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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)

ANNOUNCEMENT

CONNECTED TRANSACTION

DISPOSAL OF FAR EASTERN INFO SERVICE (HOLDING) LIMITED

The Company and Far EastTone have entered into a conditional Sale and Purchase Agreement dated 28th May, 2003, pursuant to which the Company has agreed to sell, and Far EastTone has agreed to acquire, the entire issued share capital of FEISH, an investment holding company which, in turn, holds the entire registered capital of FENIT. FENIT is a PRC company which develops computer network software.

The consideration payable to the Company for the Disposal is an aggregate sum of US\$2,500,000 plus interest and US\$115,698. This, together with the other terms of the Sale and Purchase Agreement, are considered by the Directors to be fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

The Sale and Purchase Agreement constitutes a connected transaction for the Company but is exempt from the requirement for shareholders' approval.

THE SALE AND PURCHASE AGREEMENT

Date

28th May, 2003

Parties

The Vendor The Company

The Purchaser Far EasTone

Far EasTone is a company incorporated in Taiwan, with its shares listed on the Taiwan Stock Exchange, and is owned as to approximately 51.92% by FET. FET is the ultimate holding company of the Company. Accordingly, Far EasTone, as an associate of FET, is a connected person of the Company.

Subject matter of the Sale and Purchase Agreement

On the terms and subject to the conditions of the Sale and Purchase Agreement, the Company will sell, and Far EasTone will acquire, the entire issued share capital of FEISH, for an aggregate cash consideration of US\$2,500,000 (equivalent to approximately HK\$19,500,000), plus interest and US\$115,698 in respect of the establishment cost of FEISH. FEISH is an investment holding company which, in turn, holds, as its only asset, the entire registered capital of FENIT. FENIT is a wholly foreign owned enterprise in the PRC, which was established in August 2002 to engage in the development, design, manufacturing and sales of computer network software, as well as the provision of data-processing and related services.

Consideration

The total consideration payable by Far EasTone is US\$2,500,000 (equivalent to approximately HK\$19,500,000), on which interest will be paid, at the Interest Rate, accruing from 15th August, 2002, being the date on which FENIT's registered capital was paid up until the date on which Completion takes place, and is to be satisfied by way of cash. In addition, Far EasTone shall, no later than 31st May, 2003, pay to the Company a sum of US\$115,698 (equivalent to approximately HK\$900,000) in respect of the establishment cost of FEISH.

The consideration was determined on the basis that the Company could, in light of the present economic climate, at least receive a sum equivalent to the amount of the contribution it has made to the total registered capital of FENIT. Accordingly, the consideration equates to the total capital investment of the Company in FENIT (together with interest thereon) and, in light of the start-up nature of FENIT and its losses to date, exceeds its net book value as at 31st

March, 2003 (being approximately US\$1,900,000 which is equivalent to approximately HK\$15,000,000). The net book value represented approximately 1.17% of the latest published net tangible asset value of the Company as at 31st March, 2003.

Conditionality of the Sale and Purchase Agreement

Completion of the Sale and Purchase Agreement is conditional upon, amongst other things, Far EasTone obtaining all necessary governmental and other consents in Taiwan or elsewhere. It is anticipated that this may take some time to achieve and accordingly completion is not anticipated to occur until 2004. From the date of the Sale and Purchase Agreement until Completion, the business will be conducted to Far EasTone's order and at Far EasTone's expense, with the Company being indemnified against all liabilities applicable to the business.

USE OF PROCEEDS AND REASONS FOR THE DISPOSAL

The proceeds from the Disposal will be applied towards the Company's general working capital requirements.

In 2002, with an eye to diversifying its operations from its core business of producing and distributing polyester products, the Group set up FEISH as a holding company for the sole purpose of investing in FENIT. FENIT has been loss making since its establishment. As at 31st March, 2003, the accumulated unaudited losses incurred by FENIT amounted to approximately RMB4,500,000 (equivalent to approximately HK\$4,300,000). Moreover, FENIT is now at the stage of its development where it requires information technology expertise and resources which the Company would not be capable of providing without incurring significant additional expense. In view of this, and to avoid suffering further losses on the investment in FENIT, the Directors concluded that it was in the Company's best interests to dispose of FENIT and believe that the terms offered by Far EasTone represented the best that the Company was capable of achieving in the present climate.

GENERAL

The Group is principally engaged in the production and distribution of polyester products in the PRC. Far EasTone is principally engaged in the provision of telecommunications services in Taiwan.

The terms of the Sale and Purchase Agreement were agreed between the Company and Far EasTone after arm's length negotiation. The Directors, including the independent non-executive Directors, consider that the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and in the best interest of the Company and its Shareholders as a whole.

CONNECTED TRANSACTION

Far EasTone, as a subsidiary of FET, is an associate of FET for the purposes of the GEM Listing Rules. As FET is the Company's controlling shareholder, Far EasTone is a connected person of FET for the purposes of the GEM Listing Rules and the Sale and Purchase Agreement represents a connected transaction that is subject to the reporting and announcement requirements of the GEM Listing Rules, but is exempt from the requirement for shareholders' approval. This is the case since the consideration for and the value of the Disposal is less than 3% of the latest published net tangible asset value of the Company as at 31st March, 2003 (being approximately HK\$1,293 million), and accordingly the Disposal is a de minimis transaction for the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“associate”	has the meaning ascribed thereto under the GEM Listing Rules
“Company”	Far Eastern Polychem Industries Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM
“Completion”	completion of the Sale and Purchase Agreement
“connected person”	has the meaning ascribed thereto under the GEM Listing Rules
“Directors”	directors of the Company
“Disposal”	the disposal of the entire issued share capital of FEIS by the Company on the terms and subject to the conditions of the Sale and Purchase Agreement

“Far EasTone”	Far EasTone Telecommunications Co., Ltd., a company incorporated in Taiwan with limited liability
“FEISH”	Far Eastern Info Service (Holding) Limited, a wholly-owned subsidiary of the Company incorporated in Bermuda with limited liability
“FENIT”	Far Eastern Network Info-Tech (Shanghai) Ltd., a wholly foreign owned enterprise established by FEIS in the PRC
“FET”	Far Eastern Textile Limited, a company incorporated in Taiwan with limited liability, the shares of which are listed on the Taiwan Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries (as defined in the Companies Ordinance, Chapter 32 of the Laws of Hong Kong)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Interest Rate”	the applicable six-month London Interbank Offered Rate plus 0.4% on the relevant date
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 27th May, 2003 entered into between the Company and Far EasTone relating to the Disposal
“Share(s)”	ordinary shares of nominal value of HK\$1.00 each in the capital of the Company

“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar(s), the lawful currency of the United States of America

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

Hong Kong, 28th May, 2003

This announcement, 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 Far Eastern Polychem Industries Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: - (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.

** For identification purpose only*