



FAR EASTERN POLYCHEM INDUSTRIES LIMITED

(遠東化聚工業股份有限公司)*

(Incorporated in Bermuda with limited liability)

QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2002

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* *For identification only*

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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.

QUARTERLY RESULTS HIGHLIGHTS

- Far Eastern Polychem Industries Limited (the “Company”) and its subsidiary (together the “Group”) are principally engaged in the production and distribution of three major categories of polyester products in the People’s Republic of China (the “PRC”), namely bottle-grade polyethylene terephthalate (“PET”) chips, polyester filament and polyester staple fiber, and the dyeing and finishing of polyester fabrics.
- The Group achieved a turnover of approximately HK\$ 1,443,011,000 for the nine months ended 30th September, 2002, with profit attributable to shareholders of approximately HK\$ 91,499,000, representing an increase of 39% and a decrease of 49%, respectively, as compared to the same nine-month period in the previous financial year.
- The Group achieved a turnover of approximately HK\$ 538,322,000 for the three months ended 30th September, 2002, with profit attributable to shareholders of approximately HK\$ 14,938,000, representing an increase of 44% and a decrease of 72%, respectively, as compared to the same three-month period in the previous financial year.
- Earnings per share for the nine months ended 30th September, 2002 was HK\$ 0.22(Earnings per share for the nine months ended 30th September, 2001 was HK\$ 0.44).

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 nine months ended 30th September, 2002 and the comparative figures as at 31st December, 2001 for the consolidated balance sheet and for the corresponding period of last year for the unaudited consolidated profit and loss account, cash flow statements and statement of changes in equity as follows:

(a) Consolidated balance sheet

		As at	
	<i>Notes</i>	30th September, 2002	31st December, 2001
		<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
Fixed Assets		1,436,242	1,448,851
Other non-current assets		11,860	12,888
Current Assets			
Cash at bank and in hand		258,721	347,511
Trade receivables	3	187,409	141,678
Inventories		285,047	237,838
Other current assets		48,418	70,107
Total current assets		<u>779,595</u>	<u>797,134</u>
Current liabilities			
Trade payables	4	(368,286)	(302,417)
Short-term bank loans		(120,192)	(239,118)
Long-term bank loans, current portion		(46,060)	—
Income tax payable		—	(7,977)
Total current liabilities		<u>(534,538)</u>	<u>(549,512)</u>
Net current assets		245,057	247,622
Total assets less current liabilities		1,693,159	1,709,361
Non-current liabilities			
Long-term bank loans		(362,526)	(367,653)
Deferred tax liabilities		(1,200)	(1,200)
Net assets		<u>1,329,433</u>	<u>1,340,508</u>
Share capital		410,296	410,296
Reserves		919,137	930,212
Shareholders' equity		<u>1,329,433</u>	<u>1,340,508</u>

(b) Unaudited consolidated profit and loss account

		For the nine months ended 30th September		For the three months ended 30th September	
	<i>Notes</i>	2002	2001	2002	2001
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
			<i>(Note 13)</i>		<i>(Note 13)</i>
PET chips		916,672	712,598	313,394	261,808
Polyester filaments		147,732	144,960	61,631	46,729
Finished fabrics		183,078	178,276	77,953	63,413
Polyester staple fibers		195,529	1,968	85,344	1,968
		<hr/>	<hr/>	<hr/>	<hr/>
Total turnover	5	1,443,011	1,037,802	538,322	373,918
Cost of sales	6	(1,231,806)	(794,561)	(483,697)	(292,356)
		<hr/>	<hr/>	<hr/>	<hr/>
Gross profit		211,205	243,241	54,625	81,562
Other operating income	7	7,360	4,825	3,143	4,773
Distribution costs	8	(76,557)	(20,133)	(24,530)	(8,567)
Administrative costs	9	(29,417)	(26,852)	(11,204)	(13,574)
		<hr/>	<hr/>	<hr/>	<hr/>
Profit from operations		112,591	201,081	22,034	64,194
Finance cost, net	10	(13,647)	(5,354)	(5,969)	(5,119)
		<hr/>	<hr/>	<hr/>	<hr/>
Profit before tax		98,944	195,727	16,065	59,075
Income tax expense	11	(7,445)	(15,367)	(1,127)	(5,122)
		<hr/>	<hr/>	<hr/>	<hr/>
Profit attributable to shareholders		91,499	180,360	14,938	53,953
		<hr/>	<hr/>	<hr/>	<hr/>
Earnings per share (in HK\$)	12				
- Basic		0.22	0.44	0.04	0.13
		<hr/>	<hr/>	<hr/>	<hr/>
- Fully diluted		NA	NA	NA	NA
		<hr/>	<hr/>	<hr/>	<hr/>

(c) **Unaudited consolidated statement of changes in equity**

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Staff welfare fund and reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Cumulative translation adjustments <i>HK\$'000</i>	Hedging Reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance, 1st January, 2001	410,296	523,001	20,107	5,645	288,923	2,169	(9,689)	1,240,452
Profit appropriation	—	—	32,542	—	(32,542)	—	—	—
Dividends declared	—	—	—	—	(114,883)	—	—	(114,883)
Profit for the nine months ended 30th September, 2001	—	—	—	—	180,360	—	—	180,360
Balance, 30th September, 2001	410,296	523,001	52,649	5,645	321,858	2,169	—	1,305,929
Profit for the three months ended 31st December, 2001	—	—	—	—	24,890	—	—	24,890
Cash flow hedges transferred to fixed assets	—	—	—	—	—	—	9,689	9,689
Balance, 31st December, 2001	410,296	523,001	52,649	5,645	346,748	2,169	—	1,340,508
Profit appropriation	—	—	33,721	—	(33,721)	—	—	—
Dividends declared	—	—	—	—	(102,574)	—	—	(102,574)
Profit for the nine months ended 30th September, 2002	—	—	—	—	91,499	—	—	91,499
Balance, 30th September, 2002	410,296	523,001	86,370	5,645	301,952	2,169	—	1,329,433

(d) **Unaudited consolidated cash flow statements**

For the nine months ended
30th September, 30th September,
2002 2001
HK\$'000 HK\$'000
(Note 13)

CASH FLOW FROM OPERATING ACTIVITIES	213,494	300,684
Interest paid	(20,212)	(27,171)
Taxes paid	(16,959)	—
Net cash from operating activities	<u>176,323</u>	<u>273,513</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(88,213)	(255,535)
Interest received	3,667	11,527
Net cash used in investing activities	<u>(84,546)</u>	<u>(244,008)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	603,044	462,480
Proceeds from long-term bank loans	203,040	—
Repayment of short-term bank loans	(721,970)	(300,800)
Repayment of long-term bank loans	(162,107)	(62,242)
Dividends paid	(102,574)	(114,883)
Net cash used in financing activities	<u>(180,567)</u>	<u>(15,445)</u>
Net (decrease) increase in cash and cash equivalents	(88,790)	14,060
Effects on changes of foreign currencies translation	0	305
Cash and cash equivalents, beginning of the period	<u>347,511</u>	<u>358,179</u>
Cash and cash equivalents, end of the period	<u><u>258,721</u></u>	<u><u>372,544</u></u>

(e) **Notes to the unaudited financial statements**

1) **Basis of presentation**

The unaudited financial statements have been prepared in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, effective as at 30th September, 2002, and the disclosure requirements of the Rules Governing the Listing of Securities of The GEM of the Exchange.

The unaudited financial statements have been prepared under the historical cost convention except for buildings included in fixed assets, which have been stated at the revalued amount.

2) **Principles of consolidation**

The unaudited consolidated financial statements include those of the Company and its subsidiary.

All significant intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated on consolidation. Unaudited consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

3) **Trade receivables**

	As at	
	30th September, 2002	31st December, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Accounts receivable		
Current to 30 days	65,447	49,319
31 to 60 days	36,822	37,069
Over 60 days	37,381	25,252
	<u>139,650</u>	<u>111,640</u>
Notes receivable	47,759	30,038
	<u>187,409</u>	<u>141,678</u>

Credit policy

The Group adopted a prudent approach in granting credit to customers. No credit terms were granted to PRC customers except for those with sound financial background and good repayment histories, for which the Group would grant credit terms ranging from 7 days to 60 days. For overseas customers, the Group grant credit terms of 90 days. In addition, a predetermined maximum credit limit has been set for each customer.

4) Trade payables

	As at	
	30th September, 2002 <i>HK\$'000</i> <i>(Unaudited)</i>	31st December, 2001 <i>HK\$'000</i> <i>(Audited)</i>
Trade payables		
Current to 30 days	208,808	169,551
31 to 60 days	31,824	41,826
Over 60 days	56,253	17,643
	<hr/>	<hr/>
	296,885	229,020
Other payables and accruals	71,401	73,397
	<hr/>	<hr/>
	<u>368,286</u>	<u>302,417</u>

5) Turnover

Turnover comprises sale of goods which are recognized when delivery has taken place and transfer of risks and rewards has been completed. The sales amount recognized excludes value-added or other sales taxes and is after deduction of any trade discounts.

6) Cost of sales

	For the nine months ended 30th September	
	2002 <i>HK\$'000</i> <i>(Unaudited)</i>	2001 <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 13)</i>
Depreciation on fixed assets	95,084	74,368
Amortization of land use rights and deferred assets	2,390	4,589
Cost of inventories	966,587	580,220
Personnel expenses	22,101	22,208
Others	145,644	113,176
	<hr/>	<hr/>
	<u>1,231,806</u>	<u>794,561</u>

7) **Other operating income**

	For the nine months ended 30th September	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>(Note 13)</i>
Gain on disposal of scrap materials	7,104	5,008
Other operating income (expenses)	256	(183)
	<u>7,360</u>	<u>4,825</u>

8) **Distribution costs**

	For the nine months ended 30th September	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Personnel expenses	12,473	2,376
Transportation expenses	53,895	13,883
Others	10,189	3,874
	<u>76,557</u>	<u>20,133</u>

9) **Administrative costs**

	For the nine months ended 30th September	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Depreciation on fixed assets	3,044	1,689
Amortization of land use rights	1,346	757
Personnel expenses	10,809	16,941
Directors' fees	873	873
Traveling and entertainment expenses	3,149	1,246
Consulting and legal fees	1,500	1,537
Others	8,696	3,809
	<u>29,417</u>	<u>26,852</u>

10) Finance cost, net

	For the nine months ended 30th September	
	2002	2001
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Note 13)
Interest income	(3,667)	(11,527)
Interest expense on borrowings	20,212	27,171
Less: Amount capitalized as construction-in-progress	(1,889)	(11,197)
Net foreign currency exchange (gain) loss	(2,306)	455
Others	1,297	452
	<u>13,647</u>	<u>5,354</u>

11) Income tax expense

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 2002 was the fourth 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 nine months ended 30th September, 2002.

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 nine months ended 30th September, 2002 because there were no significant temporary differences.

12) **Earnings per share**

The calculation of the earnings per share for the nine months ended 30th September, 2002 and 30th September, 2001, respectively was based on the unaudited consolidated profit attributable to shareholders of approximately HK\$ 91,499,000 and HK\$ 180,360,000 respectively and the weighted average number of 410,296,000 shares in issue during both periods.

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

13) **Comparative figures**

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 nine months ended 30th September, 2002.

The Group did not declare any dividends for the corresponding nine-month period in 2001, nor the quarterly periods ended 31st March, 2002 and 30th June, 2002, nor the corresponding quarterly period in 2001.

FINANCIAL PERFORMANCE

The unaudited consolidated turnover of the Group for the nine-month period 30th September, 2002 was approximately HK\$1,443,011,000, representing an increase of 39% as compared to the corresponding nine-month period in 2001. Unaudited consolidated gross profit and profit attributable to shareholders of the Group for the nine-month period ended 30th September, 2002 was approximately HK\$ 211,205,000 and HK\$ 91,499,000 respectively, representing a decrease of 13% and 49%, respectively as compared to the nine-month period ended 30th September, 2001.

The unaudited consolidated turnover of the Group for the three-month period 30th September, 2002 was approximately HK\$ 538,322,000, representing an increase of 44% as compared to the corresponding three-month period in 2001. Unaudited consolidated gross profit and profit attributable to shareholders of the Group for the three-month period ended 30th September, 2002 was approximately HK\$ 54,625,000 and HK\$ 14,938,000 respectively, representing a decrease of 33% and 72%, respectively as compared to the three-month period ended 30th September, 2001.

BUSINESS REVIEW

The Group's financial performance was seriously affected by the continuing decline in the unit selling prices of PET chips and the continuously high raw material costs

The unit selling prices of the Group's major product, PET chips continued to decline during the third quarter of 2002. Although the demand for PET chips in the PRC has maintained double-digit growth over the past year, additional capacity within the industry came on stream during the last quarter. Total annual production capacity of PET Chips in the PRC amounted to more than 715,000 tonnes, which outstripped the annual demand of approximately 700,000 tonnes.

Further, due to the political tensions in the Middle East, crude oil prices surged to around US\$30 per barrel. This together with upward pricing pressure on purified terephthalic acid ("PTA"), one of the Group's major raw materials, meant that the Group experienced high raw material costs.

As a result of the above, the Group's financial performance was seriously affected, as gross profit margin decreased from 21% during the third quarter of 2001, to 10% during the third quarter of 2002.

Distribution expenses increased amid adverse market conditions

Transportation expenses increased significantly amid adverse market conditions. This was mainly due to the increase in the Group's export ratio to 26% for the nine months ended 30th September, 2002, the increase in crude oil costs and related insurance premium, leading to a significant increase in freight charges. The Directors expect the increase in distribution expenses to continue in the near future.

Increase in market share for polyester staple fibers

Despite the decline in performance for PET chips, the Group enjoyed success in other product lines, such as polyester staple fibers. The Group has secured significant new market share for polyester staple fibers in the PRC. The Directors believe that once the polyester staple fiber strategic business unit ("SBU") achieves planned economies of scale, it could become the Group's major growth driver next year.

Introduction of new, high value-added specialty products led to improved performance for polyester filaments and finished fabrics

As a result of an alteration in their product mix and a re-alignment in their production process, the Group's other products, namely polyester filaments and finished fabrics, enjoyed improved performance during the third quarter of 2002. The Group was successful in introducing high value-added specialty products, such as sea-island filaments and fabrics in China, during the third quarter of 2002. Such products involve technologies which are not readily available in the PRC. The Directors believe that the niche market for such products ought not to be seriously affected by the worsening market conditions for petrochemical products generally. The Directors expect that the improved performance of these products will be maintained in the fourth quarter of 2002.

FUTURE PROSPECTS

The Directors expect PTA costs to decline during the fourth quarter of 2002 and remain conservatively optimistic about the future

Since new PTA capacities within the industry, totaling approximately 1.3 million tonnes per year, are expected to come on line over the next six months or so, the Directors expect PTA costs to decline gradually. However, as the fourth quarter is a traditional slack season for PET chips, it is expected that the unit selling prices for PET chips will also decline when compared to the third quarter. The Directors expect a very tough season for the domestic PET chips market in the PRC, which is expected to bottom out in November 2002. Nevertheless, in light of the decline in raw material costs, it is possible that the market will rebound early next year when demand for PET chips start to pick up.

Focus on specialty products amid adverse market conditions

Amid current adverse market conditions, the Group will continue to focus on producing high value-added specialty products. Products such as carbonated and hot-filled grade PET chips, sea-island filaments and fabrics, offer higher profit margins and should therefore mitigate the effect of the market downturn on the Group's financial performance. The Group will also perform its own research and development so as to cater for the specific needs of the PRC customers.

Establish an extensive distribution network so as to minimize transportation costs for domestic sales

The Group is setting up warehouses in different locations in the PRC, including Dongguang, Wuhan and Tianjin. Such warehouses will enable the Group to establish an extensive distribution network, and to minimize its distribution costs for domestic sales, by transporting its products to their destinations earlier by less expensive means.

Apply stringent controls on raw materials and administrative expenses

In view of a potential fall in PTA costs over the coming half year, the Group is actively managing its raw material costs by maintaining minimal levels of PTA. In addition, the Group will also apply stringent controls on its administrative expenses, which have increased over the past year due to the development and management of new product lines, such as polyester staple fiber and PET sheets.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2002, 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") (an associated corporation within the meaning of the SDI Ordinance), as recorded in the Register of Directors' Interests maintained by the Company pursuant to Section 29 of the SDI Ordinance:

Common shares in FET:

Name of director	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Shu-Tong Hsu	59,463,701	Nil	Nil	Nil	59,463,701
Mr. Jar-Yi Shih	1,390,435	Nil	Nil	Nil	1,390,435
Mr. Champion Lee	218	Nil	Nil	Nil	218
Mr. Chin-Sen Tu	216	Nil	Nil	Nil	216
Mr. Shaw-Y Wang	98,226	Nil	Nil	Nil	98,226
Mr. Lih-Teh Chang	18,387	Nil	Nil	Nil	18,387

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 September, 2002.

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 September, 2002, FET had a 58.2% interest (including a direct interest of 11.4% and an indirect interest of 46.8% through its 99.99% shareholding in Yuang Ding Investment Corporation) in the Company.

In aggregate, the above interests represented, as at the date of this announcement, 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 September, 2002 or at any time during the nine months ended 30th September, 2002.

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 September, 2002, no options had been granted under the Company's share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, according to the register required to be maintained under section 16(1) of the SDI Ordinance, the Company had been notified of the following interests (not being Directors or chief executives of the Company) in 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage shareholding
FET (<i>Note 1</i>)	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. (<i>Note 2</i>)	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 September, 2002.

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 nine months ended 30th September, 2002, FET produced approximately 524,264,000 tonnes of polyester polymer, 187,147,000 tonnes of various types of PET chips (for PET bottles, food and industrial packaging), 178,895,000 tonnes of polyester staple fibre, 135,702,000 tonnes of POY, 57,685,000 tonnes of DTY, 270,995 bales of yarn, 31,391,000 yards of finished fabrics and 233 million pieces of PET preforms. Everest Textile also produced approximately 18,968 tonnes of polyester filament and 37,551,000 yards of finished fabrics.

Save as disclosed above, as at 30th September, 2002, 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 September, 2002, 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 September, 2002, Mr. Jar-Yi Shih and Mr. Chin-Sen Tu were also directors of Everest Textile.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the “Board Practices and Procedures” as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the period.

SPONSOR’S INTERESTS

As at 30th September, 2002, the Company’s sponsor, The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), was interested in 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 20,000 shares in the issued share capital of the Company. Save as disclosed, neither of HSBC nor any of its executive directors had any interests in the issued share capital of the Company as at 30th September, 2002.

Pursuant to the sponsor agreement dated 11th January, 2000 (“Sponsor Agreement”) entered into between the Company and HSBC Investment Bank Asia Limited and a novation agreement subsequently signed on 29th January, 2001, 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.

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 twelve 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 September, 2002.

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

Taipei,
13th November, 2002