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If you have sold or transferred all your shares in **FAR EASTERN POLYCHEM INDUSTRIES LIMITED**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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FAR EASTERN POLYCHEM INDUSTRIES LIMITED
(遠東化聚工業股份有限公司)*
(Incorporated in Bermuda with limited liability)

CONNECTED AND POTENTIAL DISCLOSEABLE TRANSACTION
Joint venture with connected persons to develop
a green-field PTA plant in the PRC

Independent Financial Advisor to the Independent Board Committee



South China Capital Limited

A letter from the Independent Board Committee containing the recommendation in respect of the Framework Agreement and the Company's investment in OPC pursuant to the terms thereunder is set out in page 10 of this circular. A letter from South China Capital Limited containing its advice to the Independent Board Committee is set out in pages 11 to 18 of this circular.

A notice convening an Extraordinary General Meeting of the Company to be held on 11 June, 2003, Wednesday at 2:15 p.m. (or as soon thereafter as the Company's annual general meeting convened for the same day and place shall have been concluded) at Harcourt Room, Lower Lobby, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong is set out in page 26 of this circular. A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the Extraordinary General Meeting in person, you are requested to complete the form of proxy and return it to the Company's place of business in Hong Kong at Unit A, 11th Floor, Lippo Leighton Tower, 103-109 Leighton Road, Causeway Bay, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding of the Extraordinary General Meeting or any adjourned meeting (as the case may be). Completion and returning of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting (as the case may be) should you so wish.

This circular will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the day of its posting.

* For identification purposes only

CHARACTERISTICS OF GEM

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 of the Stock Exchange 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.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 7 May, 2003 on a connected and potential discloseable transaction in relation to joint venture with connected persons to develop a green-field PTA potential plant in the PRC;
“associate”	has the meaning ascribed to it under the GEM Listing Rules;
“Board”	the board of Directors;
“Company”	Far Eastern Polychem Industries Limited;
“Directors”	the directors of the Company;
“DYIIC”	Ding Yuang International Investment Corporation, a company incorporated in Taiwan;
“EGM”	the extraordinary general meeting of the Company to be held on 11 June, 2003 at 2:15 p.m. (or as soon thereafter as the Company’s annual general meeting convened for the same day and place shall have been concluded) at Harcourt Room, Lower Lobby, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong;
“FET”	Far Eastern Textile Ltd., a company incorporated in Taiwan the shares of which are listed on the Taiwan Stock Exchange Corporation, and the ultimate holding company of the Company;
“Framework Agreement”	the framework agreement dated 7 May, 2003 entered into between the Parties providing for the terms of the proposed development of a new PTA plant in the PRC;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company appointed for the purpose of advising the Independent Shareholders in connection with the matters set out in this circular;

DEFINITIONS

“Independent Financial Advisor”	South China Capital Limited, the independent financial advisor to the Independent Board Committee, appointed for the purpose of advising the Independent Board Committee in connection with the matters set out in this circular;
“Independent Shareholders”	holders of shares in the capital of the Company other than those who are connected persons of the Company (as defined in the GEM Listing Rules) with an interest in the matters set out in this circular;
“Latest Practicable Date”	23 May, 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“OPC”	Oriental Petrochemical (Shanghai) Corporation, a wholly foreign owned enterprise duly established under the laws of the PRC;
“OUCC”	Oriental Union Chemical Corporation, a company incorporated in Taiwan;
“Parties”	the parties to the Framework Agreement, meaning the Company, DYIIC and OUCC;
“PET”	polyethylene terephthalate, an intermediate product formed by blending PTA and mono ethylene glycol, which is then processed into a range of end products such as polyester fibre, PET bottles, PET sheets, film, engineering plastics and other packaging materials;
“PETH”	PET Far Eastern (Holding) Limited, a company incorporated in Bermuda;
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong and Taiwan;
“PTA”	purified terephthalic acid, a raw material for the production of polyester;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and
“US\$”	US dollars, the lawful currency of the United States of America.

For the purpose of this circular, translations of US dollars into Hong Kong dollars are made for illustration purposes only at the approximate exchange rate of US\$1.0 to HK\$7.8.



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

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Shu-Tong Hsu, *Chairman*
Mr. Jar-Yi Shih, *Deputy Chairman*
Mr. Champion Lee, *Chief Financial Officer*
Mr. Lih-Teh Chang, *Chief Executive Officer*
Mr. Chin-Sen Tu, *Chief Accountant and
Compliance Officer*

Principal place of business in Hong Kong:

Unit A, 11th Floor,
Lippo Leighton Tower,
103-109 Leighton Road,
Causeway Bay,
Hong Kong

Non-executive Director:

Mr. Shaw-Y Wang

*Head office and principal place of business
in the PRC:*

31st Floor, Bao An Tower,
800, Dongfang Road,
Pudong,
Shanghai,
The People's Republic of China

Independent non-executive Directors:

Mr. Tak-Lung Tsim, *Dominic*
Mr. Ying-Ho Wong, *Kennedy*
Mr. Shih-Hung Chan

26 May, 2003

To the shareholders of the Company

Dear Sir or Madam,

CONNECTED AND POTENTIAL DISCLOSEABLE TRANSACTION
Joint venture with connected persons to develop
a green-field PTA plant in the PRC

1. INTRODUCTION

We refer to the Announcement in which it was stated that the Company had entered into a joint venture agreement, called the Framework Agreement, on 7 May, 2003, with certain associates of the Company's controlling shareholder, FET, concerning the proposed development of a green-field PTA production plant next to the Company's existing polyester production facilities in the Pudong district of Shanghai, the PRC.

* For identification purposes only

LETTER FROM THE BOARD OF DIRECTORS

The PTA production plant will be owned, developed and operated by OPC, a wholly-foreign owned enterprise that has been duly established under the laws of the PRC on 21 January, 2003 (date of the business licence).

The investment in OPC, by means of the Framework Agreement, represents a connected transaction for the Company, as DYIIC and OUCC are both associates of FET, the Company's controlling shareholder, and are, as such, considered to be "connected persons" of the Company as defined under Rule 20.10 of the GEM Listing Rules. The potential financial assistance that the Company may be required to give for the purposes of securing third party investment in OPC will (if necessary) constitute a discloseable transaction under the GEM Listing Rules.

As the Company's aggregate investment in OPC (of US\$11 million, together with potential financial assistance in the form of guarantees for debt financing of up to US\$20 million, if necessary) is equivalent to approximately 18.36% of the net tangible asset value of the Company (being HK\$1,320,456,000) as at 31 December, 2002, it remains subject to the approval of the Independent Shareholders, to be sought at an Extraordinary General Meeting of the Company.

South China Capital Limited has been appointed by the Company as the Independent Financial Advisor to advise the Independent Board Committee in relation to the fairness and reasonableness of the terms of the Framework Agreement and the Company's investment in OPC pursuant to the terms thereunder. Shareholders are referred to their letter of advice contained elsewhere in this circular.

The purpose of this circular is to (i) give you further information on the terms of the Framework Agreement; (ii) provide the Independent Shareholders with the advice of the Independent Board Committee; (iii) convene the EGM to seek the approval of the Independent Shareholders with respect to the Framework Agreement and the Company's investment pursuant to the terms thereof; and (iv) provide such other information about the Company as required by the GEM Listing Rules.

2. TERMS OF THE FRAMEWORK AGREEMENT

Parties

(i) the Company; (ii) DYIIC; and (iii) OUCC

Purpose and structure

The Parties are variously interested in different aspects of the wider petro-chemical industry, as described further below, and are keen to develop and operate, as a joint venture, a new state-of-the-art PTA production plant in the PRC. The plant will be owned, developed and operated by OPC, which has already been established on 21 January, 2003 as an indirect wholly-foreign owned enterprise of the Company in the PRC. It is not expected that the plant will commence commercial production until the fourth quarter of 2005.

LETTER FROM THE BOARD OF DIRECTORS

OPC's registered capital requirement is US\$101.5 million which is required to be paid up within 3 years of the date of its business licence i.e. on 21 January, 2006. Half of the registered capital of OPC (US\$50.755 million) is to be provided by the Company, DYIIC and OUCC, through PETH, a single purpose investment vehicle established in Bermuda and, currently, a wholly-owned subsidiary of the Company. The relative contributions of the Parties and their respective attributable interests in the registered capital of OPC will be as follows:-

Party	Equity investment in OPC (US\$ million)	Attributable interest in OPC
The Company	11,013,836	10.850%
DYIIC	19,870,582	19.575%
OUCC	<u>19,870,582</u>	<u>19.575%</u>
	<u>50,755,000</u>	<u>50.000%</u>

The balance of the investment required to pay up the registered capital of OPC remains the responsibility of DYIIC, as the wholly owned subsidiary and a principal investment company of FET. It is likely to be derived from independent third parties and/or other parties, in any event to be procured by DYIIC. Any such investment made by a connected person of the Company will be on terms that are no more beneficial to such connected person than the terms of the Company's investment in OPC. FET has represented to the Company that in the event that an agreement cannot be reached with independent third parties, FET, DYIIC and/or other subsidiaries of FET (excluding, for these purposes, the Company) have and will continue to have sufficient resources to pay up the balance of the registered capital of OPC.

Conditions of the Framework Agreement

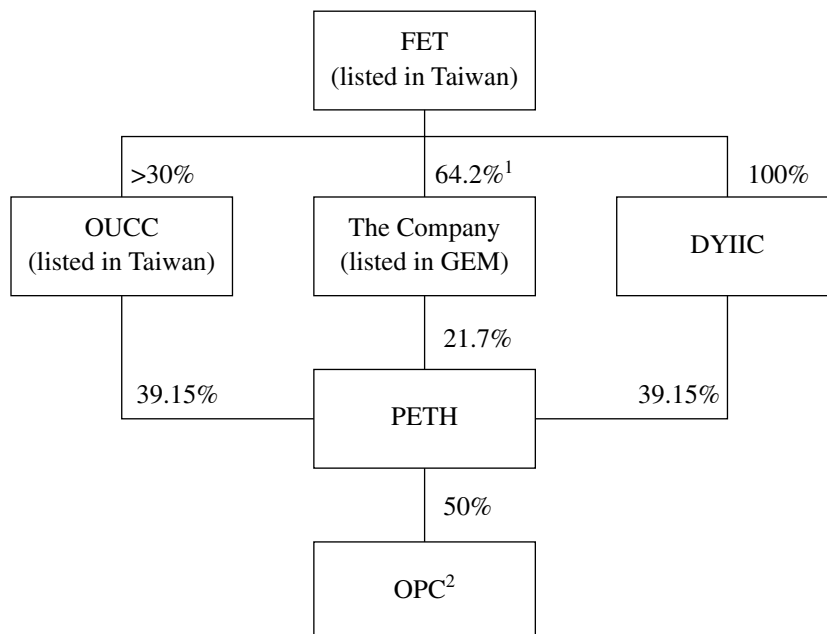
Completion of the investment by the Parties in PETH is conditional upon the satisfaction of the following principal conditions:

- (i) the approval in general meeting of the Independent Shareholders to the terms of the Framework Agreement and the transactions set out or otherwise contemplated thereunder; and
- (ii) the approval of the Bermuda Monetary Authority to the increase in the authorised share capital of PETH and to the allotments of shares in PETH to the Parties as set out or otherwise contemplated by the Framework Agreement.

The Conditions are required to be fulfilled by 30 June, 2003 (or such later date as the Parties may agree in writing), otherwise the Framework Agreement will lapse.

LETTER FROM THE BOARD OF DIRECTORS

Interests of the Parties in OPC upon completion of subscriptions pursuant to the Framework Agreement



Notes:

1. FET's interest in 64.2% of the Company's issued share capital comprises a direct interest of 11.4%, an indirect interest (held through a subsidiary, Yuang Ding Investment Corporation) of approximately 46.8% and an indirect interest (arising by virtue of FET's status as the discretionary object of a discretionary trust) of approximately 6%.
2. The remaining 50% interest in OPC is proposed to be held by investors to be procured by DYIIC, including independent third parties not connected to the Company.

Use of proceeds

On completion of the Framework Agreement all subscription proceeds received by PETH will be utilised to fund PETH's investment, of approximately US\$51 million, in the registered capital of OPC, the requisite consents for which have already been obtained from the relevant PRC authorities.

The Company's investment contribution, of approximately US\$11 million will be funded out of the Company's general working capital.

Debt financing

In addition to the equity financing of US\$101.5 million required by OPC, it is envisaged that OPC may require debt financing of up to US\$180 million, which it is anticipated will be funded by banks or other independent third party financial institutions, so far as possible, without recourse to the Parties. In the event that the Parties are required to provide any form of guarantee or other financial assistance in connection therewith, the Company would only be providing such on a basis that is pro-rata to its attributable interest in OPC, capped at a maximum amount, on the Company's part, of

LETTER FROM THE BOARD OF DIRECTORS

US\$20 million. The respective amount of financial assistance that would be provided by DYIC and OUCC would be a matter of agreement among themselves and the third party financier(s). FET has confirmed to the Company its belief that the necessary debt financing to complete the construction of the PTA plant will be obtainable.

3. REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

The Company, which was listed on GEM in 2000, principally engages in the production and distribution of polyester products in the PRC.

Currently, the Company's polyester products include bottle-grade PET chips, polyester filaments, polyester staple fibres and finished fabrics, which can be further processed into a wide range of end products.

The Directors anticipate a healthy general demand for PTA over the long term in the PRC. Each of the Parties believes that there are good prospects for a new state-of-the-art PTA production facility in the Pudong district of Shanghai. Of particular relevance to the Company is its own requirement for PTA.

One of the principal raw materials used by the Company in its polyester production process is PTA. The Company has been relying on third parties outside of the PRC for supplies of PTA. In this regard, the Company has suffered from fluctuations in price that have ensued from worldwide shortages of PTA. Having access to a source of PTA produced at a plant that is located next to the Company's existing facilities and in which the Company has a minority shareholding interest will, the Directors believe, be of significant benefit to the Company. In particular, the Directors believe that it will lessen the Company's reliance on imports of PTA, thereby addressing the problems associated with the general shortages of PTA and will result in cheaper and more reliable supplies of PTA.

The Company's aggregate investment in OPC (of US\$11 million, together with potential financial assistance in the form of guarantees for debt financing of up to US\$20 million, if necessary) represents the extent of investment to which the Directors feel comfortable committing the Company bearing in mind the Company's other working capital requirements generally.

The Board believes that the Company's investment in OPC, by means of the Framework Agreement, represents an investment on normal commercial terms that is in the best interests of the Company and all of its shareholders.

4. GEM LISTING RULES IMPLICATIONS

The investment in OPC, by means of the Framework Agreement, represents a connected transaction for the Company, as DYIC and OUCC are both associates of FET, the Company's controlling shareholder, and are, as such, considered to be "connected persons" of the Company as defined under Rule 20.10 of the GEM Listing Rules.

LETTER FROM THE BOARD OF DIRECTORS

Bearing in mind the size of the Company's investment in OPC (which, in the event that the Company is required to give guarantees or other financial assistance for OPC's benefit, up to a maximum liability, on the Company's part, of US\$20 million, would constitute a discloseable transaction for the Company), the Framework Agreement and the Company's participation thereunder, requires the approval of the Independent Shareholders to be sought at the EGM.

In this regard, the letter of the Independent Financial Advisor is set out in pages 11 to 18 of this circular and the letter from the Independent Board Committee is set out in page 10 of this circular.

In circumstances where the Company is not required to provide any financial assistance for OPC's benefit (i.e. such that the Company's only interest would be its equity investment in OPC) the transaction would be a connected but not a discloseable transaction for the Company. However, for the sake of good order and clarity, the disclosures in the Announcement and in this circular and the approval sought from the Independent Shareholders are being based on the assumption that the Company might have to provide the financial assistance to OPC, as described above.

The terms on which OPC ultimately contracts with the Company for the supply of PTA to the Company may constitute a separate continuing connected transaction for the Company which will, in due course, be carried out in accordance with and subject to the GEM Listing Rules.

5. FURTHER INFORMATION ON THE OTHER PARTIES

DYIIC is a wholly-owned subsidiary of FET. It is a private investment company through which FET has made a number of investments in polyester and related businesses as well as in other unrelated businesses.

OUCG is an associate of FET, as defined under the GEM Listing Rules, and is separately listed on the Taiwanese Stock Exchange Corporation. Its principal business is the production and sale of ethylene glycol.

DYIIC and OUCG, like the Company, having interests in the wider petro-chemical industry and are keen to participate in the development of a PTA plant in the PRC, in particular, to secure reliable supplies of PTA.

6. EXTRAORDINARY GENERAL MEETING

Notice of EGM to be held on 11 June, 2003, Wednesday at 2.15 p.m. (or as soon thereafter as the Company's annual general meeting convened for the same day and place shall have been concluded) at Harcourt Room, Lower Lobby, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong is set out in page 26 of this circular. An ordinary resolution will be proposed at the EGM to approve the Framework Agreement and the transaction contemplated thereunder. FET, and its associates holding shares in the Company, will abstain from voting on the resolution.

LETTER FROM THE BOARD OF DIRECTORS

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the form of proxy and return it to the Company's place of business in Hong Kong at Unit A, 11th Floor, Lippo Leighton Tower, 103-109 Leighton Road, Causeway Bay, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding of the Extraordinary General Meeting or any adjourned meeting (as the case may be). Completion and returning of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

7. ADDITIONAL INFORMATION

For certain statutory and general information about the Company your attention is drawn to the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Far Eastern Polychem Industries Limited
Shu-Tong Hsu
Chairman



FAR EASTERN POLYCHEM INDUSTRIES LIMITED
(遠東化聚工業股份有限公司)*
(Incorporated in Bermuda with limited liability)

26 May, 2003

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED AND POTENTIAL DISCLOSEABLE TRANSACTION
Joint venture with connected persons to develop
a green-field PTA plant in the PRC

We refer to the circular issued by the Company to its shareholders dated 26 May, 2003 of which this letter forms part. Terms defined in this circular shall have the same meanings in this letter unless the context otherwise required.

We have been appointed as the Independent Board Committee to advise you, as the Independent Shareholders, as to whether, in our opinion, the terms of the Framework Agreement and the Company's investment in OPC pursuant to the terms thereunder are fair and reasonable in so far as your interest as the Independent Shareholders are concerned.

South China Capital Limited has been appointed by the Company as the Independent Financial Advisor to advise the Independent Board Committee in relation to the fairness and reasonableness of the terms of the Framework Agreement and the Company's investment in OPC pursuant to the terms thereunder. Details of the conclusions and advice of the Independent Financial Advisor, together with the principal factors and reasons considered in arriving at such conclusions and advice, are set out in its letter on pages 11 to 18 of this circular. You are advised to read that letter carefully.

Having taken into account the principal factors and reasons considered by the Independent Financial Advisor, the Independent Board Committee concurs with the view of the Independent Financial Advisor that it is in the best interests of the Company to enter into the Framework Agreement and that the terms of the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned. That being the case, we advise the Independent Shareholders to vote in favour of the resolution to approve the Framework Agreement and the Company's investment in OPC pursuant to the terms thereof at the EGM.

Yours faithfully,
The Independent Board Committee
Tak-Lung Tsim, Dominic
Ying-Ho Wong, Kennedy
Shih-Hung Chan
Independent non-executive Directors

* For identification purposes only

LETTER FROM SOUTH CHINA CAPITAL

The following is the text of the letter of advice from South China Capital, the Independent Financial Advisor, which has been prepared for the purpose of incorporation into this circular, in connection with its advice to the Independent Board Committee in relation to the connected and potential discloseable transaction.



South China Capital Limited

南華融資有限公司

28/F., Bank of China Tower, No. 1 Garden Road, Central, Hong Kong.
Tel: 2820 6333 Telex: 69208 SCSL Fax: 2523 9269

The Independent Board Committee

26 May, 2003

Far Eastern Polychem Industries Limited
Unit A, 11th Floor
Lippo Leighton Tower
103-109 Leighton Road
Causeway Bay
Hong Kong

Dear Sirs,

**CONNECTED AND POTENTIAL DISCLOSEABLE TRANSACTION
OF FAR EASTERN POLYCHEM INDUSTRIES LIMITED
– JOINT VENTURE WITH CONNECTED PERSONS
TO DEVELOP A GREEN-FIELD PTA PLANT IN THE PRC**

INTRODUCTION

We refer to our engagement as the independent financial advisor to the Independent Board Committee of Far Eastern Polychem Industries Limited (the “Company”) in relation to the connected and potential discloseable transaction (the “Proposed Transaction”), details of which are contained in the circular dated 26 May, 2003 (the “Circular”), of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular.

The Independent Board Committee, comprising the three independent non-executive Directors, namely Mr. Chan Shih-Hung, Mr. Tsim Tak-Lung, Dominic and Mr. Wong Ying-Ho, Kennedy, has been formed to consider the Proposed Transaction and to advise the Independent Shareholders.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

LETTER FROM SOUTH CHINA CAPITAL

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its respective subsidiaries and associates.

It should be noted that we have been engaged to advise the Independent Board Committee regarding the terms of the Framework Agreement which constitutes a connected transaction of the Company under the GEM Listing Rules only and have not been engaged to advise on the commercial or technical feasibility, profitability or any other matters in relation to the Company's proposed investment in the PTA project pursuant to the Framework Agreement which constitutes a potential discloseable transaction for the Company under the GEM Listing Rules.

PRINCIPAL FACTORS

We have set out below the principal factors that we have taken into account in arriving at our advice to the Independent Board Committee.

Background of the Framework Agreement

The Company is principally engaged in the production and distribution of products manufactured from polyester PET in the PRC. Currently, the Company's polyester products include bottle-grade PET chips, polyester filaments and finished fabrics, which can be further processed into a wide range of end products.

It was announced on 7 May, 2003 that the Company has entered into a joint venture agreement, called the Framework Agreement with certain associates of the Company's controlling shareholder, FET, concerning the proposed development of a new PTA production plant next to the Company's existing polyester production facilities in Pudong district of Shanghai, the PRC.

Purpose and structure of the Framework Agreement

The Parties, being the Company, DYIIC and OUCC are variously interested in different aspects of the wider petro-chemical industry and are keen to develop and operate, as a joint venture, a new state-of-the-art PTA production plant in the PRC. The plant will be owned, developed and operated by OPC, a company that was established on 21 January, 2003 as an indirect wholly foreign owned enterprise in the PRC and as an associated company of the Company. It is not expected that the plant will commence commercial production until the fourth quarter of 2005.

LETTER FROM SOUTH CHINA CAPITAL

OPC's registered capital requirement is US\$101.5 million which is required to be paid up within 3 years of the date of its business license, therefore, on 21 January, 2006. Half of the registered capital of OPC (US\$50.755 million) is to be provided by the Company, DYIIC and OUCC, through PETH, a single purpose investment vehicle established in Bermuda and, currently, a wholly owned subsidiary of the Company. The relevant contributions of the Parties and their respective attributable interests in the registered capital of OPC will be as follows:

Parties Involved	Equity investment in OPC (US\$ million)	Attributable interest in OPC
The Company	11,013,836	10.850%
DYIIC	19,870,582	19.575%
OUCC	<u>19,870,582</u>	<u>19.575%</u>
	<u>50,755,000</u>	<u>50.000%</u>

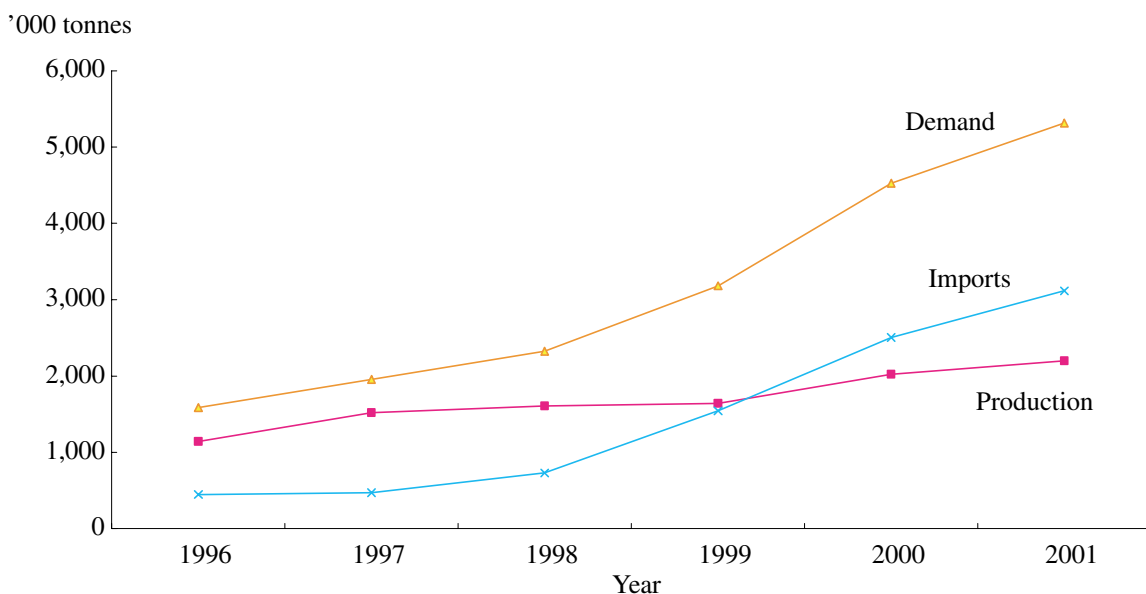
The balance of the investment required to finance the registered capital of OPC remains the responsibility of DYIIC, a wholly owned subsidiary of FET. This investment is likely to be provided by independent third parties and/or, other parties and in any event to be procured by DYIIC. The Board has been informed by FET, DYIIC and/or other subsidiaries of FET (excluding for these purposes, the Company) that these parties possess sufficient financial resources to meet their respective financial commitments and the Board is satisfied with these assurances. The Board understands these parties are confident of obtaining banking facilities to complete the debt financing required under the Framework Agreement and that these parties are confident of procuring a strategic partner to invest in fifty percent of the registered capital of OPC. The Board has received assurances that the Company's investment in OPC will be on terms no less favourable than those offered to DYIIC and OUCC. In the event that debt finance is not available and a strategic partner cannot be found to invest in OPC, the Board has been assured that the FET Group has access to sufficient financial resources to complete construction of the plant, as stated on page 5 in the Letter from the Board of Directors.

The Proposed Transaction supports the principal business objectives of the Company, which are according to the Board to strengthen its position as a leading polyester producer in the PRC, to improve its profit margin and to expand and integrate production capacity. Since PTA is an essential raw material for polyester products, the proposed construction of a new PTA plant in the PRC is expected to bring about greater cost efficiency by reducing the Company's unit production cost and to ensuring a stable supply of PTA to the Company.

Reasons for entering into the Framework Agreement

The Directors anticipate steady growth in demand for PTA over the long term in the PRC. Each of the Parties believes that there are good prospects for a new state-of-the-art PTA production facility in the Pudong district of Shanghai. PTA is a raw material in the production of PET. The principal raw materials in the manufacture of PET are PTA and ethylene glycol. Raw materials account for approximately 61 percent of the Company's total cost of sales and the cost of PTA amounts to approximately 80 percent of the total cost of raw materials. The Directors expect that a significant proportion of the PTA manufactured by the proposed plant will be bought and used by the Company in the manufacture of polyester products. The Directors note the historical trend in the PRC of demand for PTA exceeding domestic production since 1996 as illustrated in the following diagram.

Production, Demand and Import in the PRC Market for PTA (1996-2001)

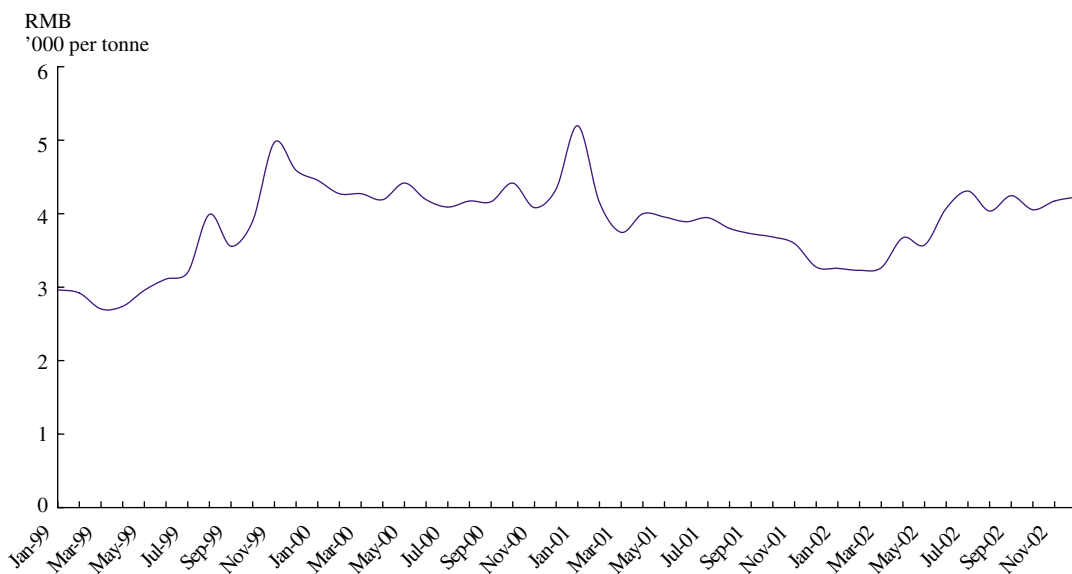


Source: South China Research

LETTER FROM SOUTH CHINA CAPITAL

According to the above diagram, demand for PTA in the PRC has increased from 1.6 million tonnes per annum in 1996 to 5.3 million tonnes per annum in 2001. In the same period production has increased only from 1.1 million tonnes to 2.2 million tonnes per annum. The Directors believe the company will benefit from securing a source of its principal raw material in view of the rising demand for PTA in the PRC. In the past the Company has relied on third parties both within and outside of the PRC for supplies of PTA. In this regard, the Company has suffered from fluctuations in price that have ensued from a worldwide shortage of PTA. The following diagram illustrates the price of PTA per ton since 1999, which has fluctuated by as much as 92 percent from RMB2,703 to RMB5,197 per tonne in that period.

PTA Unit Price per tonne



Source: The Company's Monthly Report on PTA unit price movement

Having access to a source of PTA produced at a plant that is located next to the Company's existing facilities and in which the Company has a minority shareholding interest will, the Director believe, be of significant benefit to the Company. In particular, the Directors believe that it will lessen the Company's reliance on imports of PTA, thereby addressing the problems associated with the general shortages of PTA and will result in the cheaper and more reliable supplies of PTA.

For the financial year ended 31 December, 2002, the total purchase of PTA of the Company and its subsidiaries was amounted to approximately HK\$821 million which was approximately 49% of total cost of sales of the Company and its subsidiaries.

The Company's aggregate investment in OPC (of US\$11 million, together with potential financial assistance in the form of guarantees for debt financing of up to US\$20 million (if necessary), equivalent to approximately 18.3% of the net tangible asset value of the Company (being HK\$1,320,456,000) as at 31 December, 2002, represents the extent of investment to which the Directors feel comfortable committing the Company bearing in mind the Company's other working capital requirements generally.

LETTER FROM SOUTH CHINA CAPITAL

The Board believes that the Company's investment in OPC, by means of the Framework Agreement, represents an investment on normal commercial terms that is in the interests of the Company and all of its shareholders.

Use of proceeds

All subscription proceeds received by PETH on completion of the Framework Agreement will be utilized to fund PETH's investment, of approximately US\$51 million, in the registered capital of OPC, the requisite consents for which have already been obtained from the relevant PRC authorities.

The Company's investment contribution, of approximately US\$11 million (approximately HK\$86 million), has been funded out of the Company's general working capital.

Financial effects of the Framework Agreement

Net asset value

As at 31 December, 2002, the net asset value of the Company and its subsidiaries was approximately HK\$1,320 million and their net current assets amounted to approximately HK\$307 million. The Company made an investment in PETH of approximately US\$11 million (approximately HK\$86 million) in March 2003. The Directors believe that upon completion of the Proposed Transaction under the Framework Agreement and following its investment of approximately US\$11 million (approximately HK\$86 million) in PETH, there will be no material adverse effect on the net asset value of the Company and its subsidiaries. The Company may be required to give financial guarantees of upto US\$20 million (HK\$156 million) and we note that the Directors are comfortable with this level of commitment, given the Company's working capital requirements generally.

We note that the balance of investment required to pay up the registered capital of OPC is likely to be derived from independent third parties and/or, other parties to be procured by DYIIC and that any such investment made by a connected person of the Company will be on terms that are no more beneficial to such connected persons than the terms of the Company's investment in OPC. Therefore it is possible that a subsequent investment made by an independent third party on more favourable terms than those obtained by the Company may result in a reduction in the value of the Company's investment in OPC.

Since the proposed PTA plant is a green-field project, the cost of investment will be reflected in the Company's balance sheet without a charge for goodwill. Consequently, it is of the view of the Board that the effect of the Proposed Transaction on the net asset value of the Company for each of the financial years following the execution of the Framework Agreement but before operation of the plant will be the cost of the finance of the amount invested by the Company.

We believe the Proposed Transaction will reduce the Company's cash flow by approximately HK\$0.01 per share until the PTA plant commences operations, based on the number of shares in issue

LETTER FROM SOUTH CHINA CAPITAL

of 410,296,000 at 31 December, 2002. The Company and its subsidiaries may face a slight deterioration in their current ratio, reducing from approximately 1.5 to approximately 1.4 subsequent to the Proposed Transaction. However, neither the asset ratio nor the debt to equity ratio should experience a material change as a result of the Proposed Transaction.

Earnings

For the year ended 31 December, 2002, the profit before taxation of the Company and its subsidiaries was HK\$90 million and the net profit of the Company and its subsidiaries was approximately HK\$83 million. Based on the unaudited quarterly results for the three months ended 31 March, 2003, the profit before taxation of the Company and its subsidiaries was approximately HK\$15 million and the net profit of the Company and its subsidiaries was approximately HK\$13 million. Since the PTA plant is not expected to commence production until the fourth quarter of 2005, there will be no contribution to the earnings of the Company and its subsidiaries before 2005.

Carrying Cost

The annual carrying cost of the Company's investment in PETH has been estimated using the cost of unsecured long-term debt for the financial year ending 31 December, 2003, of approximately 3.5% and the amount of the investment of approximately US\$11 million (approximately HK\$86 million). The annual carrying cost amounts to approximately US\$0.4 million (HK\$3.0 million) or approximately HK\$0.01 per share.

CONDITIONS OF THE FRAMEWORK AGREEMENT

Completion of the investment by the Parties in PETH is subject to certain conditions being satisfied on or before 30 June, 2003. If the conditions are not met or waived (where applicable), the Framework Agreement, as the case may be, will not proceed to completion. The conditions include, among other things, the approval of the independent shareholders of the Company in the general meeting to the terms of the Framework Agreement and the approval of the Bermuda Monetary Authority to the increase in the authorized share capital of PETH and to the allotments of shares in PETH to the Parties. Details of the other conditions are set out in the paragraph headed "Conditions of the Framework Agreement" on page 5 in the Letter from the Board of Directors.

CONSEQUENCES FOR THE COMPANY IF THE FRAMEWORK AGREEMENT IS NOT APPROVED BY THE INDEPENDENT SHAREHOLDERS

The Directors believe that, since the FET group has access to sufficient financial resources to complete the plant there would be no material adverse effect on the net asset value or the earnings of the Company in the event that the Independent Shareholders do not approve the Framework Agreement at the EGM.

LETTER FROM SOUTH CHINA CAPITAL

OPINION AND RECOMMENDATION

We note that the Board believes that the Company's investment in OPC, by means of the Framework Agreement, represents an investment on normal commercial terms that is in the interests of all its shareholders. In the event that the Company is required to give financial assistance to OPC in the form of financial guarantees up to a maximum liability of US\$20 million the Framework Agreement and the Company's participation thereunder requires the approval of the Independent Shareholders to be sought at the EGM. We note that the terms on which OPC ultimately contracts with the Company for the supply of PTA to the Company may constitute a separate continuing connected transaction for the Company which will, in due course, be carried out in accordance with and subject to the GEM Listing Rules.

We have considered the above principal factors and reasons, including the purpose and structure of the Framework Agreement, the Company's requirements for PTA, the financial effects of the Framework Agreement and the principal business objectives of the Company. We note that the purpose of building the plant are in line with the Company's principal business objectives of strengthening its position as a leading polyester producer in the PRC, improving profit margin and expanding and integrating production capacity. We note that the terms of investment by the Company are no worse than those obtained by the joint venture parties. Considering the investment does not involve purchased goodwill and is without any material impact on net asset value, we believe that the terms of the Framework Agreement are fair and reasonable and their effects on the earnings and net asset value of the Company are acceptable.

We consider that the terms of the Proposed Transaction are fair and reasonable as far as the Company and the Independent Shareholders are concerned and the entering into the Framework Agreement is in the interest of the Company. Accordingly, we recommend that the Independent Board Committee advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Framework Agreement.

Yours faithfully,
For and on behalf of
South China Capital Limited
Patrick Cheng
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF DIRECTORS' INTERESTS

(I) Directors' interest in securities

As at the Latest Practicable Date, the following Directors were interested, or were deemed to be interested, in the following interests and short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, and as recorded in the Register of Directors' Interests required to be maintained by the Company pursuant to Section 352 of the SFO:

The Company

Long positions in shares of the Company ("Shares")

None of the Directors were interested or deemed to be interested in long positions in Shares.

Long positions in underlying Shares of equity derivatives

None of the Directors were interested or deemed to be interested in long positions in underlying Shares of equity derivatives.

Short positions in underlying Shares of equity derivatives

None of the Directors were interested or deemed to be interested in short positions in underlying Shares of equity derivatives.

*Associated Corporations*Long positions in shares of FET (Note 1)

Name of Director	Number of shares	Number of shares	Capacity	Total
Mr. Shu-Tong Hsu	57,148,611	Personal	Beneficial Owner	57,148,611
Mr. Jar-Yi Shih	1,336,302	Personal	Beneficial Owner	1,336,302
Mr. Champion Lee	210	Personal	Beneficial Owner	210
Mr. Chin-Sen Tu	208	Personal	Beneficial Owner	208
Mr. Shaw-Y Wang	94,402	Personal	Beneficial Owner	94,402
Mr. Lih-Teh Chang	17,672	Personal	Beneficial Owner	17,672

Notes:

- FET is an associated corporation of the Company as FET is the Company's ultimate holding company. As at the Latest Practicable Date, FET had a 64.2% interest in the Company, comprising (i) a direct interest of 11.4%; (ii) an indirect interest of 46.8% through its controlling shareholding in Yuang Ding Investment Corporation; and (iii) an indirect interest (arising by virtue of FET's status as the discretionary object of a discretionary trust) of 6%.

In aggregate, the above interests represented, as at the Latest Practicable Date, approximately 1.9% of the total issued common shares of FET.

Long positions in underlying shares of equity derivatives of FET

None of the Directors were interested or deemed to be interested in long positions in underlying shares of equity derivatives of FET.

Short positions in underlying shares of equity derivatives of FET

None of the Directors were interested or deemed to be interested in short positions in underlying shares of equity derivatives of FET.

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 352 of the SFO as at the Latest Practicable Date.

(II) Directors' interests in contracts

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted at 31 March, 2003 or at any time during 2002 and the three months ended 31 March, 2003.

(III) Directors' right 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 11 January, 2000 under which it may grant options to full-time employees, including executive directors of the Company or of its subsidiaries, to subscribe for shares in the Company.

As at the Latest Practicable Date, no options had been granted under the Company's share option scheme.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the following shareholders (not being Directors or chief executives of the Company) were or interested, or were deemed to be interested, in the following interests and short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), notifiable to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, and as recorded in the Register of Substantial Shareholders' Interests required to be maintained by the Company pursuant to Section 336 of the SFO:

Long positions in Shares

Name	Capacity	Number of issued shares	Percentage shareholding
Far Eastern Textile Limited ("FET") (Note 1)	Beneficial Owner	263,400,800	64.2%
Yuang Ding Investment Corporation	Beneficial Owner	191,870,160	46.8%
Everest Investment (Holding) Limited	Beneficial Owner	69,750,000	17.0%
Everest Textile Co., Limited ("Everest Textile") (Note 2)	Beneficial Owner	69,750,000	17.0%
Far Eastern Investment (Holdings) Limited ("FEIH") (Note 3)	Beneficial Owner	24,733,040	6.0%
Glorious Victory Limited (Note 4)	Beneficial Owner	24,733,040	6.0%
HSBC International Trustee Limited (Note 5)	Trustee	24,733,040	6.0%

Notes:

- 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. FET owns 87.7% of the issued share capital of FEIH and is accordingly taken to be interested in the Company's shares in which FEIH is deemed to have an interest.

2. Everest Textile has interests in the entire issued share capital of 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.
3. FEIH as the founder of The Kai Yuan Trust, is deemed to have an interest in the shares of the Company held by Glorious Victory Limited, being the subject matter of The Kai Yuan Trust.
4. Glorious Victory Limited has interests in approximately 6% of the entire issued share capital of the Company. The entire share capital of Glorious Victory Limited is in turn held under The Kai Yuan Trust.
5. HSBC International Trustee Limited is the trustee of The Kai Yuan Trust and as such is deemed to be interested in the shares of the Company held by Glorious Victory Limited.

Long positions in underlying Shares of equity derivatives

No notifiable interest (long positions) in underlying Shares of equity derivatives were held by substantial shareholders.

Short positions in underlying Shares of equity derivatives

No notifiable interest (short positions) in underlying Shares of equity derivatives were held by substantial shareholders.

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 336 of the SFO as at the Latest Practicable Date.

4. COMPETING INTERESTS

FET (*Note 1*) and Everest Textile (*Note 2*), being management shareholders of the Company, are engaged in, have interests in other companies engaged in, the production and sales of petrochemical, polyester and textile products.

During 2002 and the three months ended 31 March, 2003, FET produced approximately 707,259 and 163,259 tonnes of polyester polymer respectively, 253,052 and 59,297 tonnes of various types of PET chips (for PET bottles, food and industrial packaging) respectively, 241,397 and 52,378 tonnes of polyester staple fibre respectively, 151,596 and 40,979 tonnes of pre-oriented yarn respectively, 74,412 and 1,753 tonnes of draw textured yarn respectively, 364,319 and 87,368 bales of yarn respectively, 39,554,731 and 8,416,053 yards of finished fabrics respectively and 311,000,000 and 77,000,000 pieces of PET performs respectively.

During the same period, Everest Textile also produced approximately 23,513 and 5,641 tonnes of polyester filament respectively, and 49,753,116 and 11,980,308 yards of finished fabrics respectively.

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

Notes:

1. As at the Latest Practicable Date, 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 the Latest Practicable Date, Mr. Jar-Yi Shih and Mr. Chin-Sen Tu were also directors of Everest Textile.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or claims of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

6. SERVICE CONTRACTS

Each of Mr. Lih-Teh Chang and Mr. Chin-Sen Tu has entered into a full-time service contract with the Company which may be terminated by either party thereto giving to the other not less than six calendar months prior notice in writing.

In addition, each of Mr. Shu-Tong Hsu, Mr. Jar-Yi Shih and Mr. Champion Lee has entered into a part-time service contract with the Company, which may be terminated on the same basis as the above mentioned full-time contracts.

7. 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. The audit committee is also responsible for reviewing and supervising the Company's financial reporting the 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.

8. QUALIFICATION OF EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualifications
South China Capital Limited	An investment advisor registered with the Securities and Futures Commission

9. CONSENTS

South China Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and reference to its name and letter in the form and context in which it appears and such letter is given as at the date of this circular for incorporation herein.

10. NO MATERIAL ADVERSE CHANGE

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Company since 31 March, 2003, being the date to which the latest published financial statement of the Company were made up.

11. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

Save as disclosed in this circular, none of the Directors of the Independent Financial Advisor has or has had any director or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company and any of its group of companies since, 31 December, 2002, the date to which the latest published audited accounts of the Company were made up.

Save as disclosed in this circular, there is no contract or arrangement entered into by any member of the Company or its group of companies, subsisting at the date hereof in which any Directors is materially interested and which is significant in relation to the business of the Company or its group of companies.

12. GENERAL INFORMATION

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head of office and principal place of business of the Company is at 31st Floor, Bao An Tower, No. 800 Dongfang Road, Pudong, Shanghai, the PRC. The place of business in Hong Kong and contact information is at Unit A, 11th Floor, Lippo Leighton Tower, 103-109 Leighton Road, Causeway Bay, Hong Kong.
- (b) The compliance officer and the chief accountant of the Group is Mr. Tu Chin-Sen. He has been serving as Director since 1995. Mr. Tu is currently a director and the executive vice president of the accounting department of FET. Mr. Tu joined the Far Eastern Group in 1973 and has been an executive officer since 1989. He has more than 27 years of experience in auditing and accounting. Mr. Tu received a bachelor's degree in accounting and statistics from National Cheng Kung University in Taiwan.

- (c) Both the qualified accountant and company secretary of the Company is Mr. Liu Shun-Fai. Prior to joining the Company in 1999, he worked in Hong Kong and Shenzhen offices of Arthur Andersen & Co. Mr. Liu graduated from the Chinese University of Hong Kong with Bachelor's and Master's degrees in business administration and is an associate member of the Hong Kong Society of Accountants and a fellow member of the Chartered Association of Certified Accountants in the United Kingdom, respectively. He has over nine years' experience in accounting and auditing.
- (d) The authorised share capital of the Company is HK\$1,500,000,000 divided into 1,500,000,000 Shares of HK\$1 each. As at the Latest Practicable Date, the issued share capital of the Company was HK\$410,296,000 divided into 410,296,000 Shares of HK\$1 each.
- (e) In case of inconsistency between the English and the Chinese text of this circular, the English text shall prevail.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Unit A, 11th Floor, Lippo Leighton Tower, 103-109 Leighton Road, Causeway Bay, Hong Kong during normal business hours on any business days from the date of this circular up to and including the date of the Extraordinary General Meeting and at the Extraordinary General Meeting:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Framework Agreement;
- (c) the service contracts of the Directors as mentioned in paragraph 6 of this appendix;
- (d) the letter from the Independent Board Committee, the text of which is set out in page 10 of this circular;
- (e) the letter from South China Capital Limited, the text of which are set out in pages 11 to 18 of this circular; and
- (f) the written consent of South China Capital Limited as mentioned in paragraph 9 of this appendix.



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

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Far Eastern Polychem Industries Limited (the “Company”) will be held on Wednesday, 11 June, 2003 at 2:15 p.m. (or as soon thereafter as the Company’s annual general meeting convened for the same day and place shall have been concluded) at Harcourt Room, Lower Lobby, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution, as an Ordinary Resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (i) the Framework Agreement dated 7 May, 2003 between the Company, Oriental Union Chemical Corporation and Ding Yuang International Investment Corporation and the Company’s investment in Oriental Petrochemical (Shanghai) Corporation (“OPC”) pursuant to the terms thereof be and are hereby approved; and
- (ii) the board of directors of the Company be and are hereby authorised to take all steps necessary, desirable or expedient for the purposes of or in connection with, the implementation of the Framework Agreement and the Company’s investment in OPC pursuant to the terms thereof and to make and agree to such variations to the terms of the Framework Agreement as the directors in their discretion consider to be necessary and in the best interest of the Company.”

By Order of the Board
Far Eastern Polychem Industries Limited
Liu Shun Fai
Company Secretary

Hong Kong, 26 May, 2003

Notes:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

* For identification purposes only

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (2) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the registered of members in respect of such share shall alone be entitled to vote in respect thereof.
- (3) A form of proxy for use at the meeting is enclosed herewith.
- (4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's place of business in Hong Kong at Unit A, 11th Floor, Lippo Leighton Tower, 103-109 Leighton Road, Causeway Bay, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.