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

HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE HONG KONG EXCHANGES AND CLEARING LIMITED (THE "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 a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising 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 mean 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 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.

* *For identification only*

The Exchange takes no responsibility for the contents of This report, 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 report.

This report, 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 GEM of the Exchange (the "GEM Listing Rules") 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 report 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 report misleading; and (3) all opinions expressed in This report 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 in the People's Republic of China (the "PRC"), 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$ 663,885,000 for the six months ended 30th June, 2001, with profit attributable to shareholders of approximately HK$ 126,407,000, representing an increase of 6% and 40%, respectively, as compared to the same half-yearly period in the previous financial year.
- The Group achieved a turnover of approximately HK$ 351,118,000 for the three months ended 30th June, 2001, with profit attributable to shareholders of approximately HK$ 68,483,000, representing an increase of 5% and 27%, respectively, as compared to the same three month period in the previous financial year.
- Earnings per share for the six months ended 30th June, 2001 was HK$ 0.31 (Earnings per share for the six months ended 30th June, 2001 was HK$ 0.23).

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

The directors of the Company (the "Directors") have the pleasure of presenting the consolidated financial statements of the Group for the six months ended 30th June, 2001 and the comparative figures as at 31st December, 2000 for the consolidated balance sheet and for the corresponding period of last year for the unaudited consolidated profit and loss account as follows:

(a) Consolidated balance sheet

		As at	
	Note	**30th June, 2001**	**31st December, 2000**
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited)*
Fixed assets		1,418,342	1,271,145
Deferred assets		10,490	9,524
Other long-term assets		3,064	1,684
Current assets		771,144	748,223
Current liabilities		(564,201)	(403,566)
Net current assets		206,943	344,657
Total assets less current liabilities		1,638,839	1,627,010
Long-term bank loans		(385,358)	(385,358)
Deferred taxation		(1,200)	(1,200)
Net assets		1,252,281	1,240,452
Share capital		410,296	410,296
Reserves	1	841,985	830,156
Shareholders' funds		1,252,281	1,240,452

(b) Unaudited consolidated profit and loss account

	Notes	For the six months ended 30th June 2001 HK$'000 (Unaudited)	For the six months ended 30th June 2000 HK$'000 (Unaudited) (Note 5)	For the three months ended 30th June 2001 HK$'000 (Unaudited)	For the three months ended 30th June 2000 HK$'000 (Unaudited) (Note 5)
PET chips		450,790	421,753	239,268	227,506
Polyester filaments		98,231	152,160	49,161	77,740
Finished fabrics		114,864	54,466	62,689	30,415
Total turnover	2	663,885	628,379	351,118	335,661
Cost of sales		(502,205)	(504,630)	(261,585)	(265,995)
Gross profit		161,680	123,749	89,533	69,666
Other operating income (expenses)		10,669	9,595	4,037	(381)
Distribution costs		(11,566)	(7,171)	(7,620)	(3,626)
Administrative costs		(13,278)	(14,231)	(7,083)	(7,318)
Profit from operations		147,505	111,942	78,867	58,341
Finance cost, net		(10,854)	(21,836)	(4,716)	(4,404)
Profit before tax		136,651	90,106	74,151	53,937
Income tax expense	3	(10,244)	—	(5,668)	—
Profit attributable to shareholders		126,407	90,106	68,483	53,937
Earnings per share (in HK$)	4				
- Basic		0.31	0.23	0.17	0.13
- Fully diluted		NA	NA	NA	NA

(c) Unaudited consolidated cash flow statements

	For the six months ended 30th June, 2001	30th June, 2000
	HK$'000	*HK$'000*
		(Note 5)
CASH FLOW FROM OPERATING ACTIVITIES	229,278	215,342
Interest paid	(10,854)	(21,836)
Net cash from operating activities	218,424	193,506
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(208,860)	(9,327)
Interest received	8,308	9,757
Net cash (used in) from investing activities	(200,552)	430
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	—	266,062
Proceeds from reorganization	—	62,022
Proceeds from short-term bank loans	227,480	—
Proceeds from long-term bank loans	—	32,900
Repayment of short-term bank loans	(65,800)	(146,313)
Repayment of long-term bank loans	—	(123,998)
Dividends paid	(114,883)	—
Net cash from financing activities	46,797	90,673
Net increase in cash and cash equivalents	64,669	284,609
Effects on changes of foreign currencies translation	307	1,174
Cash and cash equivalents, beginning of the period	358,179	181,949
Cash and cash equivalents, end of the period	423,155	467,732

Notes:

1) Movements in reserves are as follow:

(a) For the six months ended 30th June, 2000:-

	Contributed surplus	Share premium	Staff welfare fund and reserve fund	Revaluation reserve	(Accumulated losses) Retained profit	Cumulative translation adjustments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance, 1st January, 2000	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 sharehold ing company	—	63,724	—	—	—	—	63,724
Capitalization of contributed surplus for the issuance of 4,019,580 new shares	(310,825)	—	—	—	—	(1,818)	(312,643)
Profit appropriation	—	—	20,107	—	(20,107)	—	—
Redenomination of shares from US$10 to HK$1	—	—	—	—	—	1,222	1,222
Profit for three months ended 31st March, 2000	—	—	—	—	36,169	—	36,169
Translation change for the three months 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 months ended 30th June, 2000	—	—	—	—	53,937	—	53,937
Deferred item on forward contracts for hedging purpose	—	—	—	—	—	519	519
Translation change for the nine months ended 30th June, 2000	—	—	—	—	—	(1)	(1)
Balance, 30th June, 2000	—	523,181	20,107	5,645	158,891	2,692	710,516

(b) For the six months ended 30th June, 2001

	Share premium HK$'000	Staff welfare fund and reserve fund HK$'000	Revaluation reserve HK$'000	Retained profit HK$'000	Cumulative translation adjustments HK$'000	Total HK$'000
Balance, 1st January, 2001	523,001	20,107	5,645	288,923	(7,520)	830,156
Profit appropriation	—	32,542	—	(32,542)	—	—
Dividends declared	—	—	—	(114,883)	—	(114,883)
Profit for three months ended 31st March, 2001	—	—	—	57,922	—	57,922
Balance, 31st March, 2001	523,001	52,649	5,645	199,420	(7,520)	773,195
Profit for the three months ended 30th June, 2001	—	—	—	68,483	—	68,483
Translation change for the three month period ended 30th June, 2001	—	—	—	—	307	307
Balance, 30th June, 2001	523,001	52,649	5,645	267,903	(7,213)	841,985

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; and (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 prevailing Bermuda laws, 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, Far Eastern Industries (Shanghai) Limited ("FEIS"), as a wholly foreign owned enterprise, is subject to PRC enterprise income tax ("EIT") on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant income tax laws. The applicable EIT rate under local treatment is 15% and local income tax rate is 3%. However, there is no assurance that FEIS will continue to enjoy the reduced EIT rate of 15% in the future. Furthermore, according to "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", FEIS is entitled to full exemption from EIT for the first two profit-making years and a 50% reduction in EIT 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. As 1999 was the first profit-making year of FEIS after off-setting previous years' losses, a provision for EIT at a rate of 7.5% has been made for the six months ended 30th June, 2001.

According to relevant PRC rules and regulations, FEIS, as a "High-technology Enterprise" and residing in a designated high-technology zone, is entitled to an extended preferential EIT rate comprising a 50% reduction, for the next three years following the expiration of the aforesaid five year period of preferential EIT enjoyment. The "High-technology Enterprise" status of FEIS is subject to review every two years.

FEIS 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, 2001 because there were no significant temporary differences.

4) Earnings per share

The calculation of the earnings per share for the six months ended 30th June, 2001 amd 30th June, 2000, respectively, was based on the unaudited consolidated profit attributable to shareholders of approximately HK$126,407,000 and HK$ 90,106,000 respectively and the weighted average number of 410,296,000 shares and 394,885,616 shares in issue respectively, during both periods.

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

5) Certain comparative figures have been reclassified to conform to current period presentation.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2001.

The Group did not declare any dividends for the corresponding six month period in 2000, the quarterly period ended 31st March, 2001 and the corresponding quarterly period in 2000.

FINANCIAL PERFORMANCE

The unaudited consolidated turnover of the Group for the six-month period ended 30th June, 2001 was approximately HK$663,885,000, representing a 6% increase as compared to the corresponding half-yearly period in 2000. Unaudited consolidated gross profit and profit attributable to shareholders of the Group for the six-month period ended 30th June, 2001 was approximately HK$ 161,680,000 and HK$126,407,000 respectively, representing a 31% and a 40% increase respectively as compared to the half-yearly period ended 30th June, 2000.

The unaudited consolidated turnover of the Group for the three-month period ended 30th June, 2001 was approximately HK$351,118,000, representing a 5% increase as compared to the corresponding quarterly period in 2000. Unaudited consolidated gross profit and profit attributable to shareholders of the Group for the three-month period ended 30th June, 2001 was approximately HK$ 89,533,000 and HK$68,483,000 respectively, representing a 29% and a 27% increase respectively as compared to the quarterly period ended 30th June, 2000.

BUSINESS REVIEW

The Group achieved satisfactory results during the half-yearly period ended 30th June, 2001. While there was a moderate growth in turnover of 6%, gross profit and profit attributable to shareholders improved significantly by 31% and 40%, respectively when compared to the same period in previous year. This was mainly due to the Group's continuing efforts in lowering the production costs, and reducing selling and administrative expenses through stringent cost controls. Despite such satisfactory performance, the Directors anticipate challenges ahead.

Demand for PET resins remained strong, but the Group faces challenges ahead

During the six-month period ended 30th June, 2001, PET resins production remained to be the Group's major business line, which comprised 68% of the Group's total turnover. Although the demand remained strong, the PET resins market in the PRC was mildly affected by the increase in production capacity during the second quarter of 2001. The Group's PET resins nevertheless enjoyed a mild increase in unit selling prices during the first half of 2001 due to our specialization in producing PET resins for high value-added products, such as hot-filled bottles and carbonated bottles. However, the Directors anticipate the growth in unit selling prices may slow down during the second half of 2001. Despite of this, the risk of a downward pressure on unit selling prices will be mitigated to a larger extent by the decline of our feedstock costs due to the global oversupply of the Group's major raw materials during the second half of the year 2001. As such, the Group can maintain a stable gross profit margin throughout the year 2001. Together with the additional PET resins production capacity which is expected to be in place during the fourth quarter of 2001, the Directors expect a healthy growth in profit for PET resins in 2001.

The polyester filaments and finished fabrics markets weakened during the second quarter of 2001

On the other hand, the polyester filaments and fabrics markets weaken during the second quarter of 2001. Demand for polyester filaments and fabrics declined as the business of downstream textile manufacturers was adversely affected by the decrease in exports to Western countries, which anticipate a global economy slowdown. Despite of the fact that the two strategic business units ("SBU") were still making profits during the first half of 2001, the Group experienced a gross profit margin squeeze for these two SBUs. The Directors anticipate that the situation will continue during the second half of 2001. In view of this, the Group will counteract the aforesaid situation by (1) refocus on high value-added products, such as microfibers, which are expected to produce higher gross profit margins; and (2) re-aligning the production facilities so as to re-adjust the Group's product mix among PET chips, polyester filaments and finished fabrics in order to minimize the effect of a possible downturn in the polyester filaments and finished fabrics markets.

FUTURE OUTLOOK

Although anticipating challenges ahead, the Directors remain optimistic, albeit conservatively, about the future outlook of the Company.

A new multifunctional polyester staple-fiber plant will commence production ahead of schedule

The new multifunctional polyester staple-fiber plant, the annual production capacity of which can easily exceed 41,400 metric tonnes, will commence operations ahead of schedule in September 2001. In order to maximize the Group's profits, and hence shareholders' value, the production facilities of the new plant were designed to permit such versatility and flexibility that enables the Group to alter the product mix between non-woven fibers and value-added textile fibers. In terms of annual production capacity, the new plant will be the world's largest staple fiber production line. As such, it is expected that the new plant will achieve a low conversion cost for its products due to economies of scale. Moreover, the Group will specialize in high-valued products and will offer the best quality non-woven staple fibers and value-added textile fibers, including conjugate fibers, which are used in the manufacturing of furniture, cushions and other industrial-related products. The staple-fiber SBU, therefore, is expected to generate profits for the Group in the fourth quarter of 2001.

Focus more on upstream polyester products and continue to streamline operations

In view of a possible slowdown of the market for downstream polyester products, the Group will look for opportunities for an upstream vertical integration. New high profit margin products, such as staple-fibers and textile fibers, will be introduced to the market. At the same time, the Group will continue to streamline and re-engineer the operations of the Filaments and Dyeing and Finishing SBUs, which produce downstream polyester products such as pre-oriented yarn ("POY"), drawn-texture yarn ("DTY") and finished fabrics. The Directors believe such measures will improve the Group's gross profit margin and therefore, its competitiveness.

China's economic growth can sustain in the near future

Despite a slowdown in the world's economy, its impact on China's economy is relatively small. China's GDP growth during the first half of the year 2001 was 7.9%. With the successful application of Beijing for the Olympic games in 2008, China's economy is still looking good. Growth in domestic demand will be strong in the near future. With the Group's products mainly oriented to domestic sales in the PRC, and the high quality of its products, the Directors believe that the Group is well positioned to take advantage of China's strong growth in its economy.

BUSINESS OBJECTIVES COMPARISON

During the six months ended 30th June, 2001, 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 follows:

Business objectives as stated in the prospectus dated 20th January, 2000	**Actual business progress of / change in business objectives (if any)**
The half-year output of polyester polymer will reach 65,000 tonnes by half-year end of 2001	The half-year output of polyester polymer reached 61,400 tonnes by half-year end of 2001. *(Note 1)*
The half-year output of non-textile PET chips will reach 52,000 tonnes by half-year end of 2001,	The half-year output of non-textile PET chips reached 50,900 tonnes by half-year end of 2001. *(Note 1)*
The half-year output of POY and DTY will both reach approximately 15,000 tonnes by half-year end of 2001.	The half-year output of POY and DTY reached 11,000 tonnes and 9,700 tonnes, respectively by half-year end of 2001. *(Note 2)*
The half-year output of finished fabrics will reach approximately 25 million yards by the half-year end of 2001.	The half-year output of finished fabrics reached approximately 17.6 million yards by the half-year end of 2001. *(Note 2)*
To commence the construction of a new PET preform plant with an annual production capacity of 500 million pieces.	The construction of a new PET preform plant with an annual capacity of 500 million pieces has already commenced.
To commence the establishment of an electronic data interchange system connecting the Group with major customers.	The establishment of an Electronic data interchange system connecting the Group with major customers has already commenced.
To complete the construction of new waste water treatment facilities	The construction of the new waste water treatment facilities will complete in August, 2001. *(Note 3)*

Notes:

1. The output of polyester polymer and non-textile PET chips during the first half of 2001 fell short of the half-year output as stated in the section headed “Statement of Business Objectives” in the Prospectus by 3,600 tonnes and 1,100 tonnes, respectively. The shortfall was mainly due to the temporary stoppage in production during the Group’s major maintenance period, which occurred in January 2001. During that maintenance period, all sales orders were satisfied by inventories held on hand as of 31st December, 2000. The Directors believe that the shortfall was immaterial which did not affect the Group’s operations.

2. The output of POY, DTY and finished fabrics during the first half of 2001 fell short of the half-year output stated in the section headed “Statement of Business Objectives” in the Prospectus by 4,000 tonnes, 5,300 tonnes and 7.4 million yards respectively. The shortfall arose as a result of the Group’s strategy to re-adjust product mix among non-textile PET chips, POY, DTY and finished fabrics in order to maximize profits and enhance shareholders’ value. The Directors also believe that the shortfall will not materially affect the Group’s overall business objectives.

3. The Directors believe that the delay of construction work of the new waste water treatment facilities for two months, which was due to a minor alteration in the design, will not materially affect the Group’s operations.

USE OF PROCEEDS

During the period from 31st January, 2000 (date of listing) to 30th June, 2001, the Group’s use of proceeds from the new shares issued for listing on GEM of the 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:

	Estimated time of completion	According to the use of proceeds as stated in the prospectus dated 20th January, 2000	Amount utilized up to 30th June, 2001
		HK$ million	*HK$ million*
Upgrading of internal management information system *(Note 1)*	December 2001	10	1
Construction of a polyester non-woven fibre plant	December 2001	156	156
Construction of various storage and ancillary facilities	June 2001	13	13
Construction of a PET preform plant	June 2002	78	42
Development of two additional production facilities, including a polymerization plant and a production unit designed for non-textile and/or industrial-use PET chips	December 2001	9	9
Total		266	221

Note:

1. As the Group is still seeking for an appropriate vendor in performing the upgrading of internal management information system, most of the proceeds raised during the Group's initial public offering in this respect was still unutilized as of 30th June, 2001.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2001, the following Directors had or were deemed to have interests in the securities of the Company under the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance") by virtue of their shareholdings in Far Eastern Textile Limited ("FET"), as recorded in the Register of Directors' Interests required to be maintained by the Company pursuant to Section 29 of the SDI Ordinance:

Shares in FET:

	Number of shares				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**
Mr. Shu-Tong Hsu	57,148,611	Nil	Nil	Nil	57,148,611
Mr. Jar-Yi Shih	1,336,302	Nil	Nil	Nil	1,336,302
Mr. Champion Lee	210	Nil	Nil	Nil	210
Mr. Chin-Sen Tu	208	Nil	Nil	Nil	208
Mr. Shaw-Y Wang	94,402	Nil	Nil	Nil	94,402
Mr. Lih-Teh Chang	17,672	Nil	Nil	Nil	17,672

Save as disclosed above, the Company had no notice of any other interests to be recorded under Section 29 of the SDI Ordinance as at 30th June, 2001.

Notes:

FET is regarded as one of the initial management shareholders (as such term is defined in the GEM Listing Rules) of the Company. As at 30th June, 2001, FET had a 58.2% interest (including a direct interest of 11.4% and an indirect interest of 46.8% through 99.99% shareholding in Yuang Ding Investment Corporation) 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.

DIRECTORS' INTERESTS IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or its subsidiary was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted at 30th June, 2001 or at any time during the six months ended 30th June, 2001.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

The Company has 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.

As at 30th June, 2001, no options had been granted under the Company's share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, 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 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage shareholding
FET *(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%

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 16(1) of the SDI Ordinance as at 30th June, 2001.

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. ("Everest Textile") has interests in the entire issued share capital of Everest Investment (Holding) Limited ("Everest Investment") and is accordingly deemed to have an interest in the Company's shares in which Everest Investment is deemed to have an interest.

COMPETING INTERESTS

FET (Note 1) and Everest Textile (Note 2), 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, 2001, FET produced approximately 358,705 tonnes of polyester polymer, 112,007 tonnes of various types of PET chips (for PET bottles, food and industrial packaging), 110,647 tonnes of polyester staple fibre, 102,969 tonnes of POY, 44,987 tonnes of DTY, 204,861 bales of yarn, 4,788,000 yards of finished fabrics and 34.3 million pieces of PET preforms. Everest Textile also produced approximately 8,189 tonnes of polyester filament and 20,017,000 yards of finished fabrics.

Save as disclosed above, as at 30th June, 2001, the Directors were not aware of any other business or interest of each Director and management shareholder, and the respective associates of each, that competes or may compete with the business of the Group.

Notes:

1. As at 30th June, 2001, Mr. Shu-Tong Hsu, Mr. Jar-Yi Shih, Mr. Champion Lee, Mr. Chin-Sen Tu and Mr. Shaw-Y Wang, who were Directors of the Company, were also directors of FET.

2. As at 30th June, 2001, Mr. Shu-Tong Hsu and Mr. Jar-Yi Shih were also directors of Everest Textile.

SPONSOR'S INTERESTS

As notified by the Company's retained sponsor, The Hongkong and Shanghai Banking Corporation Limited ("HSBC") and their associates (as defined in Note 3 to Rule 6.35 of the GEM Listing Rules) held a total of 11,182,000 shares of HK$1.00 each in the issued share capital of the Company as at 30th June, 2001. 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.

Pursuant to the sponsor agreement dated 11th January, 2000 ("Sponsor Agreement") entered into between the Company and HSBC Investment Bank Asia Limited ("HIBA") and the novation agreement dated 29th January, 2001 entered into between the Company, HIBA and HSBC, HSBC will receive a fee for acting as the Company's retained sponsor for the period from 12th January, 2000 to 31st December, 2002.

Save for the above, HSBC had no other interest in the Company as at 30th June, 2001.

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-yearly reports and quarterly reports and to provide advice and comments thereon to the board of Directors. The audit committee is also responsible for reviewing and supervising the Company'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 seven times since its formation.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiary had purchased, sold or redeemed any of the Company's shares during the period from 31st January, 2000 (date of listing) to 30th June, 2001.

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

Taipei,
8th August, 2001