010, tax expense increased 12.1% to US\$13.3 million as the Group booked higher taxable income over 6M2009.

### Profit Attributable to Owners of the Parent

As a result of the foregoing, net profit for 2Q2010 decreased by 63.7% to US\$10.3 million. However, net profit for 6M2010 increased by 6.5% to US\$35.7 million.

## **8. Review of Group Performance (continued)**

### **REVIEW OF BALANCE SHEET**

Total assets of the Group increased from US\$1,012.6 million as at 31 December 2009 to S\$1,063.2 million as at 30 June 2010. Current assets decreased by US\$13.6 million mainly as a result of decrease in cash and bank balances which was deployed by the Group for its capital expenditure programme. In addition, there were dividends paid to shareholders during the period. The Group's non-current assets increased by US\$64.2 million principally due to additions of biological assets in new planting and immature plantations, and capital expenditure relating to plantation housing and infrastructure, and on-going construction works for a new palm oil mill and a new fractionation plant.

Total liabilities of the Group increased slightly by 0.7% from US\$419.8 million as at 31 December 2009 to US\$422.9 million as at 30 June 2010.

### **REVIEW OF CASH FLOW STATEMENT**

The Group generated cash of US\$11.5 million from its operating activities in 2Q2010. This compares to a net cash used in operating activities of US\$7.5 million in 2Q2009. This is mainly because in the first half of 2009, taxes were largely paid in the second quarter instead of proportionately over the first two quarters. For 6M2010, net cash generated from operating activities was US\$34.4 million, compared to US\$7.8 million in 6M2009.

Net cash used in investing activities increased by 62.3% in 2Q2010 to US\$33.0 million. This is mainly due to increase in capital expenditure on property, plant and equipment and on oil palm plantations, in line with the Group's expansion plans. For 6M2010, net cash used in investing activities was US\$42.9 million, compared to US\$34.6 million in 6M2009.

For financing activities, the Group used net cash amounting to US\$19.1 million in 2Q2010, a significant increase over the US\$1.3 million in 2Q2009. This is mainly due to dividends paid in 2Q2010, whereas there was no dividend paid in 2Q2009. In addition, the Group incurred additional costs in obtaining a new loan to refinance its notes payable. For 6M2010, net cash used in financing activities was US\$19.2 million, compared to US\$1.5 million in 6M2009.

As a result of the foregoing, the Group registered an overall decrease in cash and cash equivalents of US\$40.6 million in 2Q2010, bringing the Group's cash balance to US\$152.4 million as at 30 June 2010.

## **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable

## **10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The Group's performance has been aided by stronger palm oil prices in the first half of 2010. The volatile weather faced by the industry and the resulting impact on supply is expected keep palm oil prices firm.

Although the Group's palm oil production in the first half of 2010 has been lower due to typical seasonality patterns as well as biological tree stress phenomenon, production volume is expected to recover during the second half which is seasonally a peak production period.

## 11. Dividends

### (a) Current financial period reported on

Any dividend declared for the current financial period reported on?

Yes

<b>Name of Dividend</b>	Interim dividend
<b>Dividend Type</b>	Cash
<b>Dividend Amount per Share</b>	1.00 Singapore cents
<b>Tax Rate</b>	1-tier tax-exempt

### (b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes

<b>Name of Dividend</b>	Interim dividend
<b>Dividend Type</b>	Cash
<b>Dividend Amount per Share</b>	1.00 Singapore cents
<b>Tax Rate</b>	1-tier tax-exempt

### (c) Date payable

15 September 2010

### (d) Books closure date

Notice is hereby given that the Register of Members and Register of Transfer Books of the Company will be closed on 1 September 2010 for the preparation of dividend warrants.

Registrable transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 up to 5.00pm on 31 August 2010 will be registered before entitlements to the dividend are determined.

## 12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.



**13. Confirmation by the Board Pursuant to Rule 705(4)**

We, Lim Ming Seong and Ciliandra Fangiono, being two directors of First Resources Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial statements for the second quarter ended 30 June 2010 to be false or misleading in any material aspect.

**On behalf of the Board of Directors**

**Lim Ming Seong**  
Chairman

**Ciliandra Fangiono**  
Director and Chief Executive Officer

**BY ORDER OF THE BOARD**

**Ciliandra Fangiono**  
Director and Chief Executive Officer  
13 August 2010