

RESPONSES TO QUESTIONS RECEIVED FOR THE ANNUAL GENERAL MEETING 2024

The following questions were received from shareholders of First Resources Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) for the Company’s Annual General Meeting (“**AGM**”) on 26 April 2024. Accordingly, please find below the responses from the Company.

Question 1

Since the beginning of the year, have the company’s plantations been experiencing a prolonged period of hot and dry weather like in Malaysia? If so, is it going to affect our harvests significantly?

The Company’s Response:

While the phenomenon of El Nino in 2023 was evident in many areas across Indonesia, its severity in our operating areas in Riau, East Kalimantan and West Kalimantan was less pronounced compared to the southern areas such as South Sumatra, South Kalimantan and Central Kalimantan. Notably, some of our operating areas even experienced heavy rainfall towards the end of 2023. Consequently, the impact of El Nino on our 2024 production is expected be milder than experienced in previous El Nino occurrences, if any.

Question 2

The company has been regularly buying back its shares from the open market in the past year. Does the share valuation justify these buybacks or is it merely an expression of confidence in the company’s future?

The Company’s Response:

The Company has in place a share purchase mandate renewed annually at the AGM, authorising the purchase of up to ten percent of the total number of issued shares (excluding treasury shares and subsidiary holdings) as of the resolution date. This allows the Company to capitalise on opportunities to buy back its shares at attractive values, while providing greater flexibility over the Company’s capital structure, dividend policy and cash reserves.

As the Company evolves into a more mature and free cash flow generative business, the dividend policy was revised in 2020 to distribute up to 50% of the Group’s underlying net profit for the financial year, an increase from the 30% cap previously. Looking ahead, we believe that our low leverage and strong recurring cashflow generation will enable us to strike a balance between reinvesting for growth and distribution to shareholders.

Our approach to share buybacks goes beyond opportunistically signaling to the market. It is guided by a holistic understanding of market conditions and our commitment to maximising shareholder value over the long term. The Company remains mindful of the need to maintain a prudent balance between buybacks and other strategic uses of our cash resources to ensure the long-term sustainability and growth of the Company.

Question 3

In its annual reports, why does the company make references to average CPO prices on a “free-on-board Belawan basis” instead of other international indices that are more readily available and commonly used? Based on this index, what is the prevailing price currently?

The Company’s Response:

CPO prices on a “free-on-board Belawan basis” reflect the selling price of CPO loaded for delivery at an Indonesian port, which is where the Group exports its palm oil products. While other reference prices such as the CPO futures contract traded on the Bursa Malaysia are readily available and commonly used, it is important to note that there is typically some price difference between Indonesia and Malaysia-sourced CPO.

Question 4

Please explain how the foreign exchange losses of US\$5.7 million (page 18 of the Annual Report 2023) came about.

The Company’s Response:

The loss on foreign exchange of US\$5.7 million recorded by the Group in FY2023 arose mainly from the revaluation of United States Dollar (“USD”) cash and bank balances in the books of the Indonesian subsidiaries, resulting from the appreciation of Indonesian Rupiah against the USD during the year.

BY ORDER OF THE BOARD
FIRST RESOURCES LIMITED

Eunice Hooi
Company Secretary
19 April 2024