

Management Discussion and Analysis

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group's daily operating activities were mainly financed by profits generated, internal resources and banking facilities such as trust receipt loans and overdrafts.

As at balance sheet date, the Group's shareholders' equity was approximately HK\$223 million (2000: approximately HK\$100 million). Current ratio was 2.11 (2000: 1.20). Gearing ratio, calculated as a percentage of long term debt to equity was 0.06% (2000: 0.14%).

APPLICATION OF PROCEEDS OF NEW ISSUE

Upon the listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2000, 78,000,000 new shares of HK\$0.10 per share were issued at a price of HK\$1.18 per new share. This successful issue of new shares raised net proceeds of approximately HK\$81,006,000 after deducting related expenses. During the year ended 31st March, 2001, the net proceeds have been applied as follows:

Sun East
Technology
(Holdings)
Limited •
annual report
2001

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- approximately HK\$8.5 million for the joint development programmes with Samsung Techwin and Samjung Tech;
- approximately HK\$5 million for strengthening the Group's product research and development capability;
- approximately HK\$6.5 million for the development and introduction of new electronic and digital consumer products; and
- approximately HK\$10.5 million for expanding the Group's production facilities.

The net proceeds which have not yet been immediately applied for the purposes as set out in the Company's prospectus dated 29th September, 2000 were placed with licensed financial institutions in Hong Kong.

EMPLOYEES

At 31st March, 2001, more than 3,000 staff and workers are currently employed in our factory and approximately 50 staff in the Group's Hong Kong office. The directors are actively reviewing staffing levels and remuneration package with a view to maintaining a cost-effective management structure.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 19th September, 2000. The Group's financial statements for the year ended 31st March, 2001 have been reviewed by the Committee. The principal activities of the Committee include the review and supervision of the Group's financial reporting process and internal controls.