



FAR EASTERN POLYCHEM INDUSTRIES LIMITED **(遠東化聚工業股份有限公司)***

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2000

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks rising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM means that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

** For identification purpose only*

This announcement, for which the directors of Far Eastern Polychem Industries Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Far Eastern Polychem Industries Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HALF-YEARLY RESULTS HIGHLIGHTS

- Far Eastern Polychem Industries Limited (the “Company”) and its subsidiary (together the “Group”) are principally engaged in the production and distribution of two major categories of polyester products, namely bottle-grade polyethylene terephthalate (“PET”) chips and polyester filament, and the dyeing and finishing of polyester fabrics.
- The Group achieved a turnover of approximately HK\$628,379,000 for the six months ended 30th June, 2000, with profit attributable to shareholders of approximately HK\$90,106,000, representing an increase of 30% and 37%, respectively, as compared to the same period in the previous financial year.
- The Group achieved a turnover of approximately HK\$335,661,000 for the three months ended 30th June, 2000, with profit attributable to shareholders of approximately HK\$53,937,000, representing an increase of 33% and 70%, respectively as compared to the same period in the previous financial year.
- Earnings per share for the six months ended 30th June, 2000 was HK\$0.23.

INTERIM FINANCIAL STATEMENTS

The directors of the Company (the “Directors”) have the pleasure of presenting the unaudited financial statements of the Group for the six months ended 30th June, 2000 and the comparative figures as at 31st December, 1999 for the consolidated balance sheet and for the corresponding period of last year for the unaudited consolidated profit and loss account as follow:

(a) Consolidated balance sheet

		As at	
	<i>Notes</i>	30th June, 2000	31st December, 1999
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
Fixed assets		1,165,486	1,203,055
Deferred assets		10,108	10,680
Other long-term assets		1,716	1,814
Current assets		765,717	475,370
Current liabilities		(423,967)	(476,507)
Net current assets (liabilities)		341,750	(1,137)
Total assets less current liabilities		1,519,060	1,214,412
Loans from related companies		—	(225,931)
Loans from shareholding companies		—	(85,470)
Long-term bank loans		(397,048)	(488,146)
Deferred taxation		(1,200)	(1,200)
Net assets		1,120,812	413,665
Share capital		410,296	6,302
Reserves	1	710,516	407,363
Shareholders' funds		1,120,812	413,665

(b) Unaudited consolidated profit and loss account

		For the six months ended 30th June		For the three months ended 30th June	
	<i>Notes</i>	2000	1999	2000	1999
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PET chips		421,753	308,203	227,506	158,183
Polyester filaments		152,160	89,532	77,740	48,866
Finished fabrics		54,466	86,066	30,415	44,808
Total turnover	2	628,379	483,801	335,661	251,857
Cost of sales		(504,630)	(373,694)	(265,995)	(195,772)
Gross profit		123,749	110,107	69,666	56,085
Other operating income (expenses)		136	(1,410)	(381)	(1,262)
Distribution costs		(7,171)	(5,407)	(3,626)	(3,737)
Administrative costs		(14,231)	(15,745)	(7,318)	(7,020)
Profit from operations		102,483	87,545	58,341	44,066
Finance cost, net		(12,377)	(21,756)	(4,404)	(12,258)
Profit before tax		90,106	65,789	53,937	31,808
Income tax expense	3	—	—	—	—
Profit attributable to shareholders		90,106	65,789	53,937	31,808
Earnings per share	4				
- Basic		0.23	0.21	0.13	0.10
- Fully diluted		NA	NA	NA	NA

(c) **Unaudited consolidated cash flow statement**

	For the six months ended	
	30th June, 2000	30th June, 1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Interest paid	277,364	156,191
	(21,836)	(35,670)
	<hr/>	<hr/>
Net cash from operating activities	255,528	120,521
	<hr/>	<hr/>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,327)	(86,968)
Interest received	9,757	10,141
	<hr/>	<hr/>
Net cash from (used in) investing activities	430	(76,827)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	266,062	—
Proceeds from short-term bank loans	—	116,064
Proceeds from long-term bank loans	32,900	—
Repayment of short-term bank loans	(146,313)	(59,904)
Repayment of long-term bank loans	(123,998)	(193,706)
	<hr/>	<hr/>
Net cash from (used in) financing activities	28,651	(137,546)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	284,609	(93,852)
Effects on changes of foreign currencies translation	1,174	1,391
Cash and cash equivalents, beginning of period	181,949	289,053
	<hr/>	<hr/>
Cash and cash equivalents, end of period	467,732	196,592
	<hr/> <hr/>	<hr/> <hr/>

Notes:

1) Movements in reserves are as follow:

(a)

	Contributed surplus <i>HK\$'000</i>	(Accumulated losses) Retained profit <i>HK\$'000</i>	Cumulative translation adjustments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance, 1st January, 1999	310,825	(34,494)	482	276,813
Profit for the three month period ended 31st March, 1999	—	33,981	—	33,981
Translation change for the three month period ended 31st March, 1999	—	—	(766)	(766)
Balance, 31st March, 1999	310,825	(513)	(284)	310,028
Profit for the three month period ended 30th June, 1999	—	31,808	—	31,808
Translation change for the three month period ended 30th June, 1999	—	—	2,157	2,157
Balance, 30th June, 1999	<u>310,825</u>	<u>31,295</u>	<u>1,873</u>	<u>343,993</u>

(b)

	Staff welfare		(Accumulated				Total
	Contributed surplus	Share premium	reserve fund	Revaluation reserve	Retained profit	translation adjustments	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance, 1st January, 1999	310,825	—	—	—	(34,494)	482	276,813
Profit for the year 1999	—	—	—	—	123,386	—	123,386
Translation change for the year 1999	—	—	—	—	—	1,519	1,519
Revaluation of property, plant and equipment	—	—	—	6,845	—	—	6,845
Effect of the revaluation of property, plant and equipment on deferred taxation	—	—	—	(1,200)	—	—	(1,200)
Balance, 31st December, 1999	310,825	—	—	5,645	88,892	2,001	407,363
Issue of ordinary shares	—	481,430	—	—	—	—	481,430
Expenditure on issue of shares	—	(21,973)	—	—	—	—	(21,973)
Capitalization of a loan from a shareholding company	—	63,724	—	—	—	(1,818)	61,906
Capitalization of contributed surplus for the issuance of 4,019,580 new shares	(310,825)	—	—	—	—	—	(310,825)
Profit appropriation	—	—	20,107	—	(20,107)	—	—
Redenomination of shares from US\$10 to HK\$1	—	—	—	—	—	1,222	1,222
Profit for the three month period ended 31st March, 2000	—	—	—	—	36,169	—	36,169
Translation change for the three month period ended 31st March, 2000	—	—	—	—	—	769	769
Balance, 31st March, 2000	—	523,181	20,107	5,645	104,954	2,174	656,061
Profit for the three month period ended 30th June, 2000	—	—	—	—	53,937	—	53,937
Translation change for the three month period ended 30th June, 2000	—	—	—	—	—	519	519
Deferred exchange gain on forward exchange contracts	—	—	—	—	—	(1)	(1)
Balance, 30th June, 2000	—	523,181	20,107	5,645	158,891	2,692	710,516

2) Turnover

Turnover comprises (a) sale of goods which are recognized when goods are delivered and title has passed to customers. The sales amount recognized excludes value-added or other sales taxes and is after deduction of any trade discounts; (b) processing fee which is recognized when the processing activities are completed and goods are delivered. The processing fee recognized excludes value-added or other taxes and is after deduction of any trade discounts.

3) Taxation

The Company was incorporated under the laws of Bermuda and, under current Bermuda law, is not subject to tax on income or capital gains. The Company has received an undertaking from the Ministry of Finance of Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 1966, as amended, that in the event that Bermuda enacts any legislation imposing tax computed on profits or income, including any dividend or capital gains withholding tax, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to the Company or to any of its operations or the shares, debentures or other obligations of the Company, until 28th March, 2016.

The Company's subsidiary, as a wholly foreign owned enterprise, is subject to PRC enterprise income tax on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant income tax laws. The applicable enterprise income tax rate under local treatment is 15%. And local income tax rate is 3%. However, there is no assurance that the Company's subsidiary will continue to enjoy the reduced enterprise income tax rate of 15 % in the future. Furthermore, according to "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", the Company's subsidiary is entitled to full exemption from the enterprise income tax for the first two profit-making years and a 50% reduction in enterprise income tax for the following three years, commencing from the first profitable year after off-setting all tax losses carried forward from previous years. For this purpose, income tax losses can be carried forward for five years. Local income tax is exempted until year 2000. As 1999 is the first profit-making year of the Company's subsidiary after off-setting previous years' losses, no provision of PRC enterprise income tax or local income tax has been provided accordingly.

The Company's subsidiary, Far Eastern Industries (Shanghai) Ltd., is also subject to a value-added tax ("VAT"), the principal indirect PRC tax which is charged on top of the selling price at a general rate of 17%. An input credit is available whereby VAT previously paid on purchases of semi-finished products or raw materials etc. can be used to off-set the VAT on sales to determine the net VAT payable.

There was no significant unprovided deferred taxation for the six months ended 30th June, 2000 because there were no significant temporary differences.

4) Earnings per share

The calculation of basic earnings per share for the six months ended 30th June, 1999 and for the three months ended 30th June, 1999 was based on the unaudited consolidated profit attributable to shareholders of approximately HK\$65,789,000 and HK\$31,808,000, respectively, and on the weighted average number of ordinary shares in issue during the six months and the three months ended 30th June, 1999 and adjusted retroactively to the period for the issuance of shares in connection with the capitalization of the contributed surplus of the Company and a 1-to-77.5 share split. The number of shares used in the computation was 317,833,700 for both periods.

The calculation of the earnings per share for the six months ended 30th June, 2000 was based on the unaudited consolidated profit attributable to shareholders of approximately HK\$90,106,000 and the weighted average number of 394,885,616 shares in issue during the period.

The calculation of the earnings per share for the three months ended 30th June, 2000 was based on the unaudited consolidated profit attributable to shareholders of approximately HK\$53,937,000 and the weighted average number of 410,296,000 shares in issue during the period.

Fully diluted earnings per share were not presented because there were no dilutive potential ordinary shares in existence during the periods.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2000. The Group has not declared any dividends for the corresponding half-yearly period in 1999, the quarterly period ended 31st March, 2000 and the corresponding quarterly period in 1999.

BUSINESS REVIEW

For the six months ended 30th June, 2000

The unaudited consolidated profit attributable to shareholders of the Group for the first half of 2000 was approximately HK\$90,106,000, representing a 37% increase as compared to the first half of 1999. Unaudited consolidated turnover and the gross profit of the Group for the first half of 2000 was approximately HK\$628,379,000, and HK\$123,749,000 respectively, representing a 30% and a 12% increase respectively as compared to the first half of 1999.

During the first half of 2000, the Group remained one of the predominant leaders in the PRC bottle-grade PET chips market. In addition, with the good and consistently high quality products, the Group is also a major polyester filament producer in the PRC.

The PRC polyester industry continued to grow robustly in the first half of 2000. The current production capacity of PET chips and polyester filaments has failed to match the rapidly growing demand, resulting in significant increases in both the Group's sales volume and product unit selling prices. The sales volume of PET chips and polyester filaments increased by 7.9% and 43.7% respectively in the first half of 2000 when compared to the first half of 1999 whereas the unit selling prices of PET chips and polyester filaments increased by 26.2% and 18.3% respectively in the first half of 2000 when compared to the first half of 1999.

On the other hand, as discussed in the first quarterly results announcement, high crude oil prices have been affecting the polyester industry on an industry-wide basis. Crude oil prices increased by more than 60% last year, which in turn, led to a significant increase in the prices of the Group's major raw materials, purified terephthalic acid ("PTA") and mono ethylene glycol ("MEG"). The prices of PTA and MEG increased sharply by 49% and 64% respectively in the first half of 2000 when compared to the first half of 1999. However, the significant increase in turnover and stringent cost controls offset the effect of margin squeeze caused by high crude oil prices. This is evidenced by the fact that although the gross profit margin reduced by 3%, gross profit in absolute terms increased by 12% in the first half of 2000 when compared to that of the first half of 1999.

In addition, improvement in the Group's financing structure and tighter controls over operating costs also contributed to an improvement in profit attributable to shareholders.

For the three months ended 30th June, 2000

The unaudited consolidated profit attributable to shareholders of the Group for the three months ended 30th June, 2000 was approximately HK\$53,937,000, representing a 70% increase as compared to the second quarter of 1999. Unaudited consolidated turnover and the gross profit of the Group for the second quarter of 2000 was approximately HK\$335,661,000, and HK\$69,666,000 respectively, representing a 33% and a 24% increase respectively as compared to the second quarter of 1999.

It appears that the surge in PTA and MEG prices last year has finally come to an end in the second quarter of 2000. PTA and MEG prices reduced slightly by 1.9% and 8% respectively when compared to that of the first quarter of 2000. On the other hand, the prices of the Group's major products, PET chips and polyester filaments, rose 7% and 2.1% respectively when compared to that of the first quarter of 2000. Gross margin increased slightly from 18% in the first quarter of 2000 to 21% in the second quarter of 2000.

In addition, set out below are the highlights of the Group's major expansion activities during the second quarter of 2000:

- The construction of a polyester non-woven fibre plant, with an estimated cost of HK\$156 million and an estimated annual output of 41,400 tonnes has commenced; and
- The construction of a general purpose warehouse and a new waste water treatment facilities has commenced.

FUTURE PROSPECTS

The Directors maintain an optimistic view on the polyester industry in the PRC. Demand for polyester products in the PRC, especially for PET bottles, is expected to continue to increase in response to economic development and population growth. Such demand may be further boosted by the development of new applications of polyester.

Further improvement in results expected in the second half of 2000

Although crude oil prices did not reach the peak as expected in the second quarter of 2000, there is limited room for further increase in the second half of 2000. It is reported that developed countries like the United States believe that it will be harmful to the world economy if crude oil prices maintained at above US\$30 per barrel for a prolonged period of time. Accordingly, certain members of the Organization of Petroleum Exporting Countries (“OPEC”) have recently announced plans to raise crude oil output in order to stabilize crude oil prices. It is expected that crude oil prices, and hence, PTA and MEG prices, will decline in the second half of 2000.

With the peak season for polyester products yet to come in the third quarter of 2000, together with the fact that the PTA and MEG prices are trending downwards, the Directors expect further improvement in results in the second half of 2000.

New product mix

In response to the fast growing market with enormous potential, the Group will develop a product mix focusing on high value-added specialty products with enhanced profit margin which capture new market trends. The Group’s new product mix includes non-textile PET chips used for food packaging and industrial packaging, full series of bottle-grade PET chips with a wide range of applications, full series of PET preforms for a variety of PET bottles, high value-added POY/DTY products, polyester non-woven fibre products with non-textile applications, and high value added specialty fabrics.

CUSTOMER SERVICES

In order to strengthen customer loyalty, the Group is setting up after-sales service teams for each of the strategic business unit . The sales service teams will provide practical and customer advice on technical matters relating to our products. The Group also plans to set up an electronic data interchange system with its major customers, thereby enabling them to check the availability of goods and place orders.

New polyester production capacities will be achieved through construction of own facilities or acquisition of suitable production facilities

The Group will construct new polyester production facilities. A new non-woven fibre plant with an estimated annual production capacity of 41,400 tonnes will be completed by October, 2001.

The Group is also considering various mergers and acquisitions opportunities in order to further strengthen its market position in the PRC.

BUSINESS OBJECTIVES COMPARISON

During the six months ended 30th June, 2000, the business progress of the Group was substantially in line with the information as set out in the section headed “Statement of Business Objectives” in the Prospectus dated 20th January, 2000. Details are as follow:

Business objectives as stated in the prospectus dated 20th January, 2000

The half-year output of polyester polymer will reach 63,000 tonnes by half-year end of 2000.

The half-year output of non-textile PET chips will reach 50,000 tonnes by half-year end of 2000.

The half-year output of POY and DTY will both reach approximately 13,000 tonnes by half-year end of 2000.

The half-year output of finished fabrics will reach approximately 18 million yards by the half-year end of 2000.

Actual business progress of / change in business objectives (if any)

The half-year output of polyester polymer reached 65,780 tonnes by half-year end of 2000.

The half-year output of non-textile PET chips reached 51,935 tonnes by half-year end of 2000.

The half-year output of POY and DTY reached 14,946 tonnes and 12,087 tonnes (Note 1), respectively, by half-year end of 2000.

The half-year output of finished fabrics reached approximately 18.6 million yards by the half-year end of 2000.

Business objectives as stated in the prospectus dated 20th January, 2000

To commence the construction of a new non-woven fibre plant with a total annual capacity of 41,400 tonnes.

To obtain further approval from Coca-cola China Limited for a term of 2 years for the supply of bottle-grade PET chips in the PRC for the production of Coca- Cola bottle in the first half of 2000.

To set up after-sales service teams for PET chips and polyester filament in the first half of 2000.

To upgrade information management information system in the first half of 2000.

To commence the construction of the PTA silo, polymer silo, the general purpose warehouse and new waste water treatment facilities in the first half of 2000

Actual business progress of / change in business objectives (if any)

The construction of a new non-woven fibre plant with a total annual capacity of 41,400 tonnes has already commenced.

An approval from Coca-cola China Limited for a term up to February 2001 (Note 2) for the supply of bottle-grade PET chips in the PRC for the production of Coca- Cola bottle has been obtained.

After-sales service teams for PET chips and polyester filament have already been set up.

A thorough review on the purchasing, sales, inventories, fixed assets and general ledger module started in early 2000. Such review has enabled better integration of different modules within the existing management information system.

The construction of the PTA silo and the polymer silo have been completed by February 2000. The construction of the general purpose warehouse and the new waste water treatment facilities has commenced.

Notes:

1. The output of DTY during the first half of 2000 fell short of the half-year output as stated in the section headed "Statement of Business Objectives" in the prospectus dated 20th January, 2000 by 913 tonnes. The shortfall arose as a result of the Group's strategy in re-adjusting product mix in order to maximize profits, and therefore shareholders' interests. The Directors also believe that the shortfall was immaterial and will not materially affect the Group's overall business objectives for the year 2000.
2. It has been the new policy of Coca-Cola China Limited to reissue approval for the supply of bottle-grade PET chips every year for a term of one year. Nevertheless, the Directors are confident that the Group will continue to obtain further renewal of the approval when it expires in February 2001.

USE OF PROCEEDS

During the six months ended 30th June, 2000, the Group's use of proceeds from the new shares issued for listing on GEM of the Stock Exchange is substantially in line with the information as set out in the section headed "Summary" in the Prospectus dated 20th January, 2000. The proceeds, after deduction of related expenses, amounting to HK\$266,062,000 has been applied as follows:

	According to the use of proceeds as stated in the prospectus dated 20th January, 2000 HK\$ million	Amount utilized up to 30th June, 2000 HK\$ million
Upgrading of internal management information system	10	0.3
Construction of a polyester non-woven fibre plant	156	15
Construction of various storage and ancillary facilities	13	—
Construction of a PET preform plant	78	0.7
Development of two additional production facilities, including a polymerization plant and a production unit designed for non-textile and/or industrial-use PET chips.	9	—
Total	<u>266</u>	<u>16</u>

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2000, the following Directors had or were deemed to have interests in the securities of the Company and its subsidiary under the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance") by holding shares in Far Eastern Textile Ltd. ("FET"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance:

Shares in FET:

Name of Director	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Shu-Tong Hsu	51,025,546	Nil	Nil	Nil	51,025,546
Mr. Jar-Yi Shih	1,193,127	Nil	Nil	Nil	1,193,127
Mr. Champion Lee	188	Nil	Nil	Nil	188
Mr. Chin-Sen Tu	186	Nil	Nil	Nil	186
Mr. Shaw-Y Wang	84,288	Nil	Nil	Nil	84,288
Mr. Li-Teh Chang	13,167	Nil	Nil	Nil	13,167

Notes:

FET is regarded as the initial management shareholder (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Stock Exchange of Hong Kong Limited) of the Company. As at 30th June, 2000, FET had a 58.2% (including a direct interest of 11.4% and an indirect interest of 46.8% through 99.99% shareholding in Yuang Ding Investment Corporation.) interest in the Company.

In aggregate, the above interests represented, as at the date of this report, approximately 1.9% of the total issued common shares of FET.

Save as disclosed above, the Company had no notice of any other interests to be recorded under Section 29 of the SDI Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which any of the Company's directors had a material interest, either directly or indirectly, subsisted as at 30th June, 2000 or at any time during the six months ended 30th June, 2000.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

The Company has adopted a share option scheme conditionally approved by a resolution passed by the shareholders of the Company on 11th January, 2000, under which it may grant options to full-time employees, including executive directors of the Company or of its subsidiary, to subscribe for shares in the Company.

During the six months ended 30th June, 2000, the Company had not granted any options under the Company's share option scheme.

Save as disclosed above, as at 30th June, 2000, none of the Directors or chief executive of their respective spouses or children under the age of 18 had any right to subscribe for the shares of the Company or its subsidiary.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2000, according to the register required to be maintained under Section 16(1) of the SDI Ordinance, the Company had been notified of the following (not being Directors or chief executive of the Company) interests, being of 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage shareholding
Far Eastern Textile Limited (Note 1)	238,667,760	58.2%
Yuang Ding Investment Corporation	191,870,160	46.8%
Everest Investment (Holding) Limited	69,750,000	17.0%
Everest Textile Co., Ltd. (Note 2)	69,750,000	17.0%

Saved as disclosed above, the Company had no notice of any interests required to be notified under Section 16(1) of the SDI Ordinance as at the date of this announcement.

Notes:

- 1 FET has interests in 99.99% of the entire issued share capital of Yuang Ding Investment Corporation (“YDIC”) and is accordingly deemed to have an interest in the Company’s shares in which YDIC is deemed to have an interest.
- 2 Everest Textile Co., Ltd. has interests in the entire issued share capital of Everest Investment (Holding) Limited and is accordingly deemed to have an interest in the Company’s shares in which Everest Investment (Holding) Limited is deemed to have an interest.

COMPETING INTERESTS

FET and Everest Textile Co., Ltd. (“Everest Textile”), being management shareholders of the Company, are engaged in, and have interests in other companies engaged in, the production and sales of petrochemical, polyester and textile products.

During the six months ended 30th June, 2000, FET produced approximately 343,000 tonnes of polyester polymer, 90,000 tonnes of various types of PET chips (for PET bottles, food and industrial packaging), 90,000 tonnes of polyester staple fibre, 109,000 tonnes of POY, 50,000 tonnes of DTY, 229,000 bails of yarn, 6,343,000 yards of finished fabrics and 88,988,000 million pieces of PET preforms. Everest Textile also produced approximately 22,482 tonnes of polyester filament and 49,517,558 yards of finished fabrics.

Notes:

1. As at 30th June, 2000, Mr. Shu-Tong Hsu, Mr. Jar-Yi Shih, Mr. Champion Lee, Mr. Chin-Sen Tu and Mr Shaw-Y Wang, who are Directors, were also directors of FET.
2. As at 30th June, 2000, Mr. Jar-Yi Shih and Mr. Chin-Sen Tu were also directors of Everest Textile.

Save as disclosed above, as at 30th June, 2000, the Directors were not aware of any business or interest of each Director and management shareholder and the respective associates of each that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

SPONSOR'S INTERESTS

As at 30th June, 2000, associates of the Company's sponsor, HSBC Investment Bank Asia Limited ("HSBC"), were interested in a total of 11,182,000 shares of HK\$1.00 each in the issued share capital of the Company. As at that date, employees of HSBC (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) who were involved in providing advice to the Company were interested in a total of 22,000 shares in the issued share capital of the Company. None of the Company's sponsor nor any of its executive directors had any interest in the issued share capital of the Company as at 30th June, 2000.

Pursuant to the sponsor agreement dated 11th January, 2000 entered into between the Company and HSBC, HSBC is entitled to receive a fee for acting as the Company's retained sponsor for the period from 12th January, 2000 to 31st December, 2002.

YEAR 2000 COMPLIANCE

The Board is pleased to announce that all accounting and financial applications in the Group were fully Year 2000 compliant and therefore, the Year 2000 compliance issue had no material adverse impact on the business operations of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the board of Directors. The audit committee will also be responsible for reviewing and supervising the Group's financial reporting and internal control procedures. The audit committee comprises three non-executive Directors, namely Mr. Shaw-Y Wang, Mr. Ying-Ho Wong, Kennedy, and Mr. Shih-Hung Chan. The audit committee has met three times since its formation.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiary has purchased, sold or redeemed any of the Company's shares during the period from 31st January, 2000 (date of listing) to 30th June, 2000.

By Order of the Board
Far Eastern Polychem Industries Limited
Shu-Tong Hsu
Chairman

Hong Kong, 14th August, 2000