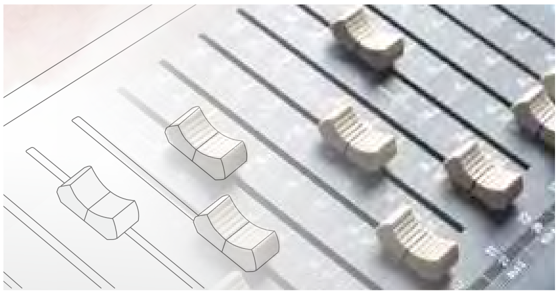




Annual Report 2022

Stock Code : 303

Contents

Corporate Profile

VTech is the global leader in electronic learning products from infancy through toddler and preschool and the largest manufacturer of residential phones in the US. It also provides highly sought-after contract manufacturing services.

Since its establishment in 1976, VTech has been the pioneer in the electronic learning toy category. With advanced educational expertise and cutting-edge innovation, VTech products provide fun and learning to children around the world. Leveraging decades of success in cordless telephony, the Group's diverse collection of telecommunication products elevates both home and business users' experience through the latest in technology and design. As one of the world's leading electronic manufacturing service providers, VTech offers world-class, full turnkey services to customers in a number of product categories.

The Group's mission is to integrate economic growth, environmental protection and social responsibility in its business strategies to design, manufacture and supply innovative and high quality products for the well-being of people and benefits of society, aiming to drive sustainable value for its stakeholders and the communities.

With headquarters in Hong Kong and state-of-the-art manufacturing facilities in mainland China, Malaysia and Mexico, VTech has approximately 25,000 employees in its operations across 14 countries and regions, including about 1,500 R&D professionals in R&D centres in Hong Kong, mainland China, Germany, the US and Canada. This network allows VTech to stay abreast of the latest technology and market trends throughout the world, while maintaining a highly competitive cost structure.

VTech invests significantly in R&D and launches numerous new products each year under its portfolio of strong brands, supported by a global distribution network of leading traditional and online retailers.

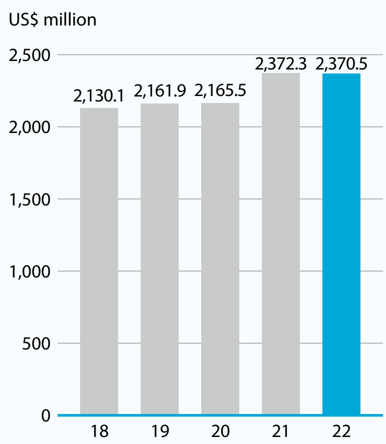
Shares of VTech Holdings Limited are listed on The Stock Exchange of Hong Kong Limited (HKSE: 303).

Financial Highlights

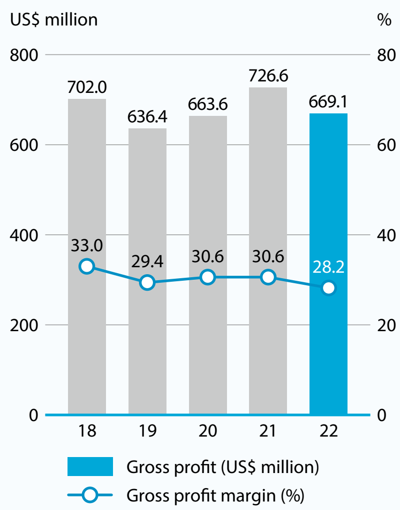
For the year ended 31 March	2022	2021	Change
Operating results (US$ million)			
Revenue	**2,370.5**	2,372.3	-0.1%
Gross profit	**669.1**	726.6	-7.9%
Operating profit	**203.8**	266.2	-23.4%
Profit before taxation	**194.6**	259.3	-25.0%
Profit attributable to shareholders of the Company	**172.7**	230.9	-25.2%
Financial position (US$ million)			
Cash generated from operations	**181.8**	310.9	-41.5%
Deposits and cash	**195.8**	343.8	-43.0%
Shareholders' funds	**678.8**	731.1	-7.2%
Per share data (US cents)			
Earnings per share – basic	**68.5**	91.6	-25.2%
Earnings per share – diluted	**68.5**	91.6	-25.2%
Dividend per share – interim and final	**68.0**	91.0	-25.3%
Other data (US$ million)			
Capital expenditure	**35.9**	49.4	-27.3%
R&D expenditure	**84.3**	86.4	-2.4%
Key ratios (%)			
Gross profit margin	**28.2**	30.6	-2.4% pts
Operating profit margin	**8.6**	11.2	-2.6% pts
Net profit margin*	**7.3**	9.7	-2.4% pts
EBITDA/Revenue	**11.3**	13.7	-2.4% pts
Return on shareholders' funds	**25.4**	31.6	-6.2% pts

* Net profit margin is calculated as profit attributable to shareholders of the Company as a percentage of revenue

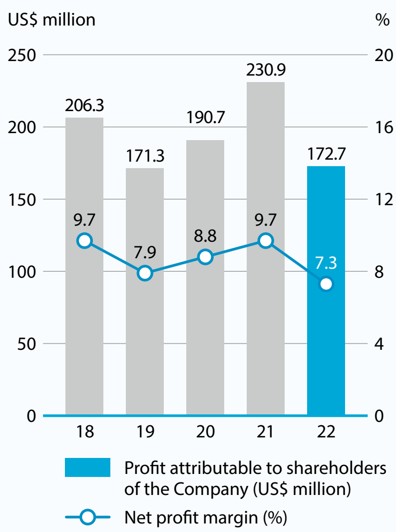
Group Revenue in Last 5 Years



Gross Profit and Gross Profit Margin in Last 5 Years



Profit Attributable to Shareholders of the Company and Net Profit in Last 5 Years



Letter to Shareholders

Dear Shareholders,

VTech reported stable revenue and lower profit for the financial year 2022. This was largely the result of coronavirus (COVID-19) related disruptions to production and supply chains, together with cost pressures resulting from global shortages of materials and shipping containers.

Results and Dividend

Group revenue for the year ended 31 March 2022 decreased slightly by 0.1% to US$2,370.5 million, from US$2,372.3 million in the previous financial year. Higher sales in North America were insufficient to offset lower sales in Europe, Asia Pacific and Other Regions.

Profit attributable to shareholders of the Company fell by 25.2% to US$172.7 million. The decline in profit was mainly attributable to lower gross profit as costs rose significantly.

Basic earnings per share decreased by 25.2% to US68.5 cents, compared to US91.6 cents in the financial year 2021.

The Board of Directors has proposed a final dividend of US51.0 cents per ordinary share, providing a full-year dividend of US68.0 cents per ordinary share, a 25.3% decrease from the US91.0 cents declared in the previous financial year. This represents a dividend payout ratio of 99.4%.

Costs

The Group's gross profit margin in the financial year 2022 was 28.2%, as compared with 30.6% in the previous financial year.

> VTech reported stable revenue and lower profit for the financial year 2022. This was largely the result of coronavirus (COVID-19) related disruptions to production and supply chains, together with cost pressures resulting from global shortages of materials and shipping containers.

The decline was mainly attributable to the unprecedented increase in freight costs arising from container shortages globally. Direct labour costs and manufacturing overhead were also higher than the last financial year, mainly because of the appreciation of the Renminbi and the unstable supply of materials, which impacted productivity. The increases in materials prices, especially of electronic components and plastics, also contributed to the decline in gross profit margin. These pressures were partially offset by a change in the product mix.

Improvement was seen in the second half as the Group raised prices for its products. Freight cost also declined slightly after the peak shipping season, but the supply of semiconductors remained tight.

Our Businesses

The operating environment for the Group's businesses was extremely challenging in the financial year 2022. There was continual disruption to the global supply chain, leading to materials shortages, significant cost increases and shipment delays. Productivity was impacted by this instability even further, as it resulted in more overtime payments and hence higher overall labour costs. On the sales side, while demand for VTech products was strong, some orders could not be fulfilled properly, as the problems with materials supply and shipment delays led to late availability of products and low channel inventory.

VTech moved swiftly to implement measures designed to mitigate these negative impacts during the financial year, which began to take effect in the second half. Close, long-standing relationships with suppliers enabled the Group to secure a more stable supply of critical components. Other measures taken included re-engineering products to lower cost and accommodate alternative parts, sourcing alternative shipping carriers to secure containers, as well as increasing stocks of critical components. In a further measure, the Group started production earlier to allow a longer time for shipment and transportation, in order to reduce the impact of logistics delays. The Group also raised product prices, thereby passing through some of the cost increases to consumers.

As a result, VTech managed to achieve stable revenue for the full financial year 2022. Online sales grew to account for 15.4% of Group revenue. Profitability improved in the second half as compared with the first six months.

Despite all the challenges, the electronic learning products (ELPs) business reported record revenue, surpassing US$1 billion in sales in the financial year 2022. The business achieved growth in all regions and maintained its global leadership position in electronic learning toys from infancy through toddler and preschool[1]. This good performance was driven by standalone products, as platform products were more negatively affected by the shortage of semiconductors.

[1] Ranking based on The NPD Group Retail Tracking Service for Projected US Dollar Sales in the US, Canada, France, Germany, the UK, Belgium, the Netherlands, Australia and Spain on total retail sales of VTech and LeapFrog products in the combined toy categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets) and Walkers for the 12 months ended December 2021

Global Market Share Estimates by MarketWise Consumer Insights, LLC. Ranking based on total retail sales of VTech and LeapFrog products in the combined toy categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets) and Walkers for the 12 months ended December 2021

Standalone products were supported by higher sales of both VTech and LeapFrog branded products. At VTech, particularly strong growth was seen in infant, toddler and preschool products, KidiZoom® Cameras and Switch & Go® Dinos. The new product line Marble Rush™ was successfully launched to the Group's major markets during the financial year, winning many awards and generating incremental sales. At LeapFrog, infant and toddler products led the growth, while the successful roll out of LeapLand Adventures™ added a new revenue stream.

For platform products, increased sales of VTech's Touch & Learn Activity Desk™ and LeapFrog's Magic Adventures Globe™ were insufficient to offset declines in children's educational tablets, KidiZoom Smartwatches and KidiBuzz™/KidiCom MAX®. Subscriptions to LeapFrog Academy™ declined, as semiconductor shortages held back sales of children's educational tablets. As a result of these developments, standalone products increased their percentage share of total ELPs revenue from 82% in the previous financial year to 84% in the financial year 2022.

The telecommunication (TEL) products business saw a decrease in revenue for the financial year 2022, as growth in commercial phones and other telecommunication products was offset by a sales decline for residential phones. Consequently, commercial phones and other telecommunication products saw their share of total TEL products revenue increase further, from 49% in the previous financial year to 59% in the financial year 2022.

In the US, residential phones suffered from the severe shortages of semiconductors and market contraction, following a year of growth as working from home became the norm and consumers upgraded their home telephone systems. Despite a decline in sales, VTech maintained its number one position in the US residential phones market[2]. In an important development, the Group successfully introduced VTech branded DECT (Digital Enhanced Cordless Telecommunications) phones on a major e-tailer in Europe, paving the way for increased penetration of its own branded residential phones in this region.

Higher sales of commercial phones and other telecommunication products were driven by baby monitors, Snom branded SIP (Session Initiation Protocol) phones, hotel phones and headsets. Baby monitors experienced especially strong growth in North America, buoyed by the launch of well-received new products and more placements across all major retailers. As a result, VTech baby monitors strengthened their leadership position as the number one brand in the US and Canada[3]. Snom branded SIP phones grew in both the US and Europe. In the US, the Group gained market share because of a stable product supply. In Europe, growth was supported by new product launches and the resumption of business activity. Hotel phones also benefited from the lifting of COVID-19 restrictions in VTech's major markets. Sales of headsets were boosted by increased orders from an existing customer.

Contract manufacturing services (CMS) revenue for the financial year 2022 decreased, despite a strong order book. Global materials shortages affected sales and productivity. During the financial year, the Group's Malaysian factory was shut down for a total of 45 days as a result of the Movement Control Order implemented by the Malaysian government to curb the spread of COVID-19. Nevertheless, the VTech CMS business ranked 28th in the world among electronics manufacturing services providers, and first in Hong Kong, according to *Manufacturing Market Insider*[4].

Despite these challenges, VTech's CMS business was able to meet the majority of customer demand in the financial year 2022. Most product categories posted sales increases, as social distancing measures eased in North America and Europe. The Group also added a new customer in the field of smart energy management systems. The New Product Introduction (NPI) centre in Shenzhen saw exceptional growth as its reputation in the Greater Bay Area of southern China grew, while the manufacturing facilities in Tecate, Mexico started to contribute to revenue. These successes were, however, offset by a sales decline for hearables, which suffered from materials shortages and reduced orders for Bluetooth headsets.

2 MarketWise Consumer Insights, LLC, April 2021 to March 2022
3 The NPD Group/Retail Tracking Service, April 2021 – March 2022 combined vs YA
4 *Manufacturing Market Insider*, March 2022 edition

Building a Sustainable Future Together

VTech is a global leader in ELPs and residential telephony, as well as a world-leading contract manufacturing service provider. With 46 years of excellence in technological innovation, the Group has a steadfast commitment to build a sustainable future to improve the lives of people and for future generations. This includes sustainable design for products and packaging, climate change initiatives, and provision of a safe and inclusive workplace for the employees with ethical sourcing practices throughout its supply chain.

Despite the ongoing COVID-19 pandemic and the challenges it has brought to the world, VTech continues to make progress towards a circular economy. Last year, VTech introduced its first range of green ELPs that utilise plant-based plastic, reclaimed plastic and Forest Stewardship Council (FSC) certified wood. Later this year, VTech will launch two new plush ELPs with fabric made from recycled polyethylene terephthalate (PET) bottles, and offer more eco-friendly toy products made from plant-based plastic and FSC-certified wood. As for sustainable packaging, over 94% of the packaging materials for its ELPs is recyclable, of which about 85% is made from recycled materials.

In order to combat climate change and its impacts on the planet, VTech continues to extend its investment in solar technology together with various energy efficiency projects at its manufacturing sites, and implement a number of water saving and waste management programmes to reduce natural resources consumption in its factory operations. As a responsible corporate citizen, VTech also collaborates with its suppliers to provide a safe, inclusive and sustainable workplace throughout its supply chain, and promote ethical sourcing practices through its suppliers' commitment to VTech's code of conduct.

Looking to the future, VTech will continue to step up efforts to integrate economic growth, environmental protection and social responsibility in its business strategies to design, manufacture and supply innovative and high-quality products for the well-being of people and benefits of society, aiming to drive sustainable value for its stakeholders and the communities.

Outlook

Many uncertainties lie ahead in the financial year 2023. On the demand side, high inflation in both the US and Europe may slow consumer spending. The spread of COVID-19 in mainland China has recently prompted lockdowns in major cities, which are negatively impacting domestic consumption. On the cost side, materials prices remain elevated. This is especially true of plastic materials, as the war in Ukraine has pushed up oil prices significantly. The supply of semiconductors and critical components remains tight, with the lockdowns in mainland China also disrupting the global supply chain. Despite some improvement in the supply of containers, freight costs will also be higher than last year.

The direct effects on the Group of the war in Ukraine will be minimal, as its sales to Ukraine and Russia represented only about 0.2% of Group revenue in the financial year 2022.

In spite of the uncertain business environment, the Group is cautiously optimistic of achieving overall top-line growth in the financial year 2023. Gross profit margin, meanwhile, is expected to be largely stable year-on-year, owing to the continued headwinds of elevated materials prices and freight costs, as well as shortages of critical components.

The Group is now much better prepared to tackle the supply chain pressures. Sufficient stockpiles of materials are in place to meet the strong orders on hand, while earlier production and shipment schedules will ensure new products reach customers on time, and channel inventory will greatly improve.

ELPs revenue is forecast to post modest growth in the financial year 2023. This will be driven by strong product offerings, on-time delivery of products, improved channel inventory and more well-planned advertising and promotions. The infant, toddler and preschool products will maintain their positive momentum as the Group strengthens its core learning and licensed products. The expanded Spring offerings have hit the shelves on time and the initial sell-through has been good. Among the upcoming new product launches for Autumn is Magic Adventures Microscope™, which lets children explore interesting

> The Group is in a good position to deliver solid results in the current financial year, as we continue to strengthen our market leadership and pursue operational excellence.

facts related to flowers, insects, the human body and more through over 220 custom BBC videos and images. Subscriptions to LeapFrog Academy are expected to return to growth as the supply of LeapFrog tablets improves, supported by content targeting older age groups. In mainland China, however, sales are expected to decrease as the lockdowns in major cities are negatively impacting both offline and online sales.

TEL products are expected to achieve higher revenue. This will be driven by increased sales of commercial phones and other telecommunication products, augmented by the recovery of VTech branded residential phones in the US and expansion in Europe. The continued good momentum of commercial phones and other telecommunication products will be supported by a wide array of new products. The baby monitors category will be strengthened by the expansion of the LeapFrog range and a series of VTech branded baby monitors with AI (artificial intelligence) detection features. In commercial phones, the D8 series of advanced Snom SIP desksets, along with a new range of the multi-cell SIP DECT mobility system, will be rolled out globally. A work-from-anywhere series, including a Bluetooth conference speaker with audio recording function and a professional headset, will be launched in the third quarter of the financial year 2023. VTech hospitality phones will be revamped, with a new series featuring a contemporary design.

CMS revenue is anticipated to return to growth as the order book is strong. Benefiting from the global economy recovering to its pre-pandemic level, and a very sizable backlog of orders, most product categories are forecast to grow. The exception will be hearables, which are expected to decline further on lower demand for mobile headsets. The contribution from the new smart energy management system is expected to become significant during the financial year 2023, as the complete product line enters full production. Further growth is expected from the NPI centre in Shenzhen, while the Mexican facility will ramp up production and begin to build up its EMS capacity. As ongoing materials shortages may constrain VTech's ability to meet all orders on time, the Group is taking steps to work closely with customers and suppliers to secure a high level of mutual support during critical situations.

I wish to thank my fellow directors for their counsel, and all our colleagues for their hard work. My sincere thanks go to our customers and suppliers, who have worked closely with us to navigate the challenges we have faced. I also wish to take this opportunity to acknowledge the support of all our shareholders and business partners.

VTech is now much better prepared for the headwinds ahead than a year ago. We have strong brands, a diverse product mix, a proven ability to bring innovative products to market and a strong financial position. As such, the Group is in a good position to deliver solid results in the current financial year, as we continue to strengthen our market leadership and pursue operational excellence.

Allan Wong Chi Yun
Chairman

Hong Kong, 16 May 2022

Financial Overview

For the year ended 31 March 2022

	2022 US$ million	2021 US$ million	Change US$ million
Revenue	**2,370.5**	2,372.3	(1.8)
Gross profit	**669.1**	726.6	(57.5)
Gross profit margin	**28.2%**	30.6%	
Other net (expenses) / income	**(0.5)**	4.2	(4.7)
Total operating expenses	**(464.8)**	(464.6)	(0.2)
Total operating expenses as a percentage of revenue	**19.6%**	19.6%	
Operating profit	**203.8**	266.2	(62.4)
Operating profit margin	**8.6%**	11.2%	
Net finance expense	**(9.6)**	(7.3)	(2.3)
Share of results of an associate	**0.4**	0.4	–
Profit before taxation	**194.6**	259.3	(64.7)
Taxation	**(21.9)**	(28.4)	6.5
Effective tax rate	**11.3%**	11.0%	
Profit for the year and attributable to shareholders of the Company	**172.7**	230.9	(58.2)
Net profit margin	**7.3%**	9.7%	

Revenue

Group revenue for the year ended 31 March 2022 decreased by 0.1% to US$2,370.5 million compared with the previous financial year. The decrease in revenue was largely driven by the decrease in revenue in Europe, Asia Pacific and Other Regions, which offset the higher sales in North America.

	2022		2021		Increase / (decrease)	
	US$ million	**%**	US$ million	%	US$ million	%
North America	**1,068.5**	**45.1%**	995.1	41.9%	73.4	7.4%
Europe	**1,025.1**	**43.2%**	1,086.3	45.8%	(61.2)	(5.6%)
Asia Pacific	**255.0**	**10.8%**	268.4	11.3%	(13.4)	(5.0%)
Other Regions	**21.9**	**0.9%**	22.5	1.0%	(0.6)	(2.7%)
	2,370.5	**100.0%**	2,372.3	100.0%	(1.8)	(0.1%)

Gross Profit / Margin

Gross profit for the financial year 2022 was US$669.1 million, a decrease of US$57.5 million or 7.9% compared to the US$726.6 million recorded in the previous financial year. Gross profit margin for the year also reduced from 30.6% to 28.2%. It was mainly attributable to the drastic increase in freight costs arising from container shortages. Direct labour costs and manufacturing overhead were also higher than the last financial year, which were mainly due to the appreciation of Renminbi and the unstable supply of materials impacting the productivity. The increases in material prices, especially electronic components and plastic materials, also contributed to the decline in gross profit margin. These were partially offset by the change in product mix.

Operating Profit / Margin

Operating profit for the year ended 31 March 2022 was US$203.8 million, a decrease of US$62.4 million or 23.4% compared with the previous financial year. Operating profit margin also reduced from 11.2% to 8.6%. The reduction in both operating profit and operating profit margin was mainly due to the decrease in gross profit and gross profit margin. Operating profit for the year also included government subsidies of US$0.5 million in response to COVID-19, as compared with an amount of US$5.7 million in the last financial year. The Group invests in an investment holding company which has a shareholding in a listed entity that designs and distributes integrated circuit products (the "Investment"). Other net expenses included a fair value loss of US$1.0 million on this Investment, as compared with a fair value loss of US$1.5 million in the same period last year.

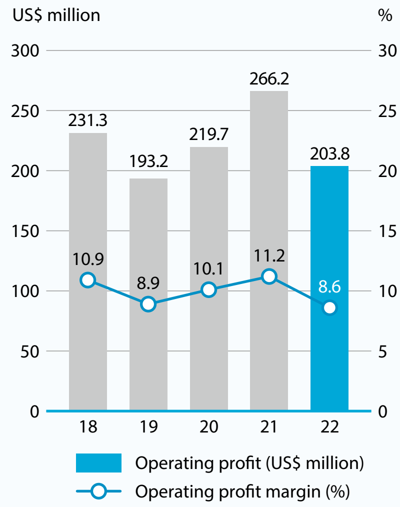
Total operating expenses for the year ended 31 March 2022 increased from US$464.6 million to US$464.8 million as compared with the last financial year. Total operating expenses as a percentage of Group revenue was 19.6%, same as the previous financial year.

Selling and distribution costs increased from US$295.5 million to US$304.9 million compared with the same period last year. It was mainly attributable to the increases in employee related costs and logistic expenses. As a percentage of Group revenue, selling and distribution costs increased from 12.5% to 12.9%.

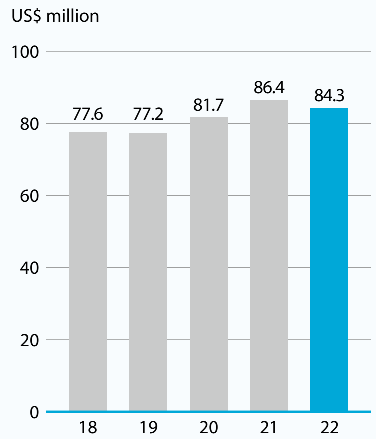
Administrative and other operating expenses decreased from US$82.7 million to US$75.6 million compared with the same period last year. It was mainly due to the decrease in employee related costs. The net exchange loss arising from the Group's global operations in the ordinary course of business was US$0.3 million, as compared with a net exchange gain of US$0.6 million in the last financial year. Administrative and other operating expenses as a percentage of Group revenue decreased from 3.5% to 3.2%.

During the financial year 2022, the research and development expenses were US$84.3 million, a decrease of 2.4% compared with the previous financial year. It was mainly due to the decrease in project expenses. Research and development expenses as a percentage of Group revenue was 3.6%, same as the previous financial year.

Operating Profit and Operating Profit Margin in Last 5 Years



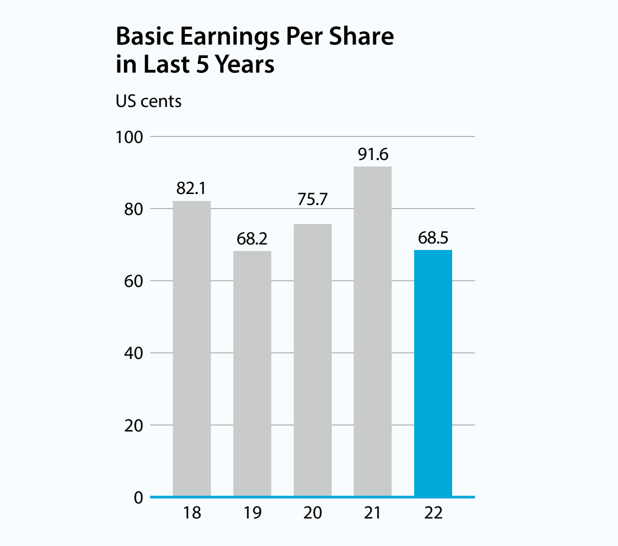
Group R&D Expenditure in Last 5 Years



Profit Attributable to Shareholders and Earnings Per Share

Profit attributable to shareholders of the Company for the year ended 31 March 2022 was US$172.7 million, a decrease of US$58.2 million or 25.2% as compared to the last financial year. Net profit margin also decreased from 9.7% to 7.3%.

Basic earnings per share for the year ended 31 March 2022 were US68.5 cents as compared to US91.6 cents in the previous financial year.

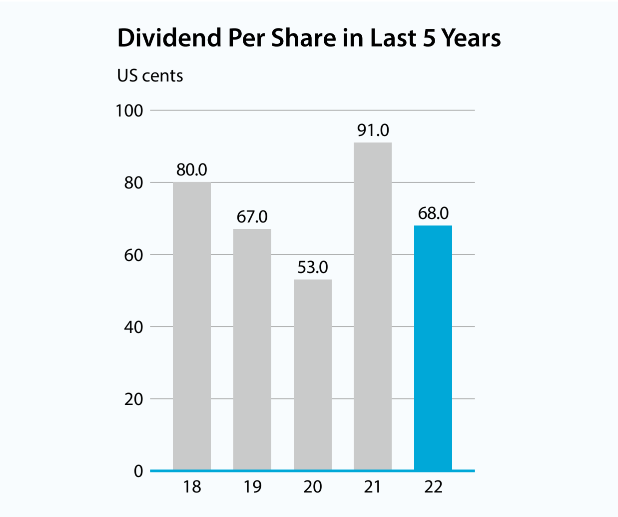


Dividends

During the financial year 2022, the Group declared and paid an interim dividend of US17.0 cents per share, which aggregated to US$42.9 million. The directors of the Company (the "Directors") have proposed a final dividend of US51.0 cents per share, which is estimated to be US$128.7 million.

	2022 US cents	2021 US cents
Dividend per share		
Interim	**17.0**	17.0
Final*	**51.0**	74.0
Total	**68.0**	91.0

* Final dividend proposed after the end of the reporting period

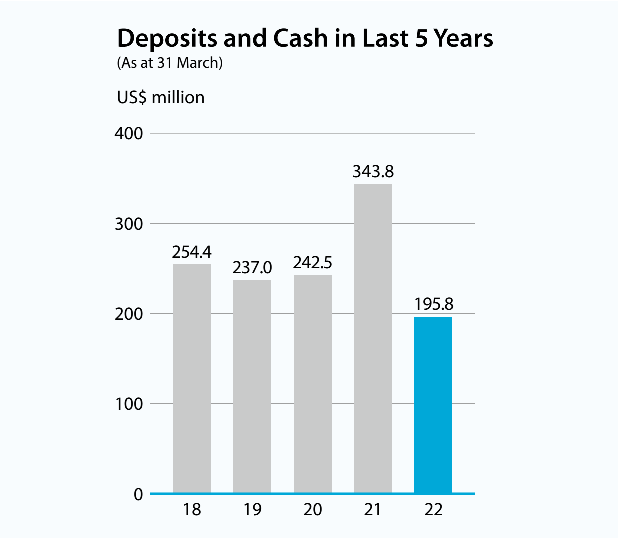


Liquidity and Financial Resources

Shareholders' funds as at 31 March 2022 were US$678.8 million, a decrease of 7.2% from US$731.1 million in the last financial year. Shareholders' funds per share decreased by 7.2% from US$2.90 to US$2.69.

The Group had no borrowings as at 31 March 2022 and 31 March 2021.

The Group's financial position remains strong. As at 31 March 2022, the Group had net cash of US$195.8 million, a decrease of 43.0% as compared to US$343.8 million as of 31 March 2021. It was mainly due to the decrease in EBITDA, increase in working capital investment and higher dividend payment compared with the last financial year.



Analysis of Cash Flow from Operations

	2022 US$ million	2021 US$ million	Change US$ million
Operating profit	**203.8**	266.2	(62.4)
Depreciation and amortisation	**64.6**	59.3	5.3
EBITDA	**268.4**	325.5	(57.1)
(Gain) / loss on disposal of tangible assets	**(0.1)**	0.1	(0.2)
Dividend income from investment	**(3.6)**	–	(3.6)
Fair value loss on investment	**4.6**	1.5	3.1
Share-based payment expenses: Share Purchase Scheme	**4.0**	5.0	(1.0)
Share-based payment expenses: share options	**0.3**	–	0.3
Working capital change	**(91.8)**	(21.2)	(70.6)
Cash generated from operations	**181.8**	310.9	(129.1)

The Group's cash generated from operations for the year ended 31 March 2022 was US$181.8 million, a decrease of US$129.1 million or 41.5% as compared to US$310.9 million in the previous financial year. The decrease was mainly attributable to the lower EBITDA as well as the increase in working capital compared with the previous financial year.

Working Capital Change

	Balance as at 31 March 2021 US$ million	Hedging and others US$ million	Working capital change per cash flow US$ million	**Balance as at 31 March 2022 US$ million**
Stocks	414.0	–	139.3	**553.3**
Trade debtors	270.7	–	54.7	**325.4**
Other debtors, deposits and prepayments	48.2	2.4	8.9	**59.5**
Trade creditors	(236.7)	–	(90.5)	**(327.2)**
Other creditors and accruals	(225.1)	3.8	(18.7)	**(240.0)**
Provisions for defective goods returns and other liabilities	(26.4)	–	(1.9)	**(28.3)**
Net assets on defined benefit scheme	6.9	0.5	–	**7.4**
Total working capital	**251.6**	**6.7**	**91.8**	**350.1**

Stocks as of 31 March 2022 were US$553.3 million, increased from US$414.0 million as of 31 March 2021. The turnover days also increased from 103 days to 131 days. The higher stock level was largely due to the stock-up of raw materials in view of the unstable supply, as well as the increased demand for the Group's products in the first quarter of the financial year 2023. The Group had also arranged early production of the Group's products in order to better utilise the Group's production capacities, and pulled in shipments to its overseas warehouses so as to mitigate the risk of vessel capacity constraints during the peak season of the financial year 2023.

As at 31 March All figures are in US$ million unless stated otherwise	**2022**	2021
Stocks	**553.3**	414.0
Average stocks as a percentage of Group revenue	**20.4%**	16.6%
Turnover days	**131 days**	103 days

Trade debtors as of 31 March 2022 were US$325.4 million, increased from US$270.7 million as of 31 March 2021. The higher trade debtor balance as at 31 March 2022 was mainly due to the increase in revenue in the fourth quarter of the financial year 2022 compared with the corresponding period of the previous financial year. Debtor turnover days also increased from 61 days to 65 days, which was mainly due to the change in customer mix. The overdue balances greater than 30 days accounted for 1.5% of the gross trade debtors as of 31 March 2022.

As at 31 March All figures are in US$ million unless stated otherwise	2022	2021
Trade debtors	**325.4**	270.7
Average trade debtors as a percentage of Group revenue	**12.6%**	10.4%
Turnover days	**65 days**	61 days

Other debtors, deposits and prepayments as of 31 March 2022 were US$59.5 million, increased from US$48.2 million as of 31 March 2021. It was mainly attributable to the increase in fair value gain on forward foreign exchange contracts in the financial year 2022.

Trade creditors as of 31 March 2022 were US$327.2 million, as compared to US$236.7 million as of 31 March 2021. Creditor turnover days increased from 79 days to 106 days. The increase in trade creditors was mainly due to the increase in purchase of raw materials compared with the same period last year.

As at 31 March All figures are in US$ million unless stated otherwise	2022	2021
Trade creditors	**327.2**	236.7
Turnover days	**106 days**	79 days

Other creditors and accruals as of 31 March 2022 were US$240.0 million, increased from US$225.1 million as of 31 March 2021. It was largely attributable to the increase in accruals of advertising expenses and other allowances to customers.

Provisions for defective goods returns and other liabilities as of 31 March 2022 were US$28.3 million, as compared to US$26.4 million as of 31 March 2021.

Net assets on defined benefit scheme as of 31 March 2022 were US$7.4 million, as compared to US$6.9 million as of 31 March 2021. The increase was mainly due to the re-measurement of net liability on defined benefit scheme.

Treasury Policies

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations. The Group principally uses forward foreign exchange contracts as appropriate to hedge the foreign exchange risks in the ordinary course of business. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Capital Expenditure

For the year ended 31 March 2022, the Group invested US$35.9 million in the purchase of tangible assets including machinery and equipment, leasehold improvements, office equipment, as well as the improvement of manufacturing working environment.

All of these capital expenditures were financed from internal resources.

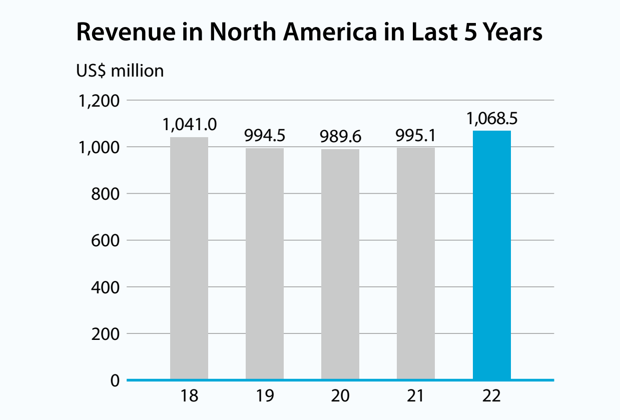
Capital Commitments and Contingencies

Capital commitments in the financial year 2023 for ongoing business operations are expected to be US$43.7 million.

All of these capital commitments will be financed from internal resources.

As of the financial year end date, the Group had no material contingencies.

North America



Group revenue in North America increased by 7.4% to US$1,068.5 million in the financial year 2022, with higher sales of ELPs, TEL products and CMS. North America was VTech's largest market, accounting for 45.1% of Group revenue.

ELPs revenue in North America rose by 3.5% to US$555.6 million. Higher sales in the US offset a decline in the Canadian market, where the transition to a new third-party logistics vendor resulted in logistics issues that reduced shipment of VTech and LeapFrog products. The Group maintained its position as the number one manufacturer of electronic learning toys from infancy through toddler and preschool in the US[5]. In Canada, despite the logistics issues, VTech remained the number one supplier in the infant, toddler and preschool toys category[6].

The growth in ELPs came from higher sales of VTech and LeapFrog branded standalone products. At VTech the sales increase came primarily from three product categories. Infant, toddler and preschool products were led by higher sales of new products including Sort & Recycle Ride-On Truck™. KidiZoom Cameras again performed well, with especially good results from KidiZoom PrintCam™ and KidiZoom Creator Cam™. Switch & Go Dinos achieved growth following new product launches. The introduction of Marble Rush also added incremental revenue. These increases offset declines in the Kidi lines and Go! Go! Smart family of products, as well as Go! Go! Cory Carson® vehicles and playsets. LeapFrog saw growth in infant and toddler products. Among these, the Learning Friends 100 Words Book™ series sold especially well and was augmented by a new addition to the range, "100 Words About Places I Go". The roll out of the new LeapLand Adventures™ TV video game also boosted sales. These successes offset a decline in preschool products as sales of licensed products fell.

Platform products declined as higher sales of LeapFrog products were insufficient to offset lower sales of the VTech ranges. LeapFrog benefited from growth in Magic Adventures Globe and interactive reading systems, as the content of the Magic Adventures Globe was expanded. LeapStart was also refreshed with new hardware. This compensated for a decline in sales of children's educational tablets that was mainly due to the semiconductor shortages, which also led to a slowdown in new LeapFrog Academy subscriptions.

VTech platform products trended lower owing to sales declines for KidiZoom Smartwatches and KidiBuzz. Shipment of the new products in these ranges, namely KidiBuzz 3 and KidiZoom Smartwatch DX3, was held up by semiconductor shortages and shipment delays. Low channel inventory also led to lower sales. This offset growth for Touch & Learn Activity Desk, to which a new model was added during the financial year 2022.

During the 12 months, the Group's ELPs received a large number of awards from toy and parenting industry experts, key retailers and toy advisory boards, in multiple categories. Both Hover Pup™ and KidiZoom PrintCam made it into Walmart's "Top Rated by Kids" list. KidiZoom PrintCam received 10 awards, while all four introductory products in the Marble Rush line received the esteemed STEAM Toy Accreditation Seal of Approval. In addition, LeapLand Adventures made the "2021 Best Toy Awards" in *Good Housekeeping* magazine.

TEL products revenue in North America grew by 1.6% to US$274.9 million. The increase came as gains for commercial phones and other telecommunication products offset lower sales of residential phones. Sales to online channels continued to see good increases.

Sales of commercial phones and other telecommunication products increased as business activity returned to normal, following the relaxation of COVID-19 restrictions. Well-received new product launches also drove growth. Baby monitors, headsets, Snom branded SIP phones and hotel phones all achieved higher sales.

[5] The NPD Group, Retail Tracking Service. Ranking based on total retail sales of VTech and LeapFrog products in the combined toy categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets) and Walkers for the 12 months ended December 2021

[6] The NPD Group, Retail Tracking Service

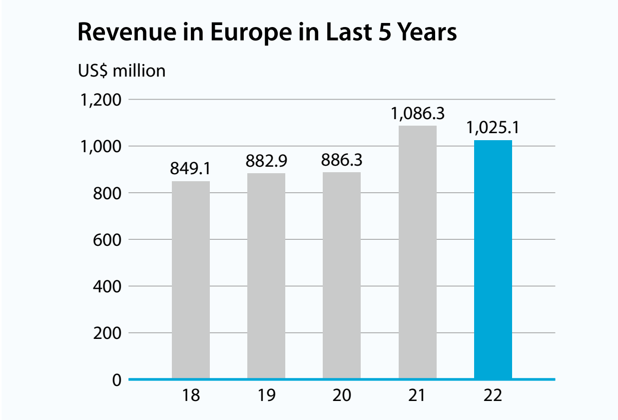
Baby monitors were boosted by additional placements in key retailers, expanded online sales and new product launches. As a result, VTech strengthened its position as the largest baby monitor manufacturer in the US and Canada[7]. During the financial year 2022, the first LeapFrog branded baby monitor, featuring a baby care app, was launched to a positive market reception. Headsets grew on the back of increased orders from an existing customer. The Snom branded SIP phones gained market share due to a stable supply of products. Sales of hotel phones recovered as they benefited from the lifting of COVID-19 restrictions, while the launch of models with a new industrial design further supported growth. Although the residential phones market returned to its downward trend, VTech maintained its leadership position in the US residential phones market[8].

There was considerable industry recognition for the Group's baby monitor products and their online sales growth during the financial year 2022. The LeapFrog LF925HD Remote Access Smart Video Baby Monitor was a "2022 National Parenting Product Awards Winner". In addition, VTech won the "BrandSpark Most Trusted Awards 2022 (Category of Baby Monitor)" given by BrandSpark International. In recognition of the online sales growth of VTech baby monitors, VTech won the "Top E-commerce US Market Share Gain (Category of Baby Monitors)" award in the "Consumer Electronics Industry Performance Awards" given by the NPD Group, Inc. in January 2022[9].

CMS revenue in North America increased by 26.8% to US$238.0 million, with growth in most product categories. Business activity resumed as social distancing measures eased. There was also a full year sales contribution from the plant in Tecate, Mexico, following the completion of the acquisition in April 2021.

Professional audio equipment benefited from higher sales to a customer that had acquired a new business. The relaxation of social distancing measures lifted sales of professional audio equipment used in concert halls, lecture theatres and churches. Sales of solid-state lighting grew as tenders and project-based activities resumed. Industrial products also benefited from the resumption of business activities, boosting orders for PCBA (printed circuit board assembly) for coin and note recognition machines. Medical and health products saw sales increase as orders for hearing aids grew. Sales of communication products rose on increased orders for VoIP (Voice over Internet Protocol) phones for commercial use, following the successful re-launch of products by a customer.

Europe



Group revenue in Europe declined by 5.6% to US$1,025.1 million in the financial year 2022, as higher sales of ELPs were offset by lower sales of TEL products and CMS. Europe was the Group's second largest market, representing 43.2% of Group revenue.

ELPs revenue in Europe grew by 6.8% to US$375.1 million, with sales picking up in the second half as new products arrived on the shelves and channel inventory improved. Standalone products saw higher sales for the full financial year, while platform products posted a decline mainly owing to materials shortages. Geographically, sales increased in France, Germany, Spain and the Netherlands while the UK recorded a sales decline. In the calendar year 2021, VTech remained the number one infant and toddler toys manufacturer in France, the UK, Germany and the Benelux countries, while regaining the number one position in Spain[10].

In standalone products, both VTech and LeapFrog branded products registered growth. For the VTech brand, sales of infant, toddler and preschool products, the KidiZoom Camera range, Kidi line products, Switch & Go Dinos and electronic learning aids were all higher. Growth in the region was augmented by the successful launch of the new Marble Rush line. These increases offset declines in the Toot-Toot family of products and Toot-Toot Cory Carson® vehicles and playsets. The LeapFrog brand saw growth in infant, toddler and preschool products, augmented by the launch of LeapLand Adventures.

7 The NPD Group/Retail Tracking Service, April 2021 – March 2022 combined vs YA
8 MarketWise Consumer Insights, LLC, April 2021 – March 2022
9 The NPD Group/Checkout, based on online dollar market share, 12 months ending September 2021
10 The NPD Group, Retail Tracking Service

Platform products saw lower sales of both VTech and LeapFrog products. Materials shortages and logistics problems resulted in late availability of certain new products and low channel inventory. These included a new generation of the interactive reading system LeapStart®/MagiBook, KidiCom® Advance 3.0, Magic Adventures Globe, KidiCom MAX and children's educational tablets. These declines offset gains for Touch & Learn Activity Desk. Sales of KidiZoom Smartwatches were stable.

During the financial year 2022, the Group's ELPs gained several important awards in Europe. In France, Marble Rush Ultimate Set™, *Ruby, mon chat paillettes magiques* (Glitter Me Kitten™), KidiStar DJ Mixer™, Funny Sunny and Genio My First Laptop won a total of five awards in different categories in the "Grand Prix du Jouet 2021" awards given by *La Revue du Jouet* magazine, the highest among all manufacturers. In the UK, Count-Along Basket & Scanner™ was a "Gold Winner (Best Toy for Pretend Play)" in the "MadeForMums Toy Awards 2021". KidiZoom Video Studio was named "Best Toy of the Year 2021 (Imitation Toys Category)" by the Spanish Association of Toy Manufacturers. Marble Rush Ultimate Set was also named one of "The Best Toys 2021 (Category of 4-6 Years)" in "The Best Toys in the Netherlands" awards.

Revenue from TEL products in Europe fell by 14.2% to US$93.8 million. Lower sales of residential phones and other telecommunication products offset higher sales of commercial phones.

In Europe, the Group's residential phones are sold mainly on an ODM (Original Design Manufacturing) basis. These products were affected by the shortage of semiconductors, which resulted in the deferral of shipments and a reduction in sales. In a notable development, however, the Group successfully launched its VTech branded DECT phones on a major e-tailer in the UK in March 2022, paving the way for the increasing penetration of its own branded phone products in European markets.

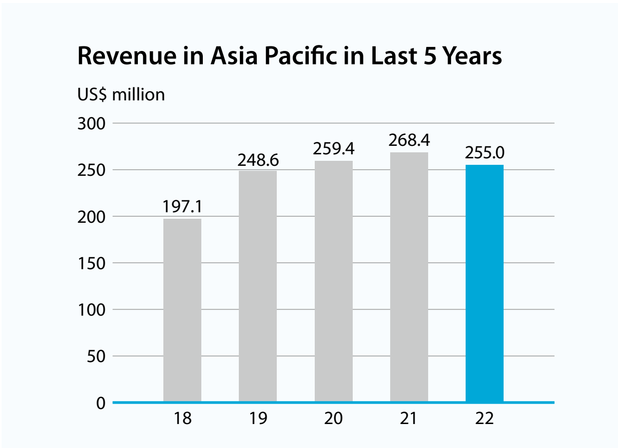
Sales of other telecommunication products decreased as the semiconductor shortages negatively impacted the production of baby monitors, CAT-iq (Cordless Advanced Technology – internet and quality) handsets, CareLine® residential phones and IADs (integrated access devices), all of which saw sales decline.

Despite the reduction in sales, VTech branded baby monitors strengthened their position in the UK, with the successful introduction of a new product line-up, in a further expansion of the Group's market presence in Europe. Commercial phones benefited from the resumption of business activity and leisure travel as COVID-19 restrictions eased across the region, which led to rising sales of Snom branded SIP phones and a recovery in sales of hotel phones.

In the UK, in addition to three top awards from *Loved by Parents* magazine, VTech's RM5754 HD baby monitor was named "Best Baby Monitor – Bronze Winner" in the "Mother & Baby Awards".

CMS revenue in Europe fell by 11.1% to US$556.2 million. Hearables recorded lower sales due to materials shortages and reduced orders for Bluetooth headsets. Sales of professional audio equipment increased, driven by higher orders for audio mixers. IoT (Internet of Things) products grew as smart meter installations resumed in the UK, following the relaxation of social distancing measures in the country. Sales of internet connected thermostats and air-conditioning controls increased as demand recovered. Growth in medical and health products was driven by increased orders of hearing aids, while sales of health and beauty products were stable. Home appliances sales increased slightly, while sales of automotive related products were supported by increasing orders for smart electric vehicle chargers. In contrast, sales of communication products were down, due to lower orders for Wi-Fi routers. During the financial year 2022, the Group added a new customer in the category of smart energy management systems.

Asia Pacific



Group revenue in Asia Pacific decreased by 5.0% to US$255.0 million in the financial year 2022, as lower sales of TEL products and CMS offset higher revenue from ELPs. The Asia Pacific region represented 10.8% of Group revenue.

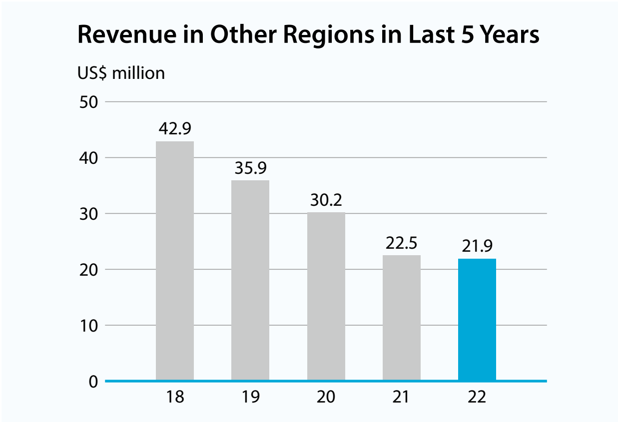
Revenue from ELPs in Asia Pacific increased by 2.3% to US$83.9 million, as growth in Australia and Japan offset lower sales in mainland China. Australia achieved sales growth as lockdowns eased and retail stores reopened in the second half of the financial year, leading to higher sales of VTech products. In the calendar year 2021, VTech maintained its position as the number one manufacturer in the infant and toddler toys category in Australia[11]. Growth in Japan came from rising sales to a major toy retailer and good sell-through of a jointly developed smartwatch, featuring the popular Japanese "Sumikkogurashi" characters. In mainland China, sales in both online and offline channels decreased. This was despite the success of the new range of Switch & Go Dinos based on a popular animation series called Mini Force and the enhanced version of Magic Adventures Globe.

TEL products revenue in Asia Pacific decreased by 12.6% to US$27.7 million, as higher sales in Australia were offset by lower sales in Japan and Hong Kong. In Australia, the growth was led by higher sales of baby monitors, which compensated for a decline in residential phones sales. In this market, the RM7764HD Baby Monitor was named an "Editor's Picks Product" in the "My Child Excellence Awards 2021" from *My Child* magazine. It was also the "Best Baby Monitor 2021 – Bronze Winner" in the "Bounty Baby Awards". In Japan, sales decreased owing to a shortage of semiconductors for an existing customer of residential phones. Sales in Hong Kong trended lower, as orders for IADs declined, although VTech launched a new generation of home gateway that supports Wi-Fi 6 and has a changeable faceplate during the first six months.

CMS revenue in Asia Pacific declined by 7.3% to US$143.4 million. Lower sales of professional audio equipment offset growth in medical and health products and communication products. The professional audio category was affected by lower sales of DJ equipment, as the Group's Malaysian facilities shut down for a total of 45 days during the financial year 2022, following the imposition by the Malaysian government of a Movement Control Order to curb the spread of COVID-19. There were also lower orders for USB streaming microphones for online KOLs (Key Opinion Leaders), resulting from over-inventory at a customer.

In contrast, sales of medical and health products rose. There were more orders for diagnostic ultrasound systems, as hospitals rebalanced budgets away from COVID-19 related equipment purchases, while demand for hearables increased as business activity recovered. Sales of communication products were higher as orders for marine radios improved following the launch of a new generation of products by the customer.

Other Regions



Group revenue in Other Regions, comprising Latin America, the Middle East and Africa, fell by 2.7% to US$21.9 million in the financial year 2022. The decrease came as lower sales of TEL products and CMS offset growth in ELPs. Other Regions accounted for 0.9% of Group revenue.

ELPs revenue in Other Regions increased by 29.8% to US$10.9 million. Higher sales in Latin America offset declines in the Middle East and Africa.

TEL products revenue in Other Regions fell by 21.0% to US$10.9 million. The decline was attributable to sales decreases in Latin America and the Middle East, which offset growth in Africa.

CMS revenue in Other Regions was US$0.1 million, as compared to US$0.3 million in the previous financial year.

[11] The NPD Group, Retail Tracking Service

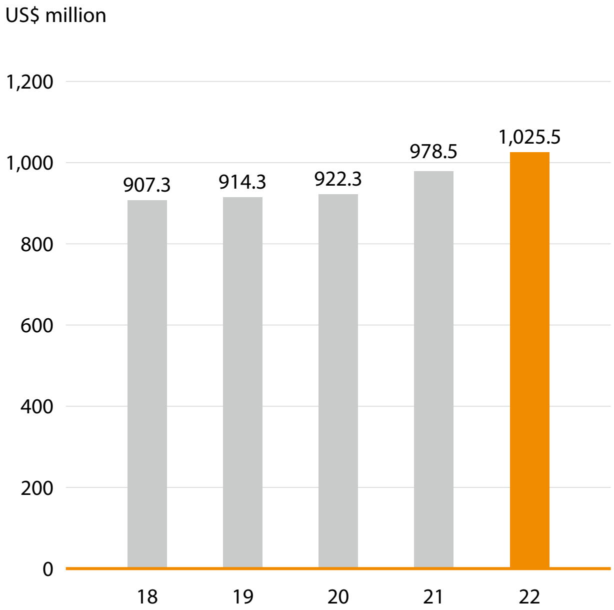
Products and Services Overview

Electronic Learning Products

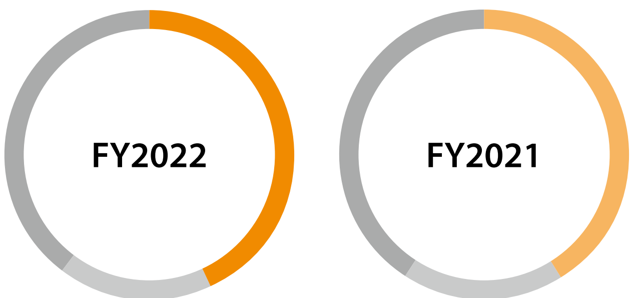
Electronic Learning Products

Brands

Revenue in Last 5 Years



As % of Group Revenue



43.3%

41.3%

Revenue by Region (US$)

North America

555.6 million

▲ 3.5% (year-on-year)

Europe

375.1 million

▲ 6.8% (year-on-year)

Asia Pacific

83.9 million

▲ 2.3% (year-on-year)

Other Regions

10.9 million

▲ 29.8% (year-on-year)

No. 1

supplier of electronic learning toys from infancy through toddler and preschool globally

58.6

million products shipped in FY2022

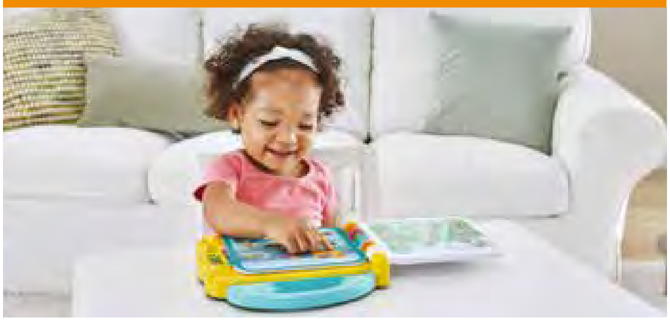
85

countries selling the Group's ELPs in 28 languages

Hardware

Standalone Products

Age-appropriate and developmental stage-based toys



Platform Products

Various devices for children at different learning levels and age groups, including smartwatches, interactive reading systems, learning globe, educational tablets, activity desks and handheld communication devices

Content

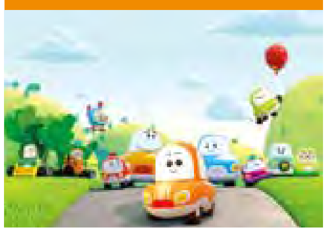
Engaging content on multiple platforms, including app stores providing educational and fun apps and games, the subscription-based interactive learning platform LeapFrog Academy and the award-winning Go! Go! Cory Carson animated series

LeapFrog Academy

LeapFrog App Centre

VTech Learning Lodge

Go! Go! Cory Carson Children's Animated Series



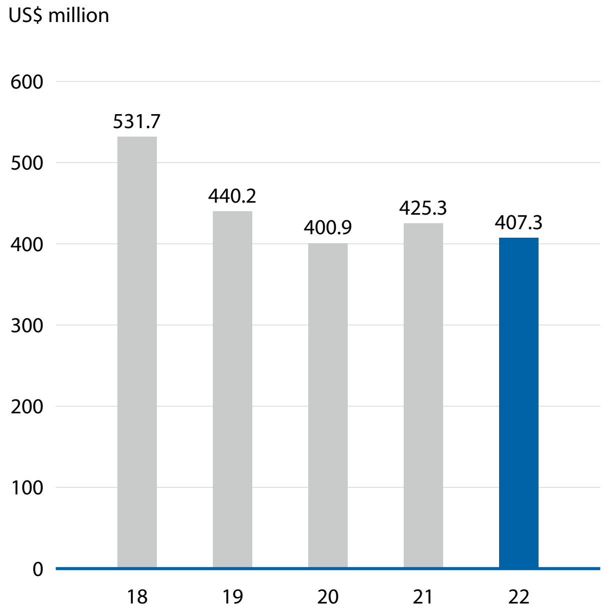

snom
10:25
Incoming call
New call
History
Directory
Settings
Incoming Call
Steve Fuller
1601
Work
Office 1001
Answer
Forward
Reject
Steve Fuller
Office 1002
Shared line 1
Shared line 2
EU office
Sales
Secretary

Telecommunication Products

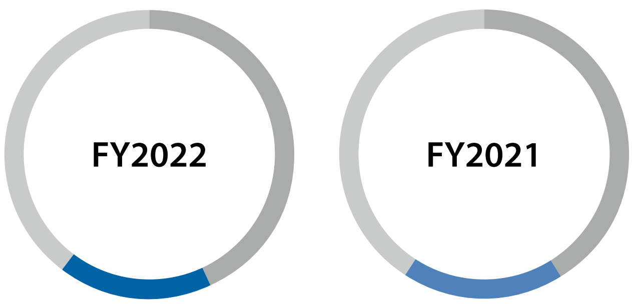
Telecommunication Products

Brands vtech snom AT&T (Licensed Brand)

Revenue in Last 5 Years



As % of Group Revenue



17.2% 17.9%

Revenue by Region (US$)

North America

274.9 million

▲ 1.6% (year-on-year)

Europe

93.8 million

▼ 14.2% (year-on-year)

Asia Pacific

27.7 million

▼ 12.6% (year-on-year)

Other Regions

10.9 million

▼ 21.0% (year-on-year)

No. 1

residential phones manufacturer in the US

No. 1

baby monitor brand in the US and Canada

13.6

million handsets shipped in FY2022

70

countries selling the Group's TEL products

Residential Phones

A perfect blend of design and functionality

Commercial Phones

Products specially designed for businesses, from small-to-medium sized operations to enterprise-level corporations, which are easy to install and set up

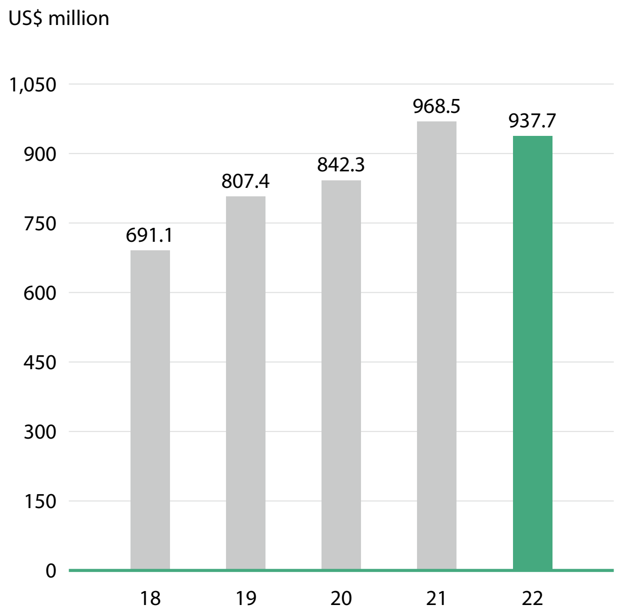
Other Telecommunication Products

A wide range of products which cater to various needs of home users, making life more comfortable

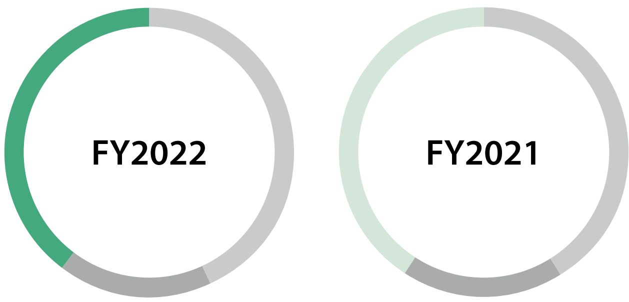
Contract Manufacturing Services

Contract Manufacturing Services

Revenue in Last 5 Years



As % of Group Revenue



39.5%

40.8%

Revenue by Region (US$)

North America

238.0 million

▲ 26.8% (year-on-year)

Europe

556.2 million

▼ 11.1% (year-on-year)

Asia Pacific

143.4 million

▼ 7.3% (year-on-year)

Other Regions

0.1 million

▼ 66.7% (year-on-year)

28th

among the world's top 50 EMS providers

No. 1

EMS provider in Hong Kong

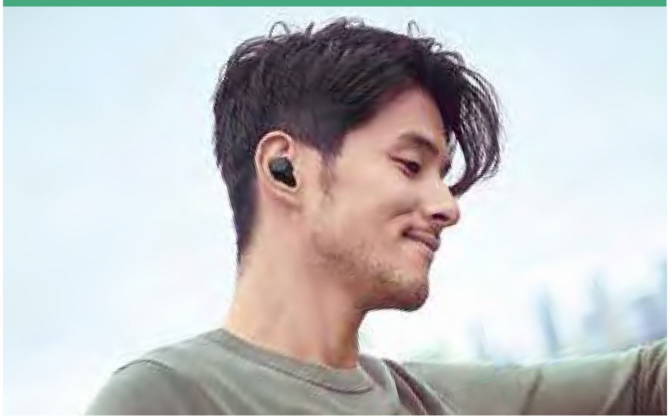
4

best supplier awards received from customers

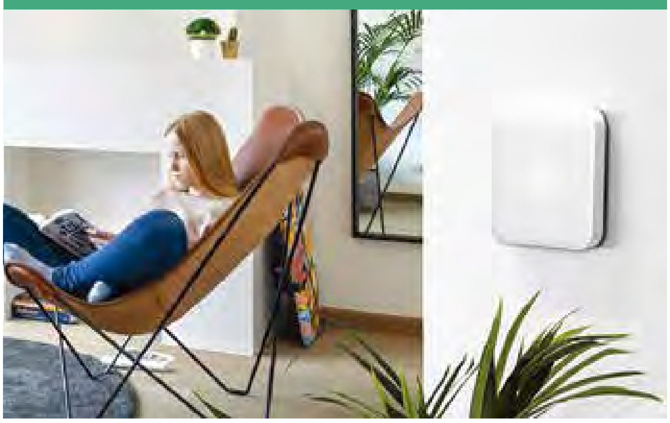
The Group focuses on professional, industrial and commercial products. Below are some of the key product categories for CMS:

Professional Audio Equipment

Hearables



IoT Products



Medical & Health Products

Corporate

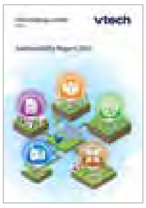
Sustainability Awards and Recognition

VTech Holdings Limited has remained a constituent member of both the Hang Seng Corporate Sustainability Benchmark Index at a rating of AA and of the FTSE4Good Global Index for seven consecutive years. VTech also received a rating of A in the MSCI (Morgan Stanley Capital International) ESG Ratings assessment[12].

Hang Seng Corporate Sustainability Index Series Member 2021-2022

FTSE4Good

MSCI



The VTech Sustainability Report 2021 won the "Best ESG Reporting Award" and "Best New Entry" at the Best Annual Report Awards organised by the Hong Kong Management Association. It also received the "Manufacturing and Industrial Services – Gold Award" from the Environmental Campaign Committee, as well as the "ESG Leading Enterprises Award", "Leading Environmental Initiative Award" and "Crisis Management Award" from Bloomberg Businessweek/Chinese Edition.

In recognition of the continuous contributions to the communities, VTech received the "Outstanding Caring Award (Enterprise Group)" in the Industry Cares Recognition Scheme organised by the Federation of Hong Kong Industries. It has also been designated a "Caring Company" by the Hong Kong Council of Social Service for 14 consecutive years.

INDUSTRY CARES

10 years+ caringcompany

Award-winning Annual Report

The VTech Annual Report 2021 received two "Silver Awards" in the categories of Traditional Annual Report: Manufacturing & Distributing and Interior Design: Manufacturing & Distributing respectively in the 2021 International ARC Awards.

Community Involvement

VTech has collaborated with Save the Children, an international charitable organisation supporting marginalised and vulnerable children, to organise various events across multiple countries for two consecutive years.

VTech has continued to grant scholarships to 14 students from five universities in Hong Kong. It has partnered with the School of Energy and Environment of City University of Hong Kong to organise the "VTech Innovation & Sustainability Award". VTech has also engaged with students and alumni of The Hong Kong University of Science and Technology MBA for a virtual enrichment talk on "ESG: Way Forward", sharing its sustainability journey and insights on ESG's future development in the industry. Through these activities, VTech strives to nurture the next generation of sustainability leaders.

To stay healthy and fit while maintaining social distancing during the COVID-19 pandemic, VTech employees participated in the Sowers Action Challenging 12 Hours Charity Marathon 2021 V-Run, in which VTech was named "Bronze Sponsor". It also sponsored its employees to join the Standard Chartered Hong Kong Marathon 2021 and the "Oxfam Trailwalker – Virtually Together".

The Group continued to organise the "Global Green Day" at its Hong Kong headquarters and various overseas offices to promote a healthy and green lifestyle within VTech and the community. These activities included green plant workshops, beach cleaning, and "green habits" challenges such as meatless Monday and cycling to work.

[12] The use by VTech Holdings Limited of any MSCI ESG Research LLC data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of VTech by MSCI or any of its affiliates. MSCI services and data are the property of MSCI or its information providers. MSCI and MSCI ESG Research names and logos are trademarks or service marks of MSCI or its affiliates

Electronic Learning Products

Grand Prix du Jouet Awards

VTech ELPs won five "Grand Prix du Jouet 2021" awards presented by *La Revue du Jouet* magazine in France, the highest among all manufacturers. The award-winning products were Marble Rush Ultimate Set, KidiStar DJ Mixer, Genio My First Laptop, Funny Sunny and *Ruby, mon chat paillettes magiques* (Glitter Me Kitten).

Launch of Eco-friendly Toys

A new range of eco-friendly toys was launched for both the VTech and LeapFrog brands. These include toys made from plant-based and reclaimed plastic, as well as wooden toys made with 100% FSC-certified wood.

STEAM Toy Accreditation

MARBLE RUSH™

All four introductory products in the VTech Marble Rush line, which consists of the Ultimate Set, Launchpad Set™, Spiral Starter Set™ and Discovery Starter Set™ received the Toy Association's STEAM Toy Accreditation Seal of Approval in the US.

Other Awards

In the financial year 2022, the Group's ELPs received 110 accolades from respected toy and parenting industry experts, toy councils and retailers around the world.

Telecommunication Products

No. 1 Residential Phones Manufacturer

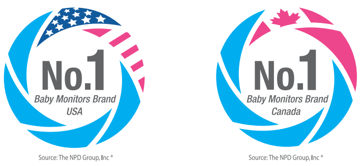
VTech has been the largest manufacturer of residential phones in the US for 16 consecutive years.

Launch of Snom D8 Series

The D8 series of advanced Snom SIP desksets was unveiled in the second half of financial year 2022. All devices in the series offer HD audio quality, with large, IPS (In-Plane Switching) displays and slim, high-quality casing made of anti-bacterial coated plastic.

No. 1 Baby Monitor Brand

VTech baby monitors strengthened their position as the number one brand in the US and Canada[13].



Award-winning Baby Monitors

The VTech and LeapFrog lines of baby monitors scooped multiple awards around the world. In the US, the VTech brand picked up the "2022 BrandSpark Most Trusted Awards" in the Baby Monitors category and LeapFrog's LF925HD was a winner in the "2022 National Parenting Product Awards". In the UK, the VM5463 baby monitor won three "2021 Loved By Parents" awards: "Best Baby Monitor – Gold Winner", "Best Video Monitor – Platinum Winner" and "Best Innovative Baby Monitor – Platinum Winner". In France, The VTech brand was honoured as "Best Baby Monitor Brand 2021-2022" by *Capital* magazine, while in Australia, the RM7764HD baby monitor picked up two leading awards.

[13] The NPD Group/Retail Tracking Service, April 2021 – March 2022 combined vs YA

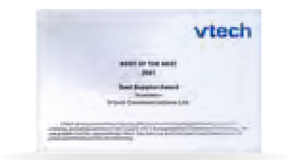
Contract Manufacturing Services

A Global Top 50 EMS Provider

VTech Communications Limited was ranked 28th among the world's "Top 50 EMS Providers", and first in Hong Kong, in *Manufacturing Market Insider*[14] magazine.

Service Excellence

VTech Communications Limited received four awards from customers in recognition of its outstanding service in the financial year 2022. These included "Supplier of the Year 2021", "Best Supplier" and "Annual Best Service Partner" awards from customers in the field of professional audio equipment, as well as a "Best Supplier Award" from a customer in the field of IoT products.

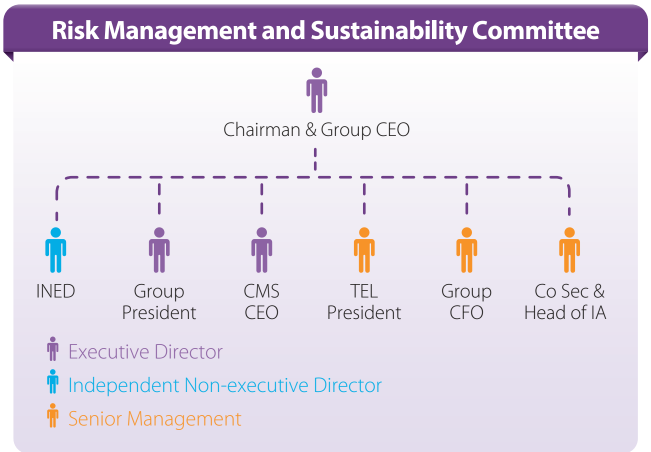


Manufacturing Footprint Expansion

VTech expanded its manufacturing footprint outside Asia with the acquisition of the manufacturing facilities in Tecate, Mexico. It allows the Group to serve the needs of its customers better.

[14] Manufacturing Market Insider, March 2022 Edition

"VTech's sustainability vision is to create sustainable value to improve the lives of people and protect the planet for future generations."



The global container capacity constraints and the severe shortage of semiconductors have disrupted the production capability and the supply chain of all companies in the electronic manufacturing industry.

As a global leader in ELPs and residential telephony, as well as a world leading contract manufacturing services provider, with 46 years of excellence in technological innovation, VTech has implemented various measures through its sustainable supply chain practice to mitigate the impacts on its businesses. For examples, VTech's engineers have explored and developed alternative solutions to broaden the sources of procurement and replace the semiconductors under shortage. It has also collaborated with the critical suppliers to arrange advance purchases to stabilise the supply of electronic components. As for securing the containers availability, VTech has engaged with various shipping carriers to enlarge the number of container supplies especially during the peak season. All of these measures have also alleviated the negative impacts from the drastic increases in freight charges and material prices in the financial year 2022.

Despite the ongoing challenges of the global supply chain disruption and COVID-19 pandemic, with the sustainability strategic direction provided by the Group's Risk Management and Sustainability Committee, together with a strong sustainability management structure and dedicated commitments of its management teams, VTech has been able to stay on track in achieving its sustainability performance targets for the financial year 2022 as set out under the Group's 5-year Sustainability Plan 2025. It has also continued to initiate and implement a wide range of sustainability projects, which are related to the environmental, social and governance practices, and aligned with the Sustainability Development Goals (SDGs) adopted by the United Nations General Assembly in 2015.

Board's Leadership on Sustainability

The Risk Management and Sustainability Committee (the RMSC) is chaired by Dr. Allan WONG Chi Yun – Chairman and Group Chief Executive Officer (Chairman & Group CEO) with Dr. PANG King Fai – Group President, Mr. Andy LEUNG Hon Kwong – Chief Executive Officer of CMS (CMS CEO), Mr. WONG Kai Man – independent Non-executive Director (INED), Mr. Hillson CHEUNG Hoi – President of TEL (TEL President), Ms. Shereen TONG Ka Hung – Group Chief Financial Officer (Group CFO) and Mr. CHANG Yu Wai – Company Secretary and Head of Internal Audit (Co Sec & Head of IA), as members – a combination of Executive Directors, an INED and senior management.

RSMC is delegated with the authority from the Board to provide vision and strategic direction for the Group's sustainability activities to ensure that they stay on track and in balance with the three sustainability dimensions of economic, environmental and social impacts at all times.

The RMSC is also responsible for reviewing the Group's sustainability strategies and activities, assessing how the policies are implemented in achieving the sustainability goals and targets as well as monitoring the performance progress on a biannual basis. VTech also has an escalation process in place to ensure that any identified issues are dealt with at the appropriate level of the Company. To ensure that the Group's sustainability strategies are carried out effectively and consistently throughout the organisation, the RMSC has also formed the Sustainability Sub-Committees comprising key employees from the Company's different product lines and relevant departments.

In order to support the 17 SDGs developed by the United Nations, VTech has evaluated the relationship between the SDGs and the Company's business and sustainability framework and identified 5 primary goals under which VTech has the greatest impact on and is best positioned to contribute through the development of its sustainability activities. Five sustainability pillars – Governance and Business Ethics, Product Responsibilities and Value Chain Management, Environment, Our People and Society that are aligned with the SDGs have been established accordingly.

Risk Management and Sustainability Committee
Sustainability Sub-Committee

Sustainability Plan 2025 — Five Pillars

Governance and Business Ethics

- Promote a culture of integrity, accountability and innovation throughout the Company
- Ensure our corporate governance structure meets the applicable laws and regulations, industry best practice and global trends
- Review and monitor the internal control systems and risk management processes to ensure the overall effectiveness with continuous improvement
- Uphold the highest ethical standards of business integrity and foster a culture of compliance

Product Responsibilities and Value Chain Management

- Culture of Innovation – Support and encourage creative thinking and sharing of new ideas
- Product Innovation – Design products for the well-being of people and for the benefits of society
- Product Quality – Design products to ensure that they are of good quality and compliant with the highest safety standards
- Eco-friendly Product – Incorporate sustainability concepts into our product design and increase the use of sustainable materials for our products and packaging
- Sustainable Supply Chain – Manage our supply chain in a socially and environmentally responsible manner and source from approved suppliers who meet our VTech's Corporate Social Responsibility requirements

Environment

- Circular Economy and Environmental Management – Analyse, monitor and minimise the associated environmental impacts following our Environmental Management System
- Climate Change Strategy – Review our approach on climate change and develop sustainability initiatives to identify and address the associated physical and transitional risks and opportunities
- Culture of Innovation – Strengthen our operational excellence with innovative solutions in the following aspects:
  - Green Manufacturing Practice – Minimise the environmental impacts from our operations
  - High Performance Production Chain – Maximise our resource efficiency and improve productivity
  - Sustainable Logistic Practice – Improve operational efficiency and reduce carbon emission throughout the transportation process

Our People

- Promote a culture of integrity in our working environment
- Enhance our good staff relations through various communication channels and staff activities
- Foster a continuous learning environment and encourage employees to develop and advance their careers in VTech
- Respect the labour and human rights of all our employees with clearly defined human resources management policies, and promote an inclusive culture throughout the company
- Provide a safe, inclusive and motivating workplace for our employees and foster a caring community in our workplaces

Society

- Promote a culture of accountability for the communities in which we operate, focusing on:
  - Supporting people in need
  - Collaborating with local charities
  - Providing training opportunities for young people
  - Nourishing an innovative environment
  - Developing a healthy and green community

Sustainability Plan 2025

In order to ensure that the Group's continuous improvement programmes and approaches on sustainability could be carried out effectively and consistently throughout the Company and in a sustainable manner, VTech has established its second 5-year Sustainability Plan 2025 with annual measurable objectives and targets for the financial years 2021 to 2025. VTech's sustainability commitments include using sustainable materials in its products and packaging and recycling them in a responsible way, using eco-friendly transportation modes in its supply chain management, increasing the use of renewable energy and reducing the consumption of natural resources in its production process.

VTech has established a strong foundation for its sustainable growth. With the Company's determination and commitment towards sustainability, VTech will continue to implement comprehensive programmes to achieve its sustainability targets for its 5-year Sustainability Plan 2025. VTech also strives to integrate economic growth, environmental protection and social responsibility in its strategic business plan, aiming to drive sustainable value for its customers, employees, shareholders, investors, suppliers and the communities.

Stakeholder Engagement

Stakeholder engagement is the process through which VTech stays connected with its customers, employees, shareholders, investors, suppliers and the wider communities in which it operates. VTech believes that the approach of stakeholder engagement is integral to the development of its sustainability strategy, and is also a pre-requisite for its long-term sustainable growth.

During the engagement process, VTech's Sustainability Sub-Committees identify the broad topics that the stakeholder groups are concerned with, and use a materiality matrix to assess the material topics identified by its stakeholders. A topic is classified as material when it substantially affects the Group's long-term commercial or operational viability, with material impacts on economic, environmental or social topics. This matrix combines VTech's approach to identifying and assessing the material concerns of its stakeholders, and its own materiality scoring methodology by following the principles outlined in the Global Reporting Initiative (GRI) Standards.

Full details of the VTech Sustainability Report 2022 are available on www.vtech.com/en/sustainability/.

Sustainability Report and Disclosure

VTech has annually published its Sustainability Report since the financial year 2014. The purpose of the report is not only to communicate its sustainability strategies, management approaches and performances with its stakeholders, but also comprehensively introduce its ongoing activities for the sustainable development towards the societies and environment in which it operates.

VTech has followed the GRI Standards: Core option and its principles of balance, comparability, accuracy, timeliness, clarity and reliability for the Group's sustainability report preparation. VTech has also made reference to the Stock Exchange of Hong Kong Limited (the Stock Exchange) Environmental, Social and Governance (ESG) Reporting Guide (ESG Guide) to define the report content and satisfy its "comply or explain" provisions.

Furthermore, VTech has disclosed climate-related initiatives and measures by using the framework of Task Force on Climate-related Financial Disclosures (TCFD). A number of potential physical and transition risks and opportunities related to the climate change, which have impacts on the Company in short, medium and long term, have been identified with development of sustainability initiatives to address in the 5-year Sustainability Plan.

Awards and Recognitions

VTech's dedicated sustainability efforts have received local and international recognitions. VTech has continued to be a constituent member of the Hang Seng Corporate Sustainability Benchmark Index with score at AA rating, and has also been included in the FTSE4Good Global Index for seven consecutive years. VTech also achieved a rating of A in the Morgan Stanley Capital International (MSCI) ESG Rating. In addition, VTech Sustainability Report 2021 won the "Best ESG Reporting Award" and "Best New Entry" at the Best Annual Report Awards organised by the Hong Kong Management Association. It also received the "Manufacturing and Industrial Services – Gold Award" from Environmental Campaign Committee, the "ESG Leading Enterprises Award", "Leading Environmental Initiative Award" and "Crisis Management Award" from Bloomberg Businessweek/Chinese Edition. In recognition of its continuous contributions to the Hong Kong community, VTech received the "Outstanding Caring Awards (Enterprise Group)" by Federation of Hong Kong Industries, and has been designated as a "Caring Company" by the Hong Kong Council of Social Service for 14 consecutive years.

Corporate Governance Report

The Board of Directors (the "Board") and the management of VTech Holdings Limited ("VTech" or the "Company") are committed to good corporate governance and the application of the principles including transparency, accountability and independence to achieve sustainable performance of the Company and enhance its value for the shareholders.

VTech and its subsidiaries (the "Group") also recognise that a comprehensive corporate governance management structure is crucial in helping the Company to implement its strategies and policies effectively and consistently throughout the Group, and safeguard the long-term interests of its shareholders. The Group has also continuously reviewed its policies and procedures to ensure that it meets the requirements of the applicable laws and regulations, industry best practices, global trends, and market expectations.

Corporate Governance Practices

VTech Holdings Limited is incorporated in Bermuda and has its shares listed on the Stock Exchange. The corporate governance rules applicable to the Company are the Corporate Governance Code and Corporate Governance Report effective for the year ended 31 March 2022 (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). Throughout the year ended 31 March 2022 ("FY2022"), the Company has complied with all the code provisions of the Code and to a large extent the recommended best practices in the Code, except for the deviation from code provision A.2.1 of the Code as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Allan WONG Chi Yun has the combined role of Chairman and Group Chief Executive Officer. As half of the Board members are Independent Non-executive Directors, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. Furthermore, as Dr. Allan WONG Chi Yun is the founder of the Group and has substantial professional experience in the industry, the Board believes that the appointment of Dr. Allan WONG Chi Yun to the combined role of Chairman and Group Chief Executive Officer is beneficial to the sustainable development of the Group, and for the long-term interests of the shareholders.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules regarding securities transactions for both its Directors and senior management. After having made specific enquiries, all Directors and senior management confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 31 March 2022.

VTech is also committed to following the Environmental, Social and Governance ("ESG") Reporting Guide as set out in Appendix 27 of the Listing Rules. VTech Sustainability Report is published annually and made available for public on www.vtech.com/en/sustainability. A summary of the 2022 Sustainability Report is provided on pages 34 to 36 of this Annual Report.

Corporate Governance Practices (Continued)

In December 2021, the Stock Exchange published the conclusions to its consultation on Review of Corporate Governance Code, Appendix 14 of the Listing Rules and the associated Listing Rules. Most of the amendments are applicable for financial year commencing on or after 1 January 2022. Most of the new requirements under the amended Corporate Governance Code have been adopted by VTech as its corporate governance practices for a number of years. These are highlighted in the following table:

New Requirements	VTech's Practices
Align the company's culture with its purpose, values and strategy (New Code Provision A.1.1)	A healthy corporate culture across the Group is vital for VTech to achieve its vision and mission towards sustainable growth. At VTech, it is the Board's role to foster a corporate culture with three core principles to guide the behaviours of its employees, and ensure that the Company's vision, values and business strategies are aligned to it. For details, please refer to "VTech's Culture and Values" section of this Corporate Governance Report.
Establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations (New Code Provision D.2.7)	VTech's Anti-corruption Policy was introduced in 1998. It is reviewed on a regular basis with updates last made in May 2022. The policy covers activities such as corruption, code of conduct, guidance on gifts, entertainment and gratuities, Group's expectations and requirements of business ethics, as well as investigation and reporting mechanism of suspected corruption practices. Any convicted cases will be reported to the Executive Board and the Audit Committee. For details, please refer to "Commitment to Good Corporate Governance – (3) Accountability – Anti-corruption Policy" section of this Corporate Governance Report.
Establish whistleblowing policy and system (New Code Provision D.2.6)	VTech's Whistleblowing Policy was introduced in 2006. It is reviewed on a regular basis by the Audit Committee with updates last made in May 2022. Any convicted cases will be reported to the Executive Board and the Audit Committee. For details, please refer to "Commitment to Good Corporate Governance – (3) Accountability – Whistleblowing Policy" section of this Corporate Governance Report.
Disclosure of the mechanism(s) to ensure independent views and input are available to the board, and annual review of the implementation and effectiveness of such mechanism(s) (New Code Provision B.1.4)	The Board is committed to assessing the independence of Independent Non-executive Directors annually and ensuring that independent views and input are made available to the Board. For details, please refer to "Commitment to Good Corporate Governance – (2) Effective – Independence of Independent Non-executive Directors" section of this Corporate Governance Report.
Equity-based remuneration (e.g. share options or grants) with performance related elements should not be granted to independent non-executive directors (New Recommended Best Practice E.1.9)	We have a long-established practice of a benchmarked approach in determining our Non-executive Directors' fees, which does not involve equity-based remuneration with performance-related elements. The level of fees payable to Non-executive Directors (including Independent Non-executive Directors) is also subject to shareholders' approval. For details, please refer to "Remuneration Committee Report" section of this Corporate Governance Report.
Annually review the board diversity policy (New Code Provision B.1.3)	VTech's Board Diversity Policy was introduced in 2013. The policy is subject to annual review by the Nomination Committee.
Nomination Committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors (Listing Rule 3.27A)	VTech's Nomination Committee, which comprises a majority of Independent Non-executive Directors, has been chaired by an Independent Non-executive Director since 2006. For details, please refer to "Nomination Committee Report" section of this Corporate Governance Report.
Communications with shareholders and the relevant annual review (Paragraph L of the Mandatory Disclosure Requirement under the amended Corporate Governance Code)	The Shareholders Communication Policy was introduced in 2016. It will be reviewed on an annual basis with updates last made in May 2022. It sets out the procedures for VTech to provide shareholders and the investment community with equal and timely access to the information about the Group, and emphasizes its commitment to an effective communication with shareholders through various platforms and channels specified in the policy. For details, please refer to "Commitment to Good Corporate Governance – (4) Shareholders Engagement – Shareholders Communication Policy" section of this Corporate Governance Report.
Elaborate the linkage between corporate governance and ESG (Introductory paragraph in the amended Corporate Governance Code, New Principle D.2, Code Provisions D.2.2 and D.2.3)	The linkage is shown in "Commitment to Good Corporate Governance – (1) Leadership" and "Risk Management and Sustainability Committee Report – Sustainability Performance" sections of this Corporate Governance Report, "Sustainability" section of this Annual Report as well as "Sustainability Foundation" and "Sustainability Pillars – Governance and Business Ethics" sections of 2022 Sustainability Report.
Publish ESG reports at the same time as publication of annual reports (Listing Rule 13.91(5)(d) and paragraph 4(2)(d) of the ESG Reporting Guide)	Our Sustainability Report has been published at the same time as our Annual Report for each year since the year ended 31 March 2014.

VTech Code: Compliance and More

During FY2022, VTech has continued to make enhancements on its corporate governance practices exceeding the compliance requirements in the following areas:

Our Board

- The number of Independent Non-executive Directors in the Board, the Audit Committee and the Remuneration Committee, respectively, are more than the respective minimum requirements set under the Listing Rules.

- VTech's Risk Management Committee was established in 2002, and was renamed to Risk Management and Sustainability Committee on 15 May 2013. In addition to the monitoring and reviewing of the Group's risk management and internal control systems, its roles and responsibilities were expanded to include the reviewing and assessment of the Group's sustainability strategies, performance and activities on a regular basis.

- VTech conducts regular evaluation on the performance of the Board and its Committees. A summary of the evaluation results is circulated to the Board for review and discussion, and presented to the respective Board Committees for follow-up.

- A matrix of Board skills and experience setting out the Directors' attributes and competencies has been included in VTech's annual report since the financial year ended 31 March 2019.

Our Disclosures

- VTech announces its interim financial results within 1.5 months after the end of the 6-month financial period, and its annual financial results within 2 months after the end of the financial year. It also publishes its Interim Report within 2 months after the end of the 6-month financial period, and publishes its Annual Report and Sustainability Report on its website and sends its Annual Report to the shareholders within 3 months after the end of the financial year. The announcement and publication periods are shorter than the minimum requirements stipulated in the Listing Rules.

- VTech has published its annual Sustainability Report in accordance with the core option of GRI's guidelines since the financial year ended 31 March 2014. It has also followed the ESG Reporting Guide as set out in Appendix 27 of the Listing Rules since the financial year ended 31 March 2015, and started disclosing its climate related initiatives using the TCFD framework since the financial year ended 31 March 2020.

- For the AGM, VTech gave more than 20 clear business days' notice to all shareholders before the AGM.

- VTech's Continuous Disclosure Policy has been established since 2013 and published on its website. The policy guides the Group in monitoring and disclosing potential inside information.

- VTech's Shareholders Communications Policy has been established since 2016 and published on its website. The policy sets out the procedures to provide shareholders and the investment community with information about the Group.

VTech Code: Compliance and More (Continued)

Our Best Practices in Corporate Governance

- In addition to the Directors, VTech has adopted the Model Code regarding securities transactions for its senior management, which exceeds the minimum requirements under Listing Rules. This includes the implementation of clearance and approval procedures, as well as the prohibition periods for dealing in VTech securities. Senior management is required to declare that they have complied with the Model Code throughout the relevant financial year on biannual basis.

- VTech's Whistleblowing Policy has been established since 2006 and published on its website. The policy provides whistleblowing channel for employees to raise matters of serious concern in confidence without the fear of recrimination. The nature and status of complaints are reported to the Chairman of the Audit Committee on a quarterly basis. The results of the review of the complaints are also reported to the Audit Committee on a biannual basis.

- Arrangements have been made since 2010 to ascertain shareholders' preferences as to the means of receiving corporate communications, with the aim of enhancing the use of the Group's corporate website as an environmentally friendly platform for shareholder communications.

- At each of the AGMs held by the Company since 2017, VTech has sought the shareholders' approval for a general mandate (the "Issue Mandate") to be granted to Directors to issue new shares of the Company up to 10% of the issued share capital of the Company, which was lower than the maximum limit of 20% as prescribed under the Listing Rules; and, if applicable, with a discount of not more than 10% to the "benchmarked price" (with reference to the Listing Rules), which was also lower than the maximum limit of 20% discount for relevant transactions as prescribed under the Listing Rules.

- Starting from the AGM held by the Company since 2018, VTech has no longer proposed to extend the relevant Issue Mandate granted to Directors to allot, issue and deal with the additionally issued new shares (with a maximum of 10% of the issued share capital of the Company) to be repurchased by the Company.

Corporate Governance Framework

VTech operates within a clear and effective corporate governance structure. A strong corporate governance framework not only supports the Board and Board Committees to realise the business strategies for the long-term success of the Company, but also facilitates effective and efficient decision-making by the Board and Board Committees. In addition, the framework ensures that both Directors and employees would act within a robust chain of delegated authorities and powers, which could safeguard the compliance with the applicable laws and regulations.

VTech's Culture and Values

VTech's vision is to create sustainable value to improve the lives of people and protect the planet for future generations. This vision guides the Group to pursue its mission to integrate economic growth, environmental protection and social responsibility in its business strategies to design, manufacture and supply innovative and high quality products for the wellbeing of people and benefits of society, aiming to drive sustainable value for its stakeholders and the communities.

A healthy corporate culture across the Group is vital for the Company to achieve its vision and mission towards sustainable growth. At VTech, it is the Board's role to foster a corporate culture with three core principles (as set out below) to guide the behaviours of its employees, and ensure that the Company's vision, values and business strategies are aligned to it.

(1) Culture of Integrity

Integrity underpins the behaviours of VTech's employees in working with each other and conducting business activities with business partners. VTech has human resources management policies in place to promote a caring environment with mutual respect and inclusive atmosphere in the workplace. As for business ethics, the Group's Code of Conduct and Anti-Corruption Policy have defined the behavioural guidelines for its employees. All of these policies are supported by mandatory and regular training courses to instill and reinforce the Group's values of acting lawfully, ethically and responsibly.

For details, please refer to "Sustainability Pillars – Our People" and "Governance and Business Ethnics" sections of 2022 Sustainability Report.

VTech's Culture and Values (Continued)

(2) Culture of Accountability

VTech's culture of accountability starts from the strong leadership of the Board, with delegation of authorities to its Board Committees, Executive Board, Executive Committees comprising senior management of the respective product lines, to each individual employee throughout the Group. With clear objectives and goals in the annual budgets, 3-year business plan and 5-year sustainability plan approved by the Board, augmented by open communication and a transparent performance evaluation system for each individual staff, VTech's employees are committed to and accountable for achieving the targets for the long-term success of the Company.

For details, please refer to "Leadership" section of this Corporate Governance Report.

(3) Culture of Innovation

In an ever-changing business environment, a culture of innovation, which supports and encourages creative thinking and sharing of new ideas in the workplace, is crucial for the Group to continuously design and develop innovative and high quality products for the wellbeing of people and benefits of society. It also facilitates VTech to strengthen its operational excellence in the factory operations with innovative solutions to continuously improve its productivity, and incorporate sustainability aspects in the business operations, which include various green manufacturing and sustainable supply chain initiatives, to combat climate change and drive sustainable growth of the Company.

For details, please refer to "Sustainability Pillars – Product Responsibilities Value Chain Management" and "Environment" sections of 2022 Sustainability Report.

Board's Focus and Activities

The Board is responsible for ensuring the effectiveness of the Group's corporate governance framework throughout the Company. It also recognises that effective oversight and leadership over the businesses and affairs of the Company focusing on the following areas are critical to the sustainable development of the Company:

- Formulation of business strategies and policies;
- Risk management and internal control;
- Leadership and people;
- Performance monitoring; and
- Stakeholders engagement.

During FY2022, the Board examined and discussed the following items in respect of the five focused areas:

Formulation of Business Strategies and Policies

The Board undertook an in-depth and comprehensive review of the Group's strategies. It covered the Group's position in the Company's major markets and product lines, leading drivers of change in the industry and markets, and development of product innovation and marketing strategies to seize business opportunities. As part of the 3-year business plan and budget review process, the Board considered and approved the Group's 3-year business plan and budget for the financial year ending 31 March 2023.

Board's Focus and Activities (Continued)

Risk Management and Internal Control

With the COVID-19 situation and increasing importance of ESG, the Board examined the risks (including ESG risks) faced by each of the Group's product lines and business operations. The Board reviewed the reports from the Audit Committee and the Risk Management and Sustainability Committee on the oversight of the Group's risk management and internal control systems. As cybersecurity is one of the Group's top priority risks, the Board also continuously monitored the cybersecurity-related risks and the progress of initiatives and measures undertaken and reported by the Data Security Governance Board.

Leadership and People

Human resources management including leadership succession plan is crucial to the Company's long-term success. The Board continuously reviews the Group's human resources management progress to attract, develop, retain and motivate key talents across the whole organisation. It also encourages management to train the future generation with the ability to navigate through the challenging environment and engage with important stakeholders of the Group.

Performance Monitoring

The Board approved the Group's Annual Report for the year ended 31 March 2022 and the Group's Interim Report for the six months ended 30 September 2021. In approving the Annual Report and Interim Report, the Board also approved the financial statements and ensured that the statements gave a true and fair view of the financial position of the Group.

Stakeholders Engagement

Stakeholder engagement is the process through which we stay connected with our customers, employees, shareholders, investors, suppliers, business partners and the wider communities in which we operate. In order to strengthen the Company's market leadership in the businesses demanding technological advancement, the Board members and management exchanged opinions and agreed on the strategic direction to engage younger generation in product innovation and development. The Company also actively engages with its shareholders and investors through physical and virtual meetings as well as investment conferences to provide timely information of the Group's business performance and development.

Commitment to Good Corporate Governance

(1) Leadership

Board of Directors

The Board is responsible for the stewardship of the Group, overseeing its conduct and affairs to create sustainable value for the benefits of its shareholders, and for the long-term success of the Company.

Except for the matters reserved for the Board decisions, which affect the Company's overall strategic policies, financial position and shareholders, the Board may delegate part of its functions and duties as well as the day-to-day operational responsibilities to the Executive Board and Executive Committees, specifying matters which require approval by the Board in accordance with the Group's approval policy.

Matters reserved for the Board decisions include, but not limited to, the following:

– deliberation of 3-year business plans, risk management, internal control, sustainability strategies, activities and performance progress against the sustainability target;

– preliminary announcements of interim and final results, interim and annual reports, and sustainability reports;

– dividend policy;

– annual budgets;

– major corporate activities such as material acquisitions and disposals, and connected transactions; and

– Directors' appointment, re-election and removal.

Commitment to Good Corporate Governance (Continued)

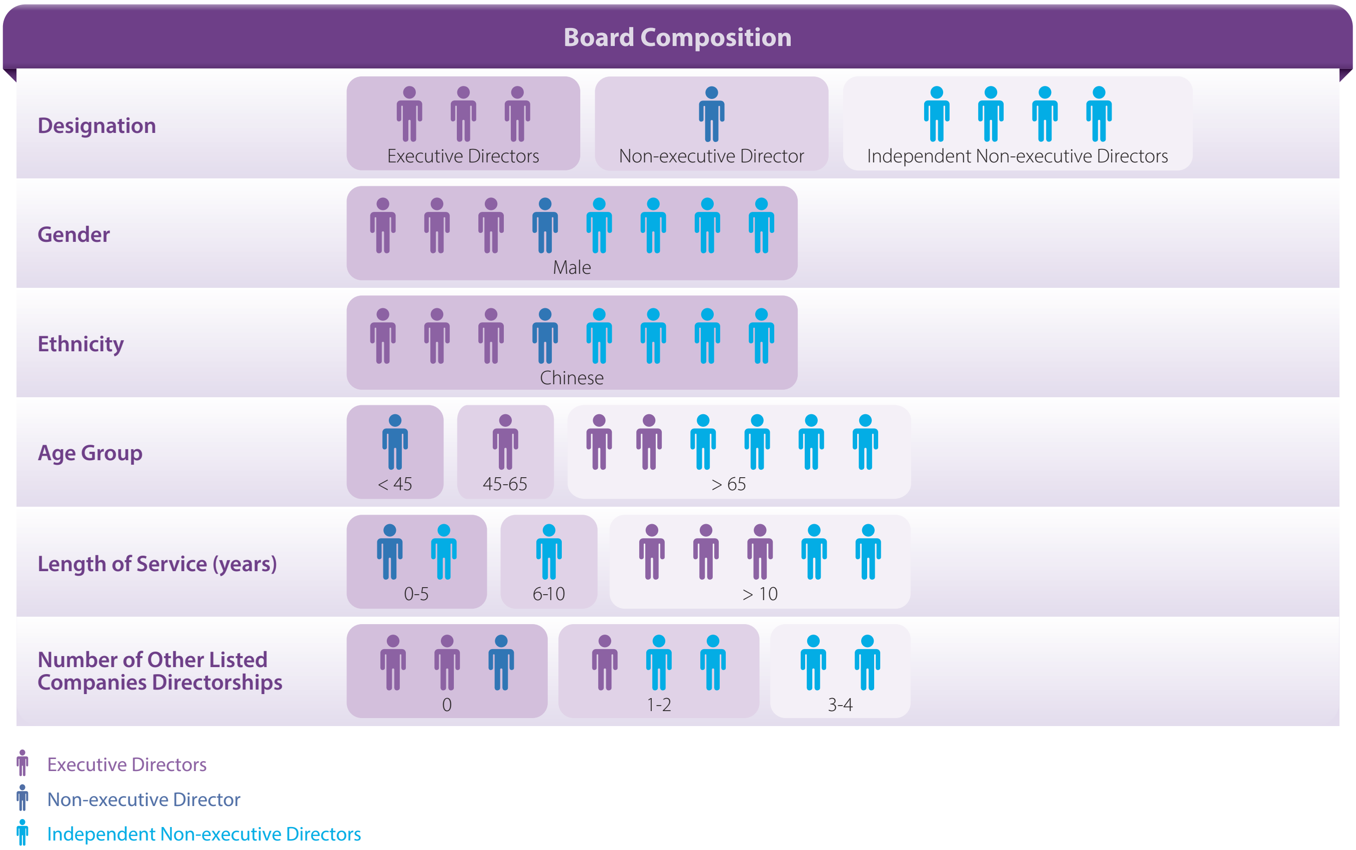
(1) Leadership (Continued)

Board Composition

The Board currently comprises three Executive Directors, one Non-executive Director and four Independent Non-executive Directors. The Independent Non-executive Directors are executives of high calibre with diversified industry expertise and bring a wide range of skills and experience to the Group. They bring to the Company independent judgement on issues of strategy, performance, risk and human resources management through their contribution at Board meetings.

Details of all Directors and their biographies, including relationship between the Board members are set out on pages 79 to 80 of this Annual Report.

The Board composition and Board skills and experience are set out below:



Commitment to Good Corporate Governance (Continued)

(1) Leadership (Continued)

Board Composition (Continued)

Board Skills and Experience

		Industry and Manufacturing	Mainland China	Global Business	Technology	Logistics/ Supply Chain	Environmental, Social & Governance	Accounting Professional/ Legal and Compliance
Executive Directors	Allan WONG Chi Yun *(Chairman)*	✓	✓	✓	✓	✓	✓	✓
	PANG King Fai	✓	✓	✓	✓	✓	✓	
	Andy LEUNG Hon Kwong	✓	✓	✓	✓	✓	✓	
Non-executive Director	William WONG Yee Lai	✓		✓	✓			
Independent Non-executive Directors	William FUNG Kwok Lun	✓	✓	✓	✓	✓	✓	✓
	KO Ping Keung	✓	✓	✓	✓		✓	
	Patrick WANG Shui Chung	✓	✓	✓	✓	✓	✓	✓
	WONG Kai Man	✓	✓	✓	✓		✓	✓
	Total (in number):	**8**	**7**	**8**	**8**	**5**	**7**	**4**
	Total (in percentage):	**100%**	**88%**	**100%**	**100%**	**63%**	**88%**	**50%**

In addition, the Directors disclose to the Company the number and nature of offices held in public companies or organisations and other significant commitments with an indication of the time involved on a biannual basis. Directors are also reminded to notify the Company in a timely manner for any changes of such information.

Commitment to Good Corporate Governance

(Continued)

(1) Leadership (Continued)

Board Committees

The Board has four Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management and Sustainability Committee. The Board has delegated authority to various Board Committees to deal with specific matters. The Audit Committee, the Nomination Committee, the Remuneration Committee, and the Risk Management and Sustainability Committee were established with defined terms of reference which are no less exacting than those set out in the Code. The composition and terms of reference of the Board committees are reviewed and updated periodically to ensure that they remain appropriate and in line with the Group's business and changes in governance practices.

Executive Board

Executive Board consists of three Executive Directors. It is responsible for overseeing the daily operations of the Group under the Board's delegation with support from senior management to review and manage the business, operational and financial performance as well as risk management and internal control of the Group.

As for the responsibilities of day-to-day operations, except for the specific matters which require the approval by the Executive Board in accordance with the Group's approval policy, they are delegated from the Executive Board to the Executive Committees and senior management of the respective product lines. The members of the Executive Committees are also responsible for ensuring that a similar process of delegation is in place within his or her department or responsible areas.

Executive Committees

Executive Committee members include the Executive Director(s), President(s) and senior management of the respective product lines appointed by the Executive Board from time to time. Day-to-day management of the product lines is delegated from the Executive Board to the Executive Committees of the respective product lines in accordance with the Group's approval policy. The Board retains control of the key decisions and certain "reserved matters" which will be reviewed annually.

Commitment to Good Corporate Governance (Continued)

(1) Leadership (Continued)

Executive Committees (Continued)

Board of Directors

- Formulation of Business Strategies and Policies
- Risk Management and Internal Control
- Leadership and People
- Performance Monitoring
- Stakeholders Engagement

Board Committees

Audit Committee

Mr. WONG Kai Man*
(Chairman)
Dr. William FUNG Kwok Lun*
Professor KO Ping Keung*
Dr. Patrick WANG Shui Chung*

Roles and Responsibilities

- oversees and reviews financial and internal audit reporting;
- reviews and evaluates the Group's risk management and internal control systems, corporate governance functions, and internal auditing processes; and
- ensures that the Group complies with all applicable laws and regulation.
- reviews Sustainability Report;

Nomination Committee

Dr. William FUNG Kwok Lun*
(Chairman)
Professor KO Ping Keung*
Dr. Patrick WANG Shui Chung*
Mr. WONG Kai Man*
Dr. Allan WONG Chi Yun+

Roles and Responsibilities

- recommends Board appointment or re-appointment;
- reviews the structure, size and diversity of the Board, Nomination Policy and Board Diversity Policy;
- assesses the independence of the Independent Non-executive Directors; and
- oversees succession planning for Directors and senior management.

Remuneration Committee

Dr. Patrick WANG Shui Chung*
(Chairman)
Dr. William FUNG Kwok Lun*
Professor KO Ping Keung*
Mr. WONG Kai Man*

Roles and Responsibilities

- reviews the remuneration packages of the Executive Directors and senior management, and recommends it to the Board; and
- reviews the granting of share options and share award to employees under the Company's share option scheme and share purchase scheme.

Risk Management and Sustainability Committee

Dr. Allan WONG Chi Yun+
(Chairman)
Dr. PANG King Fai+
Mr. Andy LEUNG Hon Kwong+
Mr. WONG Kai Man*
Mr. Hillson CHEUNG Hoi#
Ms. Shereen TONG Ka Hung#
Mr. CHANG Yu Wai#

Roles and Responsibilities

- provides vision and strategic direction for the Group's sustainability activities;
- reviews and assesses the Group's sustainability policies, performance progress and activities against the goals and targets; and
- evaluates the Group's risk appetite profile and reports to the Audit Committee.

Executive Board

- comprises three Executive Directors;
- oversees the daily operations of the Group under the Board's delegation;
- reviews and manages the business, operational and financial performance as well as risk management and internal control of the Group.

Executive Committees

- comprise Executive Director(s), President(s) and senior management of the respective product lines;
- operate day-to-day business and activities of the product lines with authorities delegated from the Executive Board in accordance with the Group's approval policy.

+ Executive Directors
* Independent Non-Executive Directors
# Senior Management

Commitment to Good Corporate Governance

(Continued)

(2) Effectiveness

Board Evaluation

The Board recognises the importance and benefits of conducting regular evaluation of its performance. In addition to the ongoing review by the Nomination Committee on the composition and structure of the Board, the Board has adopted a structured process to evaluate its own performance and Directors' contribution every two years since 2017.

The Board evaluation was conducted in the form of questionnaire by all members of the Board and Board Committees anonymously with the aim of improving the effectiveness of the Board and the Board Committees. The scope of the evaluation focused on the composition and diversity, as well as effectiveness of the performance of the Board and the Board Committees. The evaluation questionnaire consisted of both quantitative element based on the ratings to each question, as well as qualitative recommendations on any areas of improvement.

A summary of the 2021 evaluation results, which was anonymous and prepared by the Company Secretary, was presented to Board for review and discussion at the Board meeting in May 2021. The summary indicated that the members of the Board and Board Committees broadly agreed that the Board and Board Committees had operated satisfactorily. They were also satisfied, in general, with the composition and effectiveness of each Board Committee. The evaluation results with recommendations were also presented to the respective Board Committees for their follow-up actions of improvement.

Board Diversity

As for the diversity of the Board, the Directors were satisfied, in general, with diversity of the Board and each Board Committee in accordance with the Board Diversity Policy. The Directors also recognised that the Board diversity could be further enhanced in the areas of gender and age group. We would continue to take initiatives to identify suitable candidates to strengthen the Board diversity.

The Company has also taken, and continues to take steps to promote diversity at all levels of its workforce. VTech provides equal opportunity to all employees and does not discriminate on the grounds of gender, race, age, nationality, religion, sexual orientation, disability, and any other aspects of diversity. As of 31 March 2022, our total workforce comprised 41% female and 59% male. Further details of the Group's inclusive policy, please refer to "Respect of Labour and Human Rights" section of 2022 Sustainability Report.

Appointment and Re-election of Directors

All Directors (including the Non-executive Directors and the Independent Non-executive Directors) are appointed for a specific term of three years and are subject to retirement by rotation and re-election at least once every three years at the AGMs under the Company's Bye-laws. In accordance with the Company's Bye-laws, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. In addition, any Director appointed by the Board during the year, either to fill a casual vacancy or as an addition to the Board, shall hold office until the next AGM and shall be subject to retirement by rotation. A formal letter of appointment is issued to the Directors who were appointed or re-elected during the year. The letter deals with the specific terms of appointment and a range of matters regarding director's appointment and responsibilities.

Independence of Independent Non-executive Directors

In order to ensure that independent views and input of the Independent Non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assessing the Directors' independence annually with regards to all relevant factors related to the Independent Non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as Independent Non-executive Directors;

Commitment to Good Corporate Governance
(Continued)

(2) Effectiveness (Continued)

Independence of Independent Non-executive Directors (Continued)

- cross directorships or significant links with other Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement;
- further reappointment of an Independent Non-executive Director (including the long-serving Independent Non-executive Director) is subject to a separate resolution to be approved by the shareholders; and
- the Chairman meets with the Independent Non-Executive Directors regularly without the presence of the Executive Directors and Non-executive Directors.

The Board has received from each Independent Non-executive Director a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that the four Independent Non-executive Directors are independent in character and judgement and they also meet the independence criteria set out in Rule 3.13 of the Listing Rules. The written annual confirmation from each of the Independent Non-executive Directors of his independence also covered his immediate family members (as defined under the Listing Rules).

The Nomination Committee and the Board have also taken into account the respective contributions to the Board of the Independent Non-executive Directors and their firm commitments to their independent roles.

Dr. William FUNG Kwok Lun has diversified industry experience, brings a wide range of skills and experience to the Group and provides valuable insight and independent advice to the Board and the Company in particular on the areas of logistics and supply chain operations and dealings with global markets.

Professor KO Ping Keung has vast knowledge and experience in wide spectrum of technologies, especially in areas such as advanced integrated circuits and information technology and his connections with advanced technology providers and start-up companies of all sizes, especially in China, continues to provide great benefit to the Board and the Company.

Dr. Patrick Wang Shui Chung has vast international experiences with extensive knowledge in the manufacturing industry and a deep understanding of the environment in which the Company operates, which enable him to provide valuable insight and advice to the Board and the Company.

Mr. WONG Kai Man's strong finance, accounting and tax expertise and his firm commitment to his independent role enable him to provide key strategic guidance to the Board and the Company in areas such as financial review, risk management, compliance and internal control.

The wide breath of knowledge and diversity of their experiences make each of the Independent Non-executive Directors invaluable members of, and active contributors, to the Board. Moreover, they do not hold any cross-directorships or have any significant links with other Directors through involvement in other companies or bodies that could give rise to conflicts of interest in their roles as Independent Non-executive Directors and they are not involved in the daily management of the Company nor in any relationships or circumstances which would affect the exercise of their independent judgment. They continue to demonstrate their ability to provide an independent, balanced and objective view to the affairs of the Company.

The Nomination Committee was satisfied that each of the Independent Non-executive Director has the required character, integrity and experience to fulfill the role of an independent non-executive Director.

Notwithstanding that some Independent Non-executive Directors have served as Board members for more than nine years, the Nomination Committee and the Board are of the view that this does not and would not affect their independent judgement as they have been providing objective view and independent opinion to the Company over the years, and have continued to demonstrate a firm commitment to their independent roles and to the Board that they are able to devote sufficient time and attention to the Company's affairs and confirm that they will continue to demonstrate their commitment to their roles.

Commitment to Good Corporate Governance (Continued)

(2) Effectiveness (Continued)

Independence of Independent Non-executive Directors (Continued)

Any further reappointment of an Independent Non-executive Director (including the long-serving Independent Non-executive Director) is subject to a separate resolution to be approved by shareholders. Reasons will be given in the circular to shareholders to explain why the Board believes those Independent Non-executive Directors are still independent and should be re-elected. If the proposed Independent Non-executive Director will be holding his seventh (or more) listed company directorship, the Board will explain in the circular why he will still be able to devote sufficient time to the Board.

Board, Board Committees and Shareholders' Meetings

Four Board meetings at approximately quarterly intervals are scheduled with other meetings held as required. Dates of regular Board meetings and Board Committees meetings are scheduled in the prior year to facilitate maximum attendance of Directors. All Committees' meetings are conducted prior to the Board meetings to ensure that all vital matters are reported to the Board in advance and decided upon by the Board in a timely manner. The draft agenda for regular meetings of the Board and Board Committees is usually sent to the Directors at least 14 days before the intended date of the meetings. Directors are advised to inform the Chairman of the Board and Board Committees before the meeting if they wish to include any matters in the agenda. The agenda together with the Board papers are usually sent to the Directors at least 3 days before the meetings.

Minutes of the meetings of the Board and Board Committees record in sufficient detail the matters considered by the Board and the Board Committees, the decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of the minutes of the Board meetings and the Board Committees are sent to all Directors or respective Board Committees members for their comment and records within a reasonable period after the meetings are held. Minutes of the Board meetings and the Board Committees are kept by the Company Secretary of the Company (the "Company Secretary"). All Directors have access to the advice and services of the Company Secretary and independent professional advice may be sought by the Directors if required.

The attendance of individual Directors at Board Meetings ("BM"), Audit Committee Meetings ("ACM"), Nomination Committee Meetings ("NCM"), Remuneration Committee Meeting ("RCM"), Risk Management and Sustainability Committee Meetings ("RMSCM") and Annual General Meeting ("AGM") during the financial year is set out below:

Meetings attended/Eligible to attend

		BM	ACM	NCM	RCM	RMSCM	AGM
Executive Directors	Allan WONG Chi Yun *(Chairman)*	4/4	–	2/2	–	2/2	1/1
	PANG King Fai	4/4	–	–	–	2/2	1/1
	Andy LEUNG Hon Kwong	4/4	–	–	–	2/2	1/1
Non-executive Director	William WONG Yee Lai	4/4	–	–	–	–	1/1
Independent Non-executive Directors	William FUNG Kwok Lun	4/4	2/2	2/2	1/1	–	1/1
	KO Ping Keung	4/4	2/2	2/2	1/1	–	1/1
	Patrick WANG Shui Chung	4/4	2/2	2/2	1/1	–	1/1
	WONG Kai Man	4/4	2/2	2/2	1/1	2/2	1/1

In addition to the regular Board meetings, the Chairman also held regular meetings with the Independent Non-executive Directors without the presence of the Executive Directors and Non-executive Director during the financial year.

Commitment to Good Corporate Governance

(Continued)

(2) Effectiveness (Continued)

Directors' Training and Professional Development

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment.

During the financial year, the Company has organised a one-day training session as part of the continuous professional development conducted by qualified professionals on accounting, taxation and Listing Rules requirements for the Directors and relevant staff to develop and refresh their knowledge and skills. The Directors also received an annual update by qualified professionals on the Listing Rules update arranged by the Company. Materials on the subject of corporate governance and e-learning provided by the Stock Exchange are also provided to the Directors from time to time. In addition, the Directors attended other external seminars or briefings and read relevant materials on regulatory updates.

All Directors have provided to the Company their records of training which they have received during the financial year. The records are maintained by the Company Secretary for annual review by the Audit Committee.

A summary of their records of training during the financial year is as follows:

Directors	Attending briefings, trainings, seminars, conference or giving speech	Reading articles, researches, journals and updates
Executive Directors		
Allan WONG Chi Yun *(Chairman)*	✓	✓
PANG King Fai	✓	✓
Andy LEUNG Hon Kwong	✓	✓
Non-executive Director		
William WONG Yee Lai	✓	✓
Independent Non-executive Directors		
William FUNG Kwok Lun	✓	✓
KO Ping Keung	✓	✓
Patrick WANG Shui Chung	✓	✓
WONG Kai Man	✓	✓

Note: Training areas include information related to the Company or electronic manufacturing industry, laws, rules and regulations, accounting standards and business management.

(3) Accountability

Responsibilities in respect of Financial Statements

The Directors are responsible for overseeing the preparation of the consolidated financial statements for the year ended 31 March 2022 to give a true and fair view of the financial position of the Group as at that date and of its financial performance for the year then ended. In doing so, the Directors have adopted the appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgements and estimates that are prudent and reasonable in preparing the consolidated financial statements on the going concern basis.

The Directors are responsible for ensuring the maintenance of proper accounting records, safeguarding of the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The management shall provide the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

The statement by the external auditor of the Company regarding their responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 85 to 89 of this Annual Report.

Company Secretary

The Company Secretary is an employee of the Company, reports to the Chairman and is responsible for providing advice to the Board for ensuring the Board procedures are followed. The Company Secretary has taken no less than 15 hours of relevant professional training and has duly complied with the training requirement under Rule 3.29 of the Listing Rules.

Internal Control

The Directors have the overall responsibility for internal control, including risk management, and set appropriate policies having regard to the objectives of the Group. During FY2022, the Board, through the Audit Committee and the Risk Management and Sustainability Committee, reviewed the overall effectiveness of the Group's system of internal control over financial, operational and compliance issues, risk management process, information systems security and effectiveness of financial reporting and compliance with the Listing Rules.

Commitment to Good Corporate Governance

(Continued)

(3) Accountability (Continued)

Internal Control (Continued)

The Group's internal control system aims at safeguarding assets from inappropriate use, maintaining proper accounts and ensuring compliance with regulations. The management is primarily responsible for the design, implementation and maintenance of the internal control system. The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the operation of the Company. The internal audit function monitors the effectiveness of the system and the procedures for monitoring by key operations.

The Group has put in place an organisational structure with formal and clearly defined lines of responsibility and delegation of authority. There are also established procedures for financial planning, capital expenditure, treasury transactions, information and reporting systems, and monitoring the Group's businesses and their performance.

Internal Control – Internal Audit Department

The Group's Internal Audit Department has been established for more than 20 years and the Internal Audit Department has direct access to the Audit Committee. The Internal Audit Department reviews the effectiveness of the internal control system. Every three years, the Internal Audit Department carries out a risk assessment on each identified audit area and devises a three-year audit plan according to the nature of business and risk exposures, and the scope of work includes financial and operational reviews.

The three-year audit plan is further divided into three annual audit plans. Every year, the Internal Audit Department reviews the upcoming annual audit plan and makes adjustments to it where appropriate. The three-year audit plan and the annual audit plans, with subsequent adjustments where appropriate, are reviewed and agreed by the Audit Committee. In addition to the agreed schedule of work, the Internal Audit Department conducts other review and investigative work as may be required. The Audit Committee receives summary reports from the Internal Audit Department periodically while the results of internal audit reviews and responses to the recommended corrective actions are also reported to the Executive Directors and Senior Management. The Internal Audit Department is also responsible for following up the corrective actions to ensure that satisfactory controls are maintained.

Internal Control – Other Control and Management

Code of Conduct

The Company's policy on Code of Conduct is also an important part of the Group's internal control process. The Code of Conduct is a written statement of the core standards of behavior expected by the Group, includes provisions in improper business courtesies, conflicts of interest, handling of confidential and proprietary information and intellectual property, relationships with suppliers, contractors, customers, and business partners, competing with integrity, international trade and interacting with government, environmental protection, occupational health and safety, respect of labour and human rights, and equal opportunities. The Code of Conduct is reviewed and updated periodically to align with industry best practice. The Code of Conduct was last updated in April 2022.

Employees are required to strictly follow the Code of Conduct to ensure the Group operates to the highest standards of business behaviour and ethics in our dealings with customers, business partners, shareholders, employees, and the business community. The policy is reinforced and monitored by an annual confirmation of compliance in writing.

Full details of VTech's Code of Conduct are available on www.vtech.com/en/investors/corporate-governance/code-of-conduct

Whistleblowing Policy

The Group maintains a Whistleblowing Policy to facilitate the raising of matters of serious concern by employees and those who deal with the Company (e.g. customers and suppliers), in confidence and anonymity, without the fear of recrimination. Procedures are established for employees to report complaints and suspected internal malpractices directly to the Group Chief Compliance Officer, who will review the complaints and determine the appropriate mode of investigation and subsequent corrective action. Recommendations on improvements are communicated to the respective department's senior management for implementation.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the Chairman of the Audit Committee on a quarterly basis and to the Audit Committee on a biannual basis. No incident of fraud or misconduct was considered to have material effect on the Group's financial statements or overall operations for the year ended 31 March 2022. The Whistleblowing Policy is reviewed and updated periodically to align with industry best practice. The Whistleblowing Policy was last updated in May 2022.

Commitment to Good Corporate Governance

(Continued)

(3) Accountability (Continued)

Internal Control – Other Control and Management (Continued)

Whistleblowing Policy (Continued)

Full details of VTech's Whistleblowing Policy are available on www.vtech.com/en/investors/corporate-governance/whistleblowing-policy

Anti-corruption Policy

The Group is committed to achieving the highest standards of business conduct and has zero tolerance for corruption and related malpractice. The Anti-Corruption Policy forms an integral part of the Group's corporate governance framework. Other relevant policies of the framework, including the Code of Conduct, the Policy on Gifts, Entertainment and Gratuities, and the Whistleblowing Policy, outline the Group's expectations and requirements of business ethics, as well as the investigation and reporting mechanism of suspected corruption practices.

The Anti-corruption Policy sets out the specific behavioural guidelines that VTech personnel and business partners must follow to combat corruption. It demonstrates VTech's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. Every employee, officer and members of the Board must act with the utmost integrity, defined not only by the applicable laws and regulations, but also by the determination to do the right thing in all circumstances.

The annual declaration made by our staff under the Code of Conduct includes their confirmation of the compliance with the Anti-corruption Policy. The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice. The Anti-corruption Policy was last updated in May 2022.

Full details of VTech's Anti-corruption Policy are available on www.vtech.com/en/investors/corporate-governance/anti-corruption-policy

Risk Register

The Company maintains the Risk Register to record the major and identifiable risks in the critical functions in the operation of the Company. The Risk Register is being reviewed by the Risk Management and Sustainability Committee on a biannual basis. At management level, department representatives of each key business unit/function maintain a risk register documenting the key risks and the response measures of the relevant risk. To facilitate the review of the Risk Register by the Risk Management and Sustainability Committee, the Internal Audit Department will review the operation of the risk management framework, including the effectiveness of reporting to the highest levels, and the continuing operation of appropriate risk responses.

Liability Insurance for the Directors

The Company purchases annually the Directors' and officers' liability insurance for members of the Board to provide protection against claims arising from the lawful discharge of duties by the Directors.

(4) Shareholders Engagement

Continuous Disclosure Policy

The Company has established a Continuous Disclosure Policy to set out the Company's procedures for monitoring developments in our businesses for inside information and communicating such information with our shareholders, analysts, media and other stakeholders in accordance with the inside sensitive information disclosure requirement under the Securities and Futures Ordinance and the Listing Rules. The Continuous Disclosure Policy was last updated in May 2022.

Full details of VTech's Continuous Disclosure Policy are available on www.vtech.com/en/investors/corporate-governance/continuous-disclosure-policy

Commitment to Good Corporate Governance

(Continued)

(4) Shareholders Engagement (Continued)

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between shareholders and the Board. An AGM shall be held in each year at the time and place determined by the Board.

Procedure for shareholders to convene special general meeting

Under the Company's Bye-laws, in addition to regular AGMs, the Board, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, may convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the registered office of the Company. The requisition(s) must state the purposes of the meeting, and must be signed by the requisitionist(s).

Procedure for shareholders to propose resolution at AGM

Shareholders holding not less than one-twentieth of the total voting rights of all the shareholders or not less than 100 shareholders may propose any resolutions at the AGM and circulate to other shareholders written statement with respect to the matter to be dealt with at the AGM by sending a written notice of their proposals to the Company Secretary at the Company's principal office.

Procedure for shareholders to propose a person for election as a Director

The procedures for proposing a person for election as Director at a general meeting are set out in the Corporate Governance under Investors section of the Company's website.

Procedure for shareholders to send enquiries to the Board

Shareholders may send their enquiries requiring the Board's attention to the Company Secretary at the Company's principal office.

AGM

VTech's AGM is held in the month of July each year. The AGM, which is attended by its Directors, senior management, external auditor and lawyer, is an important event for the Board to communicate with its shareholders on the Group's business performance and affairs every year.

In order to ensure that the Group's shareholders have sufficient time to review the AGM notices, annual report and financial statements, all the AGM related documents are dispatched to the shareholders more than 20 clear business days before the AGM.

VTech also conducts all voting at AGM by poll with whole process scrutinized by the Company's share registrar in attendance of the AGM. Procedures for conducting the poll are explained at the AGM prior to taking the poll. Poll results are announced and posted on the websites of the Stock Exchange and the Company at www.vtech.com.

VTech held its 2021 AGM at Marco Polo Hongkong Hotel. The matters resolved at the 2021 AGM were set out as follows:

- Receipt and consideration of the audited consolidated financial statements and the reports of Directors and the auditor for the year ended 31 March 2021;
- Consideration and declaration of a final dividend in respect of the year ended 31 March 2021;
- Re-election of Mr. Andy LEUNG Hon Kwong as Executive Director;
- Re-election of Dr. William FUNG Kwok Lun as Independent Non-executive Director;
- Re-election of Professor KO Ping Keung as Independent Non-executive Director;

Commitment to Good Corporate Governance

(Continued)

(4) Shareholders Engagement (Continued)

AGM (Continued)

– Fixing the Directors' fee (including the additional fee payable to chairman and members of the Audit Committee, Nomination Committee and Remuneration Committee) for the year ended 31 March 2022;

– Re-appointment of KPMG as auditor and authorization given to the Board of Directors to fix its remuneration;

– Granting of a general mandate to repurchase shares representing up to 10% of the issued share capital of the Company as at the date of the 2021 AGM;

– Granting of a general mandate to allot, issue and deal with additional shares representing up to 10% of the issued share capital of the Company at the date of the 2021 AGM, and the discount for any shares to be issued not to be more than 10% to the benchmarked price; and

– Adoption of a new share option scheme of the Company (and termination of the share option scheme which were expected to expire during FY2022).

VTech's 2021 AGM was held successfully in spite of the COVID-19 pandemic in Hong Kong. The following special arrangements and precautionary measures to protect the health and safety of all attendees were also put in place:

– Accommodating the attendees in partitioned areas with video and audio link facilities;

– Special seating arrangement to allow appropriate social distancing;

– No provision of refreshments or drinks;

– Compulsory body temperature detection and submission of health declaration form by the attendees prior to entry; and

– Compulsory wearing of surgical face mask by attendees.

In light of the uncertain development of the COVID-19 situation, instead of attending the 2021 AGM in person, shareholders were encouraged to exercise their rights and indicate how they would like the proxy to vote on their behalves by submitting a form of proxy to appoint the Chairman of the 2021 AGM as their proxy for voting.

As for the AGM in 2022, which is scheduled to be held on 13 July 2022 (the "2022 AGM"), in order to ensure the health and safety of the shareholders attending the meeting, VTech will continue to implement precautionary measures in accordance with the prevailing guidelines published by the Hong Kong Government and/or regulatory authorities. Details of the measures will be announced in due course.

Changes in Constitutional Documents

There was no change in the Company's constitutional documents during FY2022.

Shareholders Communication Policy

The Company has established a Shareholders Communication Policy to set out the procedures for providing shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company. This is to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Shareholders and the investment community may at any time make a request for publicly available Company information by email to investor_relations@vtech.com, by post addressed to the Company's principal office, via the contact form on the Company's website or through the Company's share registrar.

The Shareholders Communication Policy is reviewed annually with updates last made in May 2022. It emphasises VTech's commitment to enhancing communication with shareholders and the investment community, and specifies various communication platforms and channels through which its shareholders and investors can communicate their views with the Company.

Full details of VTech's Shareholders Communication Policy are available on www.vtech.com/en/investors/corporate-governance/shareholders-communication-policy

Commitment to Good Corporate Governance
(Continued)

(4) Shareholders Engagement (Continued)

Financial Key Dates

The financial calendar highlighting important dates for shareholders in 2022 is set out in the Investor Relations section of this Annual Report and is also available on the Company's website.

Dividend Policy

The Company has established a Dividend Policy to set out the guidelines for the Board to determine (i) whether dividends are to be declared and paid; and (ii) the level of the dividend to be paid to the shareholders. It is the policy to allow the shareholders to participate in the Company's profits whilst to retain adequate reserves for future growth.

Normally, the Company pays dividends twice a year, which are the interim dividend and final dividend. In determining and recommending the frequency, amount and form of any dividends in any financial year/period, the Board shall consider the following factors:

– the actual and expected financial performance of the Group;

– global economic conditions and other factors that may have an impact on the business or financial performance of the Group;

– the Group's business strategies, current and future operations, liquidity position and capital requirements, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;

– any restrictions on payment of dividends in the Company's Bye-laws or may be imposed by the Group's lenders; and

– any other factors that the Board deems appropriate.

Audit Committee Report

Committee Members

The Audit Committee is chaired by Mr. WONG Kai Man with Dr. William FUNG Kwok Lun, Professor KO Ping Keung and Dr. Patrick WANG Shui Chung as members. All of the members are Independent Non-executive Directors.

Roles and Responsibilities

The Audit Committee has been established to assist the Board in fulfilling its overseeing responsibilities for financial reporting, risk management, corporate governance functions, and evaluation of internal control and auditing processes. It also ensures that the Group complies with all applicable laws and regulations.

The Audit Committee is also responsible for overseeing the effectiveness of formal procedures for employees to raise any matters of serious concerns and is required to review any reports made by the Internal Audit Department in this regard.

Furthermore, the Audit Committee acts as the key representative body for overseeing the Group's relationship with the external auditor, reviews and monitors the external auditor's independence and the effectiveness of the audit process in accordance with applicable standards.

Mr. WONG Kai Man, as the chairman of the Audit Committee, has the appropriate financial management expertise as required under the Listing Rules. The Audit Committee has held two meetings during the financial year. In addition to the Audit Committee members, the meetings were attended by the Group Chief Executive Officer, the Company Secretary and Head of Internal Audit, the Group Chief Financial Officer and the external auditor.

Terms of Reference

The terms of reference of the Audit Committee are available on www.vtech.com/en/investors/corporate-governance/board-committees

Highlights of the Committee's Work in FY2022

The work performed by the Audit Committee during FY2022 included, but not limited to, reviewing the following before recommending them to the Board for consideration and approval:

– Group's audited consolidated financial statements and reports for the year ended 31 March 2021;

– report from the external auditor for the year ended 31 March 2021;

– corporate governance report setting out the corporate governance policies and practices in the 2021 Annual Report in compliance with the Code;

– training and continuous professional development of the Directors and senior management for the year ended 31 March 2021;

– adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions, and those relating to the ESG performance and reporting for the year ended 31 March 2021;

– fee level and nature of non-audit work performed by the external auditor for the year ended 31 March 2021;

– re-appointment of the external auditor and its remuneration for the year ended 31 March 2022;

– 2021 Sustainability Report;

– Group's unaudited Interim Financial Report and unaudited interim results for the six months ended 30 September 2021;

– report from the external auditor based on limited agreed-upon procedures on the Group's unaudited interim results for the six months ended 30 September 2021;

– corporate governance section setting out the corporate governance policies and practices in the 2021/2022 Interim Report in compliance with the Code;

– accounting principles and practices adopted by the Group;

– respective audit plans of the internal and external auditors;

– significant findings by the Internal Audit Department and recommendations for corrective actions; and

– reports made under the Whistleblowing Policy.

Audit Committee Report (Continued)

Highlights of the Committee's Work in FY2022 (Continued)

On the date of this Annual Report, the Audit Committee met to review the Group's audited consolidated financial statements and reports for the year ended 31 March 2022 in conjunction with the Company's external auditor and senior management before recommending them to the Board for consideration and approval. The financial results of the Group for the year ended 31 March 2022 have been reviewed with no disagreement by the Audit Committee. The Audit Committee has also reviewed the proposed revision on the Audit Committee Charter and Whistleblowing Policy, the key ESG issues and the related risks and strategies, and approved the 2022 Sustainability Report.

In addition to the above, the Audit Committee assisted the Board in meeting its responsibilities for maintaining an effective system of internal control during FY2022. It reviewed the process by which the Group evaluates its control environment and risk assessment procedures, and the way in which business and control risks are managed on a regular basis.

It should be noted that a system of internal control, no matter how well it is designed and operated, can only provide reasonable but not absolute assurance that the objectives of the system of internal control, such as safeguarding assets from inappropriate use, material transactions being executed according to the Group's policies or ensuring compliance with regulations, are met. As a result, it should not be expected that a system of internal control will prevent or detect all errors and frauds.

Based on the information received from the management (including the Risk Management and Sustainability Committee and Data Security Governance Board), the external auditor and the Internal Audit Department, the Audit Committee is satisfied that the overall financial and operational controls, risk management and internal control system, and the internal audit function of the Group for the year ended 31 March 2022 and up to the date of this Annual Report continued to be effective and adequate.

The Audit Committee has also been given the responsibility to oversee the effectiveness of formal procedures for employees to raise any matters of serious concerns and is required to review any reports made by the Internal Audit Department in this regard.

Internal Audit

The Audit Committee reviews the report prepared by Head of Internal Audit. The report covered implementation status of the annual audit plan, whistleblowing complaints received and the corresponding status of investigation, as well as the effectiveness and adequacy of the Group's overall financial and operational control. The annual audit plan of the upcoming financial year and the three-year audit plan were also presented to the Audit Committee for review and approval.

External Auditor

The Audit Committee meets with the external auditor to review the nature, scope and results of their audit with senior management. The external audit engagement partner is subject to periodical rotation of not more than seven years.

During the financial year, the fees in respect of audit services and tax services provided by KPMG, the external auditor, are summarised below:

	2022 US$ million	2021 US$ million
Audit services	**0.8**	0.9
Audit related services	**0.1**	0.1
Tax services	**0.6**	0.6

Nomination Committee Report

Committee Members

The Nomination Committee is chaired by Dr. William FUNG Kwok Lun with Professor KO Ping Keung, Dr. Patrick WANG Shui Chung, Mr. WONG Kai Man and Dr. Allan WONG Chi Yun as members. The majority of the members of the Nomination Committee are Independent Non-executive Directors.

Roles and Responsibilities

The Nomination Committee is responsible for reviewing the structure, size and diversity of the Board and monitoring the implementation of the Board Diversity Policy and Nomination Policy for appointment to the Board as appropriate.

The Nomination Committee is also responsible for assessing the independence of the Independent Non-executive Directors, whether the proposed Independent Non-executive Director has the ability to devote sufficient time to the Board and his length of service according to the requirements of the Listing Rules, making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors and reviewing the training and continuous professional development of the Directors.

Nomination Policy

The Nomination Policy sets out the selection criteria and procedures for the Nomination Committee to select and recommend suitable candidates for directorship with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall consider a variety of factors in assessing the suitability of a proposed candidate for directorship, including but not limited to the following selection criteria:

– Board Diversity Policy;

– accomplishment and experience appropriate to the requirements of the Company's business;

– commitment in respect of sufficient time, interest and attention to the Company's business;

– compliance with the criteria of independence under the Listing Rules for the appointment of Independent Non-executive Director; and

– any other relevant factors as may be considered by the Nomination Committee from time to time.

If the Board recognises the need to appoint a new Director subject to the provisions in the Company's Bye-laws, the Nomination Committee, with or without assistance from external agencies, shall identify candidates in accordance with the selection criteria set out in the Nomination Policy, evaluate the candidates and recommend to the Board the appointment of the appropriate candidate for directorship. The Board decides the appointment based upon the recommendation of the Nomination Committee and the Board has the final authority on determining suitable Director candidate for directorship.

Candidates for appointment as Directors may also be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest calibre in their area of expertise and experience.

Board Diversity Policy

The Board Diversity Policy sets out the approach to achieve diversity on the Board. The Nomination Committee monitors the implementation of the Board Diversity Policy and has the responsibility in leading the progress for Board appointments. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, skills, knowledge, industry and professional experience, business perspectives and the legitimate interests of the Company's principal shareholders.

Selection of candidates for Board appointments will be considered taking into account a range of aspects set out in the Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee also periodically reviews the measurable objectives relevant to the Board composition in accordance with the Board Diversity Policy, and monitors the progress on achieving those objectives to ensure that the policy is implemented effectively. Having reviewed the Board composition, the Nomination Committee recognises the importance and benefits of the gender diversity among the Board members for the Group's strategic and sustainable development. It has set out the Board's commitment to take initiatives to identify suitable candidate(s) to enhance the gender diversity of the Board.

Nomination Committee Report (Continued)

Terms of Reference

The terms of reference of the Nomination Committee are available on www.vtech.com/en/investors/corporate-governance/board-committees

Highlights of the Committee's Work in FY2022

The Nomination Committee has held two meetings during the financial year. The work performed by the Nomination Committee during the financial year included, but not limited to discussing the following:

– structure, size and diversity of the Board;

– individuals suitably qualified for appointment as Director;

– Board Diversity Policy including the measurable objectives and the related disclosure in the FY2022 Annual Report and its progress;

– Nomination Policy;

– succession planning for the Directors and senior management;

– independence of the Independent Non-executive Directors;

– re-election of retiring Directors at the 2022 AGM, including the assessment on the ability to devote sufficient time to the Board and the length of service of the proposed Independent Non-executive Director according to the requirements of the Listing Rules; and

– revised Nomination Committee Charter.

The Nomination Committee was also satisfied with the Board diversity in terms of independence, skills, industry and professional experiences, cultural and educational background as well as length of services of the Board members. As for the gender and age composition, the Nomination Committee considered that enhancement in gender and age diversities should be beneficial to the Group's sustainable development. It agreed to take initiatives to identify suitable candidate with priority on enhancing the gender diversity by 31 December 2024.

Remuneration Committee Report

Committee Members

The Remuneration Committee is chaired by Dr. Patrick WANG Shui Chung with Dr. William FUNG Kwok Lun, Professor KO Ping Keung and Mr. WONG Kai Man as members. All of the members are Independent Non-executive Directors.

Roles and Responsibilities

The Remuneration Committee is responsible for reviewing all elements of the Executive Directors' and senior management's remunerations and recommending to the Board. It reviews the emoluments of Executive Directors and senior management based on skills, knowledge and performance, together with reference to the profitability of the Company, and prevailing market conditions. In addition, the Company has established a share option scheme and a share purchase scheme to provide incentives and rewards to eligible participants for their continuous contribution to the Group.

Terms of Reference

The terms of reference of the Remuneration Committee are available on www.vtech.com/en/investors/corporate-governance/board-committees

Highlights of the Committee's Work in FY2022

The Remuneration Committee has held one meeting during the financial year. The work performed by the Remuneration Committee during the financial year included, but not limited to, discussing and reviewing the following before recommending them to the Board for consideration and approval:

- policy for the remuneration of Executive Directors and senior management; and
- annual salaries increment and remuneration packages for Executive Directors and senior management, including the share option scheme and the share purchase scheme. The management bonus and long-term incentive awards for Executive Directors and senior management is linked to the financial performance of the business in which they are responsible have been reviewed and approved by the Remuneration Committee.
- It also reviewed and approved the share options and awarded shares to be granted to the senior management and management staff under the share option scheme and share purchase scheme, which are subject to the respective performance conditions.

Directors' Fees

The Board has adopted a practice to review the fees for the Directors, in particular the remuneration of the Independent Non-executive Directors, every five years and ensure that they are remunerated on a fair and reasonable basis. The consideration factors include the responsibilities taken on by the Directors, the commitment of their time spent in fulfilling their roles, as well as the workload associated with their memberships at the respective Board committees. The review of the Directors' fees is also conducted with reference to, among other things, the average annual remuneration of the directors of similar listed companies in Hong Kong as well as the other major manufacturing companies.

The revision of the Directors' fees from year ended 31 March 2022 was approved by shareholders at the 2021 AGM. The current fees for all Directors and for the Directors who also serve on the relevant Board committees are set out as follows:

	Current Fee Per annum US$
Board of Directors	
Basic Directors' Fees	**35,000**
Audit Committee	
Chairman	**10,000**
Member	**5,000**
Nomination Committee	
Chairman	**5,000**
Member	**3,000**
Remuneration Committee	
Chairman	**5,000**
Member	**3,000**

Further details of the Directors' emoluments are set out in note 3 to the Consolidated Financial Statements.

Risk Management and Sustainability Committee Report

Committee Members

The Risk Management and Sustainability Committee is chaired by Dr. Allan WONG Chi Yun with Dr. PANG King Fai, Mr. Andy LEUNG Hon Kwong, Mr. WONG Kai Man, Mr. Hillson CHEUNG Hoi, Ms. Shereen TONG Ka Hung and Mr. CHANG Yu Wai as members. It comprises all Executive Directors, an Independent Non-executive Director, the TEL President, the Group Chief Financial Officer, and the Company Secretary and Head of Internal Audit.

Roles and Responsibilities

The Risk Management and Sustainability Committee is responsible for monitoring and reviewing the risk management and internal control systems, as well as the sustainability strategies, performance and activities of the Group on a regular basis. It also reports to the Audit Committee of any significant findings on a biannual basis.

The Risk Management and Sustainability Committee has also developed an internal risk management structure at both management and operational levels, which has clearly defined the roles and responsibilities in managing potential risks in the respective areas, and set up procedures for execution of the Group's Business Continuity Plan in the event of disruptions. The Business Continuity Management ("BCM") programme not only helps identify and mitigate the Group's potential operational risks, but also increases its resilience capability to resume operations in an effective and timely manner, thus ensuring that it always has a smooth business operation.

The Risk Management and Sustainability Committee is also delegated with the authority from the Board to provide vision and strategic direction for the Group's sustainability activities, review its sustainability strategies and improvement activities, assess how the policies are implemented in achieving the sustainability goals and targets, and monitor the performance progress on a biannual basis.

Terms of Reference

The terms of reference of the Risk Management and Sustainability Committee are available on:
www.vtech.com/en/investors/corporate-governance/board-committees

Highlights of the Committee's Work in FY2022

The Risk Management and Sustainability Committee has held two meetings during the financial year to review the Group's risk management and internal control systems, and its sustainability strategies, policies and activities.

The Risk Management and Sustainability Committee has developed a framework for the management and control of risks in the Group. Risks are being formally identified and recorded in a risk register (the "Risk Register") for key operations. This Risk Register is updated regularly and the major risks are being reviewed from time to time by the Risk Management and Sustainability Committee.

Risk Management and Sustainability Committee Report (Continued)

Highlights of the Committee's Work in FY2022 (Continued)

During the financial year and up to the date of this Annual Report, it has reviewed and approved the Group's 2022 Sustainability Report, which informs the Group's stakeholders of its sustainability strategies and activities, and the performance progress against its sustainability targets and 5-year Sustainability Plan 2025. The relevant disclosures in the Group's 2022 Annual Report has also been reviewed by the Committee before recommending them to the Audit Committee for consideration and approval. The Committee has reviewed the following major risks and the respective risk mitigation measures reported in the Risk Register, with risk ratings broadly the same as the last financial year:

Major Risks	Risk Description	Risk Mitigation Measures
Legal and Regulatory Compliance	Regulatory Change and Compliance: VTech operates globally with sales and business activities across the world, it needs to comply with the relevant laws and regulations applicable to the Group, including the privacy ordinances and personal data protection regulations in the respective countries. Compliance failure may result in legal costs for litigation, monetary penalty, disruption of operations and damage of the Group's reputation. Trade Embargo: The increasing uncertainty and concerns over the political environment and changes in laws and regulations in one or several countries may increase the cost of operations and expose the Group to potential liabilities and criminal penalties. Patents and Intellectual Property ("IP") Rights: VTech not only needs to protect the patents and IP rights for the products designed and developed by the Group, but also ensures that it does not infringe the patents or IP rights of any third parties.	• Engage external counsels to provide regular updates and legal guidance on the compliance with the latest applicable laws and regulations; • Closely monitor the development and assess the potential impacts of trade embargo and sanction on the Group's business. Relevant parties within the Group regularly access the official sources to obtain the latest trade embargo and sanctions list in order to avoid having business transactions and dealings, directly or indirectly, with sanctioned entities or in sanctioned territories; • Take appropriate legal measures to protect technological know-how and trade secrets, apply for and register patents, trademarks and IP rights; • Provide regular trainings for staff who are responsible for ensuring compliance with the relevant laws and regulations.
Information Technology ("IT")	Cybersecurity and IT Risks: Cyber-attacks and data breaches may disrupt the Group's operations and incur reputational damages. Customer data protection: Potential exposure of customer personal data due to cyber-attack may lead to liability claim, loss of revenue and violation of personal data regulations, as well as incurring monetary penalty.	• Regularly review the cyber security threat trends, continuously adopt applicable new technologies and harden the IT infrastructure; • Engage external professionals to conduct cyber security audit and deep-dive review on the Group's IT systems and network on a regular basis; • Cultivate a cyber resilience culture through regular cyber security awareness training and tests for staff across the Group.

Highlights of the Committee's Work in FY2022 (Continued)

Major Risks	Risk Description	Risk Mitigation Measures
Geo-political	US Tariff against China Exports: The geo-political tensions between China and US brings political uncertainties and the cost of product manufactured in China is increased as a result of the tariff imposed by US.	• In addition to the manufacturing facilities in China and Malaysia, the Group continuously expands its global footprint of manufacturing site strategically outside Asia.
	International sanctions: Ukraine war and the sanctions imposed on Russia have caused inflation in consumables and commodities (e.g. oil. natural gas), which would affect the material prices. There has also been potential legal risk on sales of products to Russia.	• Ongoing monitoring of the financial and legal impacts arising from the sanctions imposed on Russia. • Sale of products to Russia is negligible to the Group's overall revenue.
Business Continuity	Risk of Business Disruption: External disasters (e.g. floods, fire) and crisis (e.g. pandemic, critical systems and infrastructure breakdown) could disrupt the operations and business across the Group.	• VTech has a BCM system in place to identify potential event of business disruption, assess the identified risks, establish risk mitigation measures and control mechanism, and monitor and review the effectiveness of the implementation of the relevant measures developed under the Business Continuity Plan; • Responsible management team in each office and factory of the Group regularly reviews and updates the Business Continuity Plan in order to mitigate the business disruption risk of the Group; • Disaster recovery drills are carried out periodically.
Operational	Procurement & Supplier Management: The Group has a wide range of products, some of which may be reliant on a few component suppliers for production. Disruption of supply of any of its critical component parts may affect the Group's product availability.	• Continuously identify and assess the risks of shortage in supply of critical components; • Ensure broad supplier sourcing and avoid single source of supply whenever practicable; • Continuously monitor and proactively work with the critical suppliers on the longer term of components delivery schedule; • Effective supplier risk management framework to reduce risk due to safety, quality failure or non-compliance with regulatory requirements.
	Logistics & Supply Chain Management: Global shortage of containers and vessels and the recent outbreak of COVID-19 pandemic in Mainland China, may affect the Group's manufacturing productivity as well as the delivery of materials from suppliers and shipments of products to customers.	• Continuously work closely with different shipping carriers and logistic services providers to arrange advance booking of containers, and optimize the efficiency with different shipping routes to overseas countries.

Risk Management and Sustainability Committee Report (Continued)

Highlights of the Committee's Work in FY2022 (Continued)

Major Risks	Risk Description	Risk Mitigation Measures
Operational	Human Resources Management: Due to the ever-changing market environment and the technological innovation requirement of the Group's businesses, the Group faces intense competition to recruit and retain skilled and experienced staff to support its business growth and the long-term success of the Company.	• Continuously review and improve working environment, including the precautionary measures to protect the health and safety of employees in COVID-19 pandemic; • Continuously review the employee compensation and benefits with reference to the industry best practices; • Continuously develop talent and leadership teams with career development and succession plans in each layer of senior management; • Continuously improve staff productivity with technological enhancement and process automation.
	Sales Management: The Group's ongoing success is dependent on the smooth running of all aspects of its operations to deliver the sales performance. It requires the Group's cross functional teams to support and collaborate with each other to mitigate the risk of disruption in operations.	• Engagement of cross-functional teams with integrated activities in the areas of demand forecasting, manufacturing resources planning, order fulfilment and inventory management to facilitate a smooth and reliable production and order delivery to the customers.
	Climate-related Risks: Extreme weather incidents caused by climate change may disrupt the Group's operations and business activities. New regulatory requirements in relation to climate change on the Group's operations, products and services may also increase its operating costs and affect the Group's production capacity. There are also growing expectations from stakeholders over ESG related disclosures and actions taken by the Company.	• VTech has established a 5-year Sustainability Plan 2025 with projects and initiatives in place to minimise its impacts on the environment and mitigate the climate-related risks. These include increasing the use of sustainable materials in the Group's products, recycling its products in a responsible way, increasing the use of renewable energy, reducing the consumption of natural resources in its production process, as well as using more eco-friendly transportation modes in its supply chain management; • Details of the climate-related risks of the Group are set out on pages 41 to 45 of 2022 Sustainability Report.
Financial	Financial Risks: As the Group operates globally, it is exposed to a variety of financial risks, primarily the credit risk and currency risk.	• The majority of the Group's sales are on open credit with varying payment terms from 30 to 90 days. Certain open credit sales are covered by credit insurance or bank guarantees in order to mitigate the credit risk; • The Group principally uses forward foreign exchange contracts to hedge the foreign exchange risks in the ordinary course of business in order to mitigate its currency risks; • Details of the financial risks of the Group are set out in note 23 to the consolidated financial statements.
	Credit Risk: It is mainly attributable to the ability of the Group's customers to continue paying for the goods and services provided by the Company and its subsidiaries.	
	Currency Risk: It is mainly arising from the sales and purchases that are denominated in the currencies other than the functional currency of the operations to which they relate. The foreign currencies of the Group are primarily denominated in Renminbi, Euro, Pounds Sterling, Canadian Dollars and Australian dollars.	

Highlights of the Committee's Work in FY2022 (Continued)

Major Risks	Risk Description	Risk Mitigation Measures
Reputational	Product Design, Quality and Safety: The Group designs, manufactures and supplies a wide range of products to various countries. Failure to maintain an effective quality management system at the product development stage, in the manufacturing process and throughout the supply chain may have material adverse impact on the Group's business and operations, brand image and loyalty of its customers.	• The Group has implemented a comprehensive quality management system framework with quality assurance policies and procedures in place to monitor the product quality and reliability starting from the product development stage on an on-going basis. These include inspection of incoming materials, quality audit in manufacturing process, quality evaluation of finished products and after-sales quality management; • All VTech's manufacturing facilities in China and Malaysia are certified with ISO 9001, which ensures our products are in highest quality standards.
	Brand Risk: In the competitive market environment, brand recognition and good customer experience are important success factors for the Group. Failure to engage with the customers may adversely affect the Group's financial results with loss of customer loyalty and revenue.	• In order to continually strengthen its market leadership and international brand recognition, the Group actively monitors its competitive position and keeps abreast of the latest technological advancement for development of its products; • Through the Group's leadership in technological innovation and customer-centric strategies, it continues to design, manufacture and supply high quality and innovative products to enrich user experience and drive brand awareness of its customers globally.
Business Ethics	Business Integrity Risk: The Group is subject to the risk of fraud and/or unlawful activities on the part of employees and third parties such as corruption, lack of transparency in business transaction, leakage of confidential information, non-compliance with the Group's policies and regulatory requirements, it could result in significant financial and reputational losses of the Group.	• Whistleblowing channel is available to report misconduct and non-compliance issues for further investigation; • Timely update the Code of Conduct and Anti-Corruption Policy with reference to the latest applicable laws and regulations, and provide regular integrity trainings for the employees to reinforce the Group's values of acting lawfully, ethically and responsibly; • Conduct regular audit on suppliers' corporate social responsibilities in the areas of Labour, Ethical Standards, Environment and Health & Safety; • Regular declaration of any conflict of interest incident by the management and staff; • Appropriate controls around transactions and payments to third parties.

Risk Management and Sustainability Committee Report (Continued)

Highlights of the Committee's Work in FY2022 (Continued)

The Risk Management and Sustainability Committee ensures that any new and emerging risks are promptly identified, evaluated and appropriate actions are taken by the management. This requires the active and frequent participation by the process owner of each function in identifying risks affecting its business and implementing measures to reduce such risks, as well as the active monitoring on the progress of the improvement in internal control procedures.

Data Security Governance Board

The Data Security Governance Board was established with defined terms of reference reporting to the Risk Management and Sustainability Committee. It is chaired by the Group Chief Executive Officer and comprises the Group President, the CMS Chief Executive Officer, the TEL President, the Group Chief Financial Officer, the Company Secretary and Head of Internal Audit, and the Group Chief Information Officer.

The Data Security Governance Board is responsible for the decision-making, implementation, enforcement, oversight and periodic review of the Data Security Policy and practices, as well as the cybersecurity risks and mitigation measures of the Group. It also ensures that the Group's data security practices are compliant with international and local laws and regulations, including but not limited to, the applicable privacy ordinances and data protection regulations in the respective countries such as the General Data Protection Regulation in Europe.

The Data Security Governance Board has reviewed and monitored the implementation and execution of the Data Security Policy and practices of the Group for the compliance with the latest privacy ordinances and data protection regulations in the respective countries during the year. It has also reviewed the implementation progress of the additional preventive measures, technologies enhancement and staff trainings for the mitigating the Group's exposure to cybersecurity risks. In addition, the Data Security Governance Board has reviewed and monitored the remedial actions of the identified security related issues which have been brought to its attention.

During the financial year and up to the date of this Annual Report, the Risk Management and Sustainability Committee has reviewed and approved the meeting minutes of the Data Security Governance Board. The Risk Management and Sustainability Committee has also reviewed the proposed revision on the Risk Management and Sustainability Committee Charter.

Overall Risks Assessment

Based on the risk assessments prepared by process owner of each function and the respective management teams, the Risk Management and Sustainability Committee considered that for FY2022:

- Ongoing process is in place for identifying, evaluating and monitoring the major risks faced by the Group and functioning effectively;
- Risk mitigation measures have been developed to ensure that the major emerging and existing risks identified and reported to the Committee are managed effectively to mitigate the risks of disruption on the Group's business and operations.

Sustainability Performance

The Risk Management and Sustainability Committee has also reviewed and monitored the Group's performance on external sustainability indices, which are shown in the following table:

Index Name	FY2022 Score
Hang Seng Corporate Sustainability Benchmark Index	AA
FTSE4Good Global Index	3.5
MSCI ESG Ratings	A

Product Responsibilities and Value Chain Management

VTech's culture of innovation, which supports and encourages creative thinking and sharing of new ideas in the workplace, not only facilitates its employees to design and develop innovative and high quality products for the wellbeing of people and benefits of society, but also upholds the highest international and local quality and safety standards. VTech's management approach continues to focus on two key management principles – "Design for Excellence" and "Design for People". It is also dedicated to incorporating sustainability concepts into the design of products to make them more eco-friendly and sustainable.

Design for Excellence

The designers and engineers are required to follow the requirements on the Life Cycle Assessment checklist to select more eco-friendly product and packaging materials, reduce the use of materials and energy, maximise the use of reusable items and avoid disposal of recyclable materials to landfill during the product development stage.

VTech continues to improve its manufacturing process to make it more sustainable. For examples, in order to minimise the environmental impact of the colouring process, the Company has extended the use of waterborne paint in the products and packaging and adopted the over-molding and inkjet printing technologies. VTech has also adopted the vacuum plasma spray technology and planned to use Volatile Organic Compounds (VOCs)-free flux to reduce VOCs emission. VTech has also been working on extending the product life cycle from cradle-to-grave to cradle-to-cradle, through the increasing use of sustainable materials for its products and packaging, as well as engaging in post-consumer recycling programmes for its products and packaging.

With its sustainability goal to replace fossil-based virgin plastic by sustainable materials such as recycled, reclaimed, recyclable, plant-based plastics, or Forest Stewardship Council®-certified wood, VTech launched the first range of green ELPs made from sustainable materials in FY2022. It will roll out more eco-friendly toy products later this year. These include Busy Musical Bee and Soft Discovery Turtle with fabrics made from recycled polyethylene terephthalate (PET) bottles and certified with the Global Recycled Standard, Touch & Feel Sensory Keys as well as Stack, Rattle & Link Elephant made from plant-based plastics. VTech will also expand the range of wooden toys with materials sourced from responsibly managed forests certified by Forest Stewardship Council®. This includes LeapFrog® Tappin' Colors 2-in-1 Xylophone™, LeapFrog® Wooden AlphaPup™ and LeapFrog® Interactive Learning Easel.

Green Electronic Learning Products

With regard to TEL products, VTech launched the first green hotel phone using recycled PET bottles in FY2022 with anti-bacteria technology.

Green Hotel Phone

The Company has also continued to develop Digital Enhanced Cordless Telecommunication cordless phones with Blue Angel eco-label, and upgraded the power adaptor to the level VI standard with Energy Star eco-label.

Eco-labels

As for the packaging of ELPs, currently 94% of the packaging materials was recyclable, of which about 85% was made from recycled materials. VTech has also replaced the fossil-based blister packaging with plant-based alternative in new ELPs packaging, and committed to adopting the sustainable alternatives in 99% of the ELPs by 2025. In addition, it has eliminated plastic packaging in over 40% of the baby monitor products. The use of waterborne paint has also been extended to product packaging to mitigate the impacts to the environment in the manufacturing process.

In order to support circular economy initiatives for recycling of its products and packaging in a responsible way, VTech has partnered with various leading international recycling companies in its major markets. For post-consumer products recycling, VTech has engaged with TerraCycle® in the US and Electronic Products Recycling Association in Canada. It has also followed the Waste Electrical and Electronic Equipment Directive in Europe by adding product recycling labels on the product packaging.

These recycling programmes provide an easy way for consumers to recycle VTech's ELPs in the respective countries.

Product Recycling Programmes in the US, Canada and Europe

As for post-consumer packaging recycling programmes, VTech has also engaged in various recycling organisations in the US, the UK, Australia and New Zealand. Packaging recycling labels such as How2Recycle® and "OPRL" the On-Pack Recycling label have been placed on the product packaging of its ELPs for consumers' easy reference. VTech will continue to explore opportunities to extend these post-consumer products and packaging recycling programmes to other major markets.

Packaging Recycling Programmes in the US, the UK, Australia and New Zealand

VTech is also committed to designing and manufacturing products that meet the highest international and local health and safety standards. All the manufacturing facilities are certified with Quality Management System: ISO 9001. It has implemented a stringent quality control system, from incoming materials inspection, in-process quality audit, finished goods quality assessment, to after-sales management to ensure that its products meet the required specifications and are free from defects at the time of delivery. As product safety is always its number one priority, VTech continues to strengthen its quality assurance and management programmes throughout the whole product life cycle from the early stage of product design, to the after-sales services and warranties.

Design for People

As a global leader in the electronic learning products, VTech has launched various new learning toy products to inspire the creativity of children. These included the LeapFrog® LeapLand Adventures™, an interactive TV learning product with video games for kids to learn about letters, numbers, shapes and colours; and KidiZoom® PrintCam™, a kid-friendly camera featuring a flip-up lens for selfies, built-in digital stickers, filters and borders for designing their own images.

KidiZoom® PrintCam™

LeapFrog® LeapLand Adventures™

LeapFrog® BabyCare App

As for baby care products, VTech has upgraded its baby monitor app with enriched information on baby care and development, which helps parents to look after their babies remotely from any locations. VTech has also launched V-Hush™ Pro Soothing Sleep Trainer, a soothing baby sleep Trainer, with a programme designed by a global sleep expert combining light, sounds, and tips to train healthy sleep habits for babies.

V-Hush™ Pro Soothing Sleep Trainer

Sustainable Supply Chain

A sustainable supply chain management is crucial for the Group's sustainable operations. VTech has a well-established "Supply Chain Management System" to monitor the quality and sustainability performance of its suppliers. In order to mitigate environmental and social risks throughout the supply chain, VTech has established a Supplier Code of Conduct, Conflict Minerals Policy, and Modern Slavery and Transparency in Supply Chains Statement according to international and industry standards including the United Nations Global Compact and the Responsible Business Alliance (collectively VTech Supplier Policy). All suppliers are required to comply with the VTech Supplier Policy in relation to human rights, labour practices, health and safety, business ethics, minerals sourcing as well as environmental protection. VTech also collaborates with its suppliers to provide a safe, inclusive and sustainable workplace for their employees, and promote ethical sourcing practices with suppliers' commitment to VTech Supplier Policy. In FY2022, VTech continued to conduct supplier engagement workshops for its suppliers virtually. The Company also provided suppliers with hands-on training and guidance for suppliers to achieve continuous improvement in their sustainability performance.

Environment

As an environmentally conscious and sustainable company, VTech is committed to protecting the environment and mitigating the impacts of climate change with target towards a circular economy. Its culture of innovation also facilitates VTech to strengthen its operational excellence with innovative solutions in the factory operations to continuously improve its productivity, and incorporate sustainability concepts in the business operations. It recognises that climate change could create uncertainties in its business development. In the 5-year Sustainability Plan 2025, VTech has developed "Climate Change Strategy" to assess how climate change could affect its business operations, identified the associated risks and opportunities, and developed sustainability initiatives to address them in the coming five years.

In response to climate change, VTech has been assessing and enhancing the monitoring measures of its climate-related risks and environmental impacts while upholding the TCFD recommendations since FY2020. In FY2022, selected climate scenarios were incorporated into the risk assessment process, evaluating the impact of physical and transition risks of climate change on business under different timeframes. The assessment results help VTech to build stronger resilience against the climate-related risks with regards to their impact, and fully seize the opportunities of low-carbon future in its business development.

Application of Solar Technology

Two key principles – "produce for quality" and "produce for efficiency" – are the main drivers for the manufacturing process improvement. VTech has been implementing the low cost automation and lean manufacturing programmes to maximise its resources utilisation and improve the productivity without compromising the quality of its products, while aiming to reduce the potential environmental impacts throughout the manufacturing process.

The major environmental impacts from VTech's operations relate to energy and water consumption, waste production and logistics. The Company has incorporated the 3Rs (Reduce, Reuse, and Recycle) principle into its manufacturing process, and established energy and resources management system to better utilise the resources in its manufacturing process, aiming to reduce the energy and water consumption, minimise the waste production and improve the reuse rate of resources.

VTech aims to operate its manufacturing processes and facilities in a manner that minimises the impacts to the environment, and ensure that its operations are compliant with all the relevant environmental, legal and statutory requirements. By implementing the high performance production chain and lean manufacturing programmes, it has improved the resources efficiency and productivity while maintaining the green manufacturing practice. VTech has started the use of renewable energy by installing solar panels on the rooftop of a dormitory and solar lamps in the operating sites, and two of its overseas offices have switched to renewable energy providers for their electricity consumption. Moving forward, VTech will continue to apply solar technology by extending the installation of solar panels and solar lamps in different areas of the operating sites in FY2023.

Through the adoption of a green logistic management approach, and choosing the most eco-friendly transportation mode for delivering the incoming materials from suppliers and outgoing products to the customers, VTech has also further reduced the Green House Gas (GHG) emissions. These included relocations of the distribution centers in the US, Canada and Australia to enhance the logistic efficiency. In FY2022, VTech set up a new distribution center in Spain to reduce both time and distance for sending products to Spanish customers. With the continuous implementation of green manufacturing and logistic programmes, VTech has managed to reduce GHG emission per production output in the assembly factories and plastic plants by 14.8% and 10.3% respectively compared with FY2020.

VTech has also continuously worked with different government bodies to minimise the environmental impact of the production facilities. TEL products manufacturing site has been certified as the "Hong Kong – Guangdong Cleaner Production Excellent Partners" by the Hong Kong Productivity Council and Guangdong Provincial Government in recognition of the positive contribution to improving the air quality and local environment in FY2022 for the eight consecutive years. It has also been recognised as the "Dongguan Environmentally Friendly Enterprise" by the

Dongguan, Guangdong Province Environmental Protection Bureau in mainland China in FY2022 for the eight years. Moreover, the VOCs purification system was recognised as "Demonstration Project" under the Cleaner Production Partnership Programme of Hong Kong Productivity Council in FY2019. All the existing manufacturing sites of the TEL products, ELPs and CMS are certified with the ISO 14001 standard for environmental management, demonstrating that VTech is committed to continuous improvement on environmental protection.

In prior years, VTech had installed a rainwater harvesting system, wastewater treatment system and grey water harvesting system for greenery, cleaning and dormitory consumption at the operation sites. To further reduce freshwater consumption, it has extended the wastewater reuse to the manufacturing processes. The Company has also upgraded the water infrastructure to improve the operational efficiency. To further reduce water consumption, VTech has continued to implement various water saving campaigns at its dormitories and manufacturing sites. With the extensive effort in carrying out different water saving programmes, VTech managed to reduce the total water consumption per production output by 18.0% compared with FY2020.

VTech aims to minimise unnecessary waste of materials from the product design stage and reduce the use of packaging materials. In FY2022, the blister trays used for parts protection during the production process were reused in its plastic plant. VTech has also worked closely with its suppliers by returning plastic recyclables to suppliers for reuse. With all these waste reduction and recycling projects in place, VTech achieved recycling rate of 81.4% in FY2022.

VTech is committed to minimising the potential environmental impacts from its operations with the following principles:

- Comply with all relevant environmental, legal and other statutory requirements
- Maintain an Environmental Management System in line with the requirements of ISO 14001
- Quantify and monitor the significant environmental impacts of activities, products and services and set specific targets for improvement where appropriate, and review these annually
- Integrate environmental objectives into business decisions in a cost effective manner
- Require all staff to address environmental responsibilities within normal operating procedures
- Enhance awareness of environmental and resource efficiency issues amongst customers, suppliers, staff and stakeholders through improvement projects and programmes in the respective areas

In order to meet the above requirements in a sustainable manner, VTech has functional teams comprising individuals from different product lines and departments across the organisation. The environmental policy is reviewed annually to ensure that it is relevant and up to date.

Lean Manufacturing and Low Cost Automation

Our People

VTech aims to provide a safe, inclusive and motivating workplace for its employees. It also promotes a culture of integrity with human resources management policies in place to foster a caring atmosphere with mutual respect in the workplace. VTech cares for its employees and recognises that having good staff relations and a motivated workforce play a vital role in the Company's efficient operations. All the existing VTech assembly and plastic factories in mainland China are certified with the Occupational Health and Safety Management Systems (ISO 45001). TEL and CMS assembly factories in mainland China are also certified with Social Accountability (SA 8000) certification and ELPs with ICTI Ethical Toy Program compliance certification. These external verified certifications demonstrate the compliance with local laws and high quality working conditions.

The human resources management policy builds on four key values – "Communication and Staff Relations", "Advancement in Careers", "Respect of Labour and Human Rights", and "Environment for Our People" (CARE). To ensure the effectiveness of the workplace management system, VTech conducts employee satisfaction survey regularly and has cross functional teams and committees at different manufacturing sites, to determine goals and targets, discuss new projects, and review project progress on improvement of workplace and employees-related issues based on the feedback from the employees.

Protecting the health and safety of employees especially under the COVID-19 pandemic is always the Company's top priority. In order to ensure that a safe working environment is provided at all the workplaces worldwide, VTech has continued to implement various precautionary measures in its offices and factories following the local government and World Health Organisation guidelines, and offer work-from-home arrangement for the employees whenever necessary.

Staff Activities

VTech recognises open communications is an important element in achieving effective workplace management system. The Company encourages employees to voice out their opinions through various communication channels at all levels throughout the Company. All information, opinions and suggestions gathered from employees are followed up by the employee relations team. VTech also believes staff relationship could be further strengthened by their participations in different kinds of staff activities. Staff Association continues to organise various activities including leisure, social events and outing for the employees.

VTech encourages its employees to develop and advance their careers in the Company. It also actively promotes continuous learning initiatives and a culture of integrity with a wide range of training programmes for the employees to instill and reinforce the Group's values of acting lawfully, ethically and responsibly. With the effort in promoting continuous learning, the average training hours per employee increased by 16.8% compared with FY2020. VTech is also committed to respecting the labour and human rights of all the staff, with clearly defined human resources management policies and a transparent performance evaluation system to promote an inclusive working environment with equal opportunity for all employees. The Company has procedures in place to ensure that its policies are properly implemented throughout the Company. Any issues or enquiries raised by the employees through different communication channels will be handled and investigated by the Company with care and in a confidential manner.

As for the working environment, VTech always puts workplace safety as the number one priority. It also has Employee Health and Safety (EHS) teams at all the manufacturing sites to conduct the regular health and safety audit, and provide different training programmes for the employees. EHS assessment is conducted for newly purchased equipment to identify and mitigate safety hazards prior to work. Safety trainings and campaigns are regularly promoted to strengthen the workers' involvement in safety management. With the continuous activities and efforts focusing on workplace safety, the health and safety training hours per employee continued to increase compared with the last financial year, and it did not have any work related fatality case.

The majority of employees in the mainland China manufacturing facilities are from different provinces of the country. VTech recognises that to make them feel at home, and have a sense of belonging while they are living in the dormitories are very important. The Company has continuously upgraded the recreational facilities and dormitories at the manufacturing sites. For examples, CMS's New Product Introduction Centre in Shenzhen, China, which was designed with corporate social responsibility concepts, was opened in FY2021. It provides staff with a modern style of working environment, including a comfortable pantry for them to take a rest and enjoy their lunch. In CMS dormitory, a greenery roof has been set up to utilise the empty space, which cools the building, and offer enjoyable space for staff to gather during leisure time, plant vegetables and share the harvest with the team.

Living Environment for Employees

Society

As a responsible corporate citizen, VTech promotes a culture of accountability for the communities in which it operates in various ways, focusing on helping people in need, collaborating with local charities to support the local charitable events, providing training opportunities for young people, nourishing an innovative environment and developing a healthy and green community.

Since the establishment of VTech's voluntary teams in different manufacturing sites and global offices, the Company has participated in various voluntary events, and created a strong social network to assist and support the people in need. It also encourages the employees and their families to participate in the volunteering activities, bringing positive impact to the people and the society. In FY2022, VTech had recruited over 2,600 volunteers and contributed over 21,000 volunteering hours for the communities.

The COVID-19 pandemic has posed unprecedented challenges on a global scale. Under-resourced children have been particularly affected as schools are closed and they lack the facilities and equipment to learn at home. For two consecutive years, VTech has used its worldwide resources to collaborate with Save the Children, an international charitable organisation supporting marginalised and vulnerable children, to organise various events across multiple countries.

VTech's charitable events with Save the Children included a worldwide toy donation programme with over 4,400 electronic learning toys donated by VTech. It also made donations through the participation in the "Letter Writing" and "Christmas Jumper Day" campaigns. VTech's employees across the world wrote letters with words of hope and encouragement for children in need of support. As for the "Christmas Jumper Day" fund-raising event, staff dressed up in a Christmas Jumper at VTech's 45th Anniversary Buffet Night to support the children struggling in humanitarian crisis.

For the period from December 2020 to November 2022, VTech has been donating US$1 to Save the Children for every baby monitor and toy sold through its online shops in Canada and Hong Kong, and every baby monitor sold through its online shop in the US.

VTech has also collaborated with local charities to support various charitable activities around the world. In FY2022, the Company made charitable and other donations of over US$193,000. With the dedicated efforts and contributions to the charities, VTech was presented with "Heart to Heart Company" by the Hong Kong Federation of Youth Groups and the Company was the proud recipient of the "Outstanding Caring Awards (Enterprise Group)" presented by Federation of Hong Kong Industries in FY2022. VTech has also been awarded the "Caring Company" by The Hong Kong Council of Social Service for fourteen consecutive years in recognition of the continuous contribution to the Hong Kong community.



Collaboration with Save the Children

VTech recognises that attracting the best talents is important for the sustainable growth of the Company. It regularly recruits interns from local universities and organises various workshops with schools for the young people. The Company continues to offer the scholarship programmes to universities in Hong Kong and mainland China.

VTech Innovation & Sustainability Award

VTech scholarships were awarded to 14 students from five universities in Hong Kong including The University of Hong Kong, The Hong Kong University of Science and Technology (HKUST), The Chinese University of Hong Kong, City University of Hong Kong (CityU) and The Hong Kong Polytechnic University. In order to nurture the next generation of sustainability leaders, VTech has partnered with the School of Energy and Environment of CityU to organise the "VTech Innovation & Sustainability Award". It has also engaged with the students and alumni of HKUST MBA for a virtual enrichment talk on "ESG: Way Forward", sharing its sustainability journey and insights on ESG's future development in the industry.

Virtual Enrichment Talk

VTech Scholarships Programmes

Clockwise: Global Green Day in Australia, the Netherlands, the UK and Spain

VTech is a keen supporter for developing a healthy and green community. It not only dedicates the efforts to minimising the environmental impacts from its operations, but also participates in different community events to develop and promote a healthy and green lifestyle for the employees and the community. The Company has continued to sign up the pledge for Earth Hour.

In spite of the challenges posed by the COVID-19 pandemic, VTech continued to organise the "Global Green Day" on 18 Mar 2022 with different kinds of activities to promote a healthy and green lifestyle with employees all over the world. These activities included green plant workshops, beach cleaning, and green habit challenges such as meatless Monday and cycling to work. These activities not only help preserve the environment but also raise the employees' awareness of environmental protection.

Investor Relations

The year 2022 marks the 30th anniversary of the listing of VTech Holdings Limited on The Stock Exchange of Hong Kong Limited. Over the three decades, we have done our utmost to maintain extensive and ongoing engagement with shareholders and investors, as well as to improve the quality of our disclosure. This continuous dialogue ensures that shareholders and the investment community have an up-to-date picture of the Group's developments, while VTech management has a good understanding of investors' concerns.

Investor Communications

The Group's investor communications are governed by a Shareholders Communication Policy, which is available on the Group's website. This Policy forms the basis for ongoing engagement with shareholders and the investment community.

Our approach to shareholder communication and engagement includes:

Channels	FY2022 Highlights
Annual General Meeting (AGM)	• Shareholders are encouraged to attend and vote in person
Investor Meetings	• Investor meetings conducted via conference calls and virtual meetings • Non-deal roadshows conducted online with investors from Asia and Europe
Analyst Briefings	• Live webcasts of the Group's interim and annual results announcement
Reports and Announcements	• Annual Reports, Interim Reports, Sustainability Reports and all announcements are available on the Group's website
VTech Website	• Policies and codes • Notice of AGM and poll results • Updates of recent financial information and latest investor information • Analyst briefings materials • Media releases
Investor Relations Email (investor_relations@vtech.com)	• Designated email makes two-way communication with shareholders and investors simple and efficient

Before the COVID-19 pandemic, the Group conducted tours of its manufacturing facilities in mainland China as part of its efforts to engage institutional shareholders and investors. We will monitor the COVID-19 situation and resume the tours when appropriate, while safeguarding the health and safety of participants and employees.

Shareholder Value

Our goal is to create sustainable value over the long term for our shareholders through a total return based on regular dividend payments and share price performance. Our success in achieving this and in sustainability has led to our inclusion in a number of key indexes.

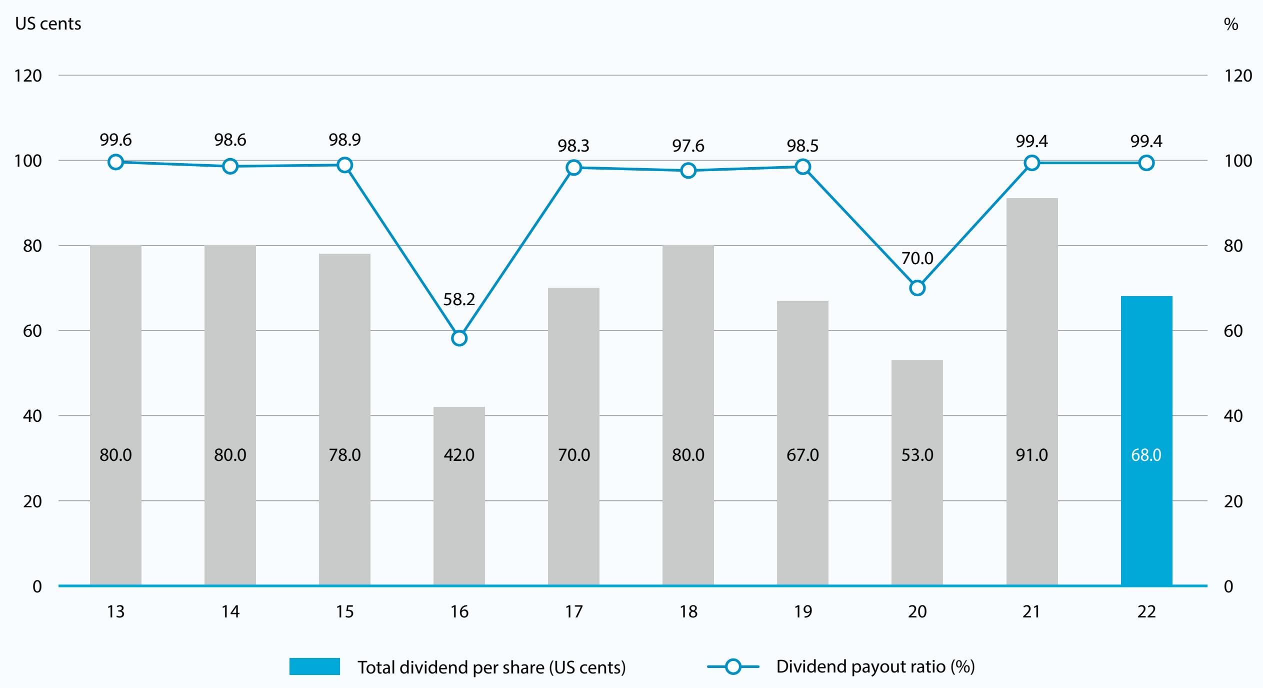
Dividend Payments

The Group's dividend payout ratio is determined by various factors, including the actual and expected financial performance of the Group, global economic conditions, the Group's business strategies, liquidity position and capital requirements.

We are committed to returning value to shareholders through dividend payments and a consistently high dividend payout ratio. In eight of the past ten years, VTech has returned over 90% of its earnings to shareholders through dividend payments. In total, dividend payments during the past decade have amounted to US$1,802.1 million.

The Group has reduced the dividend payout ratio only in response to unusual or special events. This occurred in the financial year 2016 following the LeapFrog acquisition and again in the financial year 2020 during the COVID-19 crisis.

Total Dividend Per Share and Dividend Payout Ratio in Last 10 Years



In the financial year 2022, the dividend payout ratio remained at 99.4% of the profit attributable to shareholders of the Company. Despite its high dividend payout ratio, VTech has consistently maintained a strong balance sheet, with a net cash position.

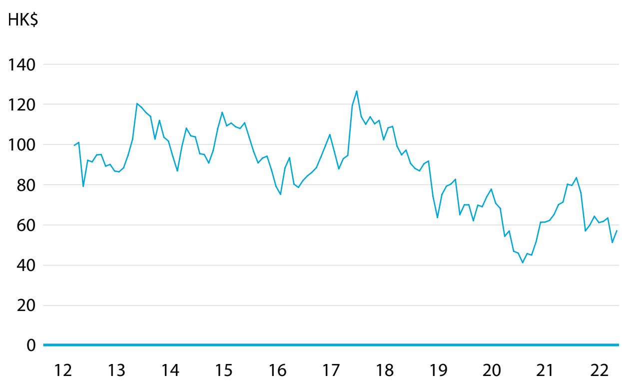
Further details of the Group's dividend policy are set out in the Corporate Governance report on page 55.

Share Price Performance

For the year ended 31 March	2022	2021
Highest closing price	**HK$83.40** (13 July 2021)	HK$72.30 (11 March 2021)
Lowest closing price	**HK$51.15** (15 March 2022)	HK$41.10 (27 July 2020)

VTech Share Price in Last 10 Years

(1 April 2012 – 31 March 2022)



Source: Bloomberg L.P.

Index Recognition

VTech Holdings Limited is a constituent stock of the Hang Seng High Dividend Yield Index, Hang Seng Corporate Sustainability Benchmark Index and FTSE4Good Global Index. The Company received ratings of AA and A respectively in the Hang Seng Corporate Sustainability Benchmark Index and MSCI (Morgan Stanley Capital International) ESG Ratings assessment. This is in recognition of our high levels of environmental, social and corporate governance performance.

Financial Calendar	
8 – 13 July 2022 (Both days inclusive)	• Closure of Register of Members – Annual General Meeting
13 July 2022	• 2022 Annual General Meeting
19 July 2022	• Closure of Register of Members – Payment of Final Dividend
28 July 2022	• Payment of Final Dividend
November 2022	• 2022/2023 Interim Results Announcement
May 2023	• FY2023 Annual Results Announcement

Share Listing

Shares of VTech Holdings Limited are:

- Listed on the Stock Exchange of Hong Kong Limited
- On the list of Southbound trading through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

Stock Code

The Stock Exchange of Hong Kong Limited: 303

Share Information

Board lot: 100 shares
Issued shares as at 31 March 2022: 252,379,133 shares

Dividend

Dividend per ordinary share for the year ended 31 March 2022

- Interim dividend: US17.0 cents per share
- Final dividend: US51.0 cents per share

Share Registrars

Principal

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong Branch

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990
Enquiries: www.computershare.com/hk/en/online_feedback

Investor Relations Contact and Website

Corporate Marketing Department

23rd Floor, Tai Ping Industrial Centre, Block 1
57 Ting Kok Road
Tai Po, New Territories
Hong Kong
Tel: (852) 2680 1000
Fax: (852) 2680 1788
Email: investor_relations@vtech.com
Website: www.vtech.com/en/investors

Directors and Senior Management

Biographical Details of Directors

Allan WONG Chi Yun, GBS, MBE, JP, aged 71, Executive Director, Chairman and Group Chief Executive Officer, co-founded the Group in 1976. Dr. WONG holds a Bachelor of Science degree in Electrical Engineering from The University of Hong Kong, a Master of Science degree in Electrical and Computer Engineering from the University of Wisconsin, Madison and an Honorary Doctorate of Technology from The Hong Kong Polytechnic University. He is the deputy chairman and an independent non-executive director of The Bank of East Asia, Limited, and an independent non-executive director of China-Hongkong Photo Products Holdings Limited. He was an independent non-executive director of MTR Corporation Limited (2015-2020) and Li & Fung Limited (1999-2020). Dr. WONG is the father of Mr. William WONG Yee Lai, a Non-executive Director.

PANG King Fai, aged 66, Executive Director and President of the Group, holds a Bachelor of Science in Engineering from The University of Hong Kong, a Master of Philosophy degree from Imperial College of Science, Technology and Medicine, London and a Doctor of Philosophy degree from Stanford University. He is a Fellow of the Institution of Engineering and Technology. Dr. PANG joined the Group in 2004 as Group Chief Technology Officer and was promoted to the position of President of the Group in 2009. He has over 20 years of experience in design engineering for consumer electronics products.

Andy LEUNG Hon Kwong, aged 63, Executive Director and Chief Executive Officer of Contract Manufacturing Services, holds a Bachelor of Science degree in Electrical and Electronic Engineering from the University of Newcastle upon Tyne in the United Kingdom and an MBA degree from Oklahoma City University in the United States. He is also responsible for overseeing the China Services Department of the Group. Mr. LEUNG joined the Group in 1988, left the Group in 1990 and re-joined in 1991. He became the Chief Executive Officer of Contract Manufacturing Services in 2002 after serving as General Manager for 9 years. Mr. LEUNG has over 20 years of experience in the electronics and manufacturing industry.

William WONG Yee Lai, aged 42, appointed as a Non-executive Director in 2019. Mr. WONG attended Southern Methodist University in Computer Science. Mr. WONG is the founder and the CEO of Playality Limited ("Playality"). Playality was a leading Hong Kong online and social gaming company. Mr. WONG started such business in December 2011 and within a year, he (who was also the architect behind Playality's data analytics engine) led the company to much success, with its Grand Poker game being popular in the poker genre on a global social media platform. Previously, Mr. WONG was the founder and the CEO of Ality Limited, a company which developed an internet connected digital photo frame with instant messenger client and web content streaming and its products were sold at well-known retail chain stores. Mr. WONG is the son of Dr. Allan WONG Chi Yun, an Executive Director, the Chairman and Group Chief Executive Officer.

William FUNG Kwok Lun, SBS, OBE, JP, aged 73, appointed as an Independent Non-executive Director in 2001. Dr. FUNG holds a Bachelor of Science degree in Engineering from Princeton University and an MBA degree from the Harvard Graduate School of Business. He was awarded the degrees of Doctor of Business Administration, *honoris causa*, by The Hong Kong University of Science and Technology, by The Hong Kong Polytechnic University and by Hong Kong Baptist University and a degree of Doctor of Letters, *honoris causa*, by Wawasan Open University of Malaysia. Dr. FUNG is the group deputy chairman of the Fung Group, a Hong Kong based multinational engaged in trading, logistics, distribution and retailing. He is the chairman and an executive director of Global Brands Group Holding Limited (in liquidation), the chairman and a non-executive director of Convenience Retail Asia Limited and an independent non-executive director of Sun Hung Kai Properties Limited and The Hongkong and Shanghai Hotels, Limited. Formerly, he was the group non-executive chairman of Li & Fung Limited until October 2020. Dr. FUNG has held key positions in major trade associations. He is the past chairman of the Hong Kong General Chamber of Commerce (1994-1996), the Hong Kong Committee for the Pacific Economic Cooperation (1993-2002) and the Hong Kong Exporters' Association (1989-1991). He was a Hong Kong Special Administrative Region delegate to the Chinese People's Political Consultative Conference (1998-2003). He was awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2008.

KO Ping Keung, JP, aged 71, appointed as an Independent Non-executive Director in 2018. Professor KO holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Emeritus Professor of Electronic & Computer Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the vice chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley (1991-1993) and a member of Technical staff, Bell Labs, Holmdel (1982-1984). Professor KO is currently an independent non-executive director of Henderson Investment Limited, Henderson Land Development Company Limited and Q Technology (Group) Company Limited and a director of Beken Corporation, the shares of which are listed on Shanghai Stock Exchange.

Patrick WANG Shui Chung, SBS, JP, aged 71, appointed as an Independent Non-executive Director in 2001. Dr. WANG obtained his Bachelor of Science and Master of Science degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, USA. Dr. WANG is currently the chairman and chief executive of Johnson Electric Holdings Limited and a non-executive director of Tristate Holdings Limited. He is also a member of the Clinical Governance Committee of the Hong Kong Sanatorium & Hospital Limited.

WONG Kai Man, BBS, JP, aged 71, appointed as an Independent Non-executive Director in 2012. Mr. WONG holds a Bachelor of Science degree in Physics from The University of Hong Kong and an MBA degree from The Chinese University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants, United Kingdom and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. WONG is a retired audit partner of PricewaterhouseCoopers with 32 years of professional accounting experience. He was a member of the Growth Enterprise Market Listing Committee of The Stock Exchange of Hong Kong Limited (1999-2003), a non-executive director of the Securities and Futures Commission (2009-2015) and a member of the Financial Reporting Council (1 December 2014 – 30 September 2021). He is currently an independent non-executive director of SUNeVision Holdings Limited. Mr. WONG also serves on the boards of a number of non-governmental organisations.

Biographical Details of Senior Management

Group

Hillson CHEUNG Hoi, aged 54, President of Telecommunication Products, is responsible for overseeing the Telecommunication Products Branded and ODM business worldwide, and the manufacturing operations of both the Telecommunication Products and Electronic Learning Products. Mr. CHEUNG joined the Group in 2000 as Factory Manager for the Electronic Learning Products and rejoined the Group in 2007. Prior to rejoining the Group, he held management positions in a number of areas including product development, factory operations and supply chain management in the electronic manufacturing industry. Mr. CHEUNG holds a Bachelor of Engineering degree in Manufacturing Engineering from the City University of Hong Kong and an MBA degree from The Hong Kong University of Science and Technology.

CHU Chorng Yeong, aged 62, Group Chief Technology Officer, is responsible for overseeing the product development of the Electronic Learning Products as well as contributing to the Group in establishing technology strategies and product development directions. Dr. CHU joined the Group in 2009. Prior to joining the Group, he held senior vice president positions at SiS (a listed company in Taiwan) and ESS Technology (a listed company in the United States). He had worked in the Silicon Valley for 20 years specialising in integrated circuit and software developments for the consumer electronics industry. Dr. CHU holds a Bachelor of Science degree in Computer Science from Columbia University, and a Master of Science degree and a Doctor of Philosophy degree in Electrical Engineering from Stanford University.

Shereen TONG Ka Hung, aged 53, Group Chief Financial Officer, is responsible for the Group accounting and tax, treasury and financial as well as information technology and human resources management functions. Ms. TONG joined the Group in 1994 and held management positions in a number of areas including internal audit and financial control of the Group. Ms. TONG holds a Master of Laws degree in Compliance and Regulation from The University of Hong Kong, an MBA degree from Manchester Business School, UK, a Master of Science degree in Information Systems from The Hong Kong Polytechnic University and a Bachelor of Laws degree from Manchester Metropolitan University, UK. She is an associate member of the Chartered Institute of Bankers, UK and the Chartered Institute of Management Accountants, UK, and a fellow member of the Hong Kong Institute of Certified Public Accountants.

CHANG Yu Wai, aged 62, Company Secretary and Head of Internal Audit, joined the Group in 2000 after spending eight years with one of the leading international accounting firms in Hong Kong. He has over 15 years of experience in professional accounting and auditing. Mr. CHANG holds a Bachelor of Science degree in Mathematics and Management Sciences from the University of Manchester Institute of Science and Technology. Mr. CHANG is a member of the Institute of Chartered Accountants in England and Wales.

International

Gilles SAUTIER, aged 66, International President, is responsible for the Electronic Learning Products in the United States, Europe, Australia, Latin America and South Africa. He is also responsible for the support centre in Holland which takes care of finance, logistics management and IT systems for the European sales companies. Mr. SAUTIER joined the Group in 2000. With over 35 years of experience in marketing, sales and management in the toy industry, he held various management positions in Kenner-Parker, Spear's Games, Ideal Toys and Majorette. Since January 2015, he has served as the vice president of the French Federation of Toys Industries. Mr. SAUTIER holds a Bachelor degree in Law from the University of Paris and an MBA degree from L'ESSEC, a French business school.

Andrew Seth KEIMACH, aged 60, President of VTech Electronics North America, L.L.C., is responsible for the Electronic Learning Products in the United States. Mr. KEIMACH joined the Group in 2018. Prior to joining the Group, he was the president of Munchkin, Inc., a leading infant products manufacturers in the United States. Mr. KEIMACH has over 35 years of experience in global consumer products. Since February 2022, he has served as a member of the Executive Committee of the Board of Directors, The Toy Association, Inc. Mr. KEIMACH holds a Bachelor's degree in Finance from the University of Maryland.

Gordon CHOW, aged 66, President of VTech Technologies Canada Ltd., is responsible for both the Telecommunication Product in North America and Electronic Learning Products in Canada. He established the Canadian operations in 1986. Mr. CHOW is a director of the Jays Care Foundation. He served as a member of the President's Advancement Council of British Columbia Institute of Technology and a director of the BCIT Foundation. He was also a member of the Royal Roads University – MBA Advisory Board, a director of the Canadian Toy Association and a member of the Board of Governors of Crofton House School in Vancouver. Mr. CHOW holds a Bachelor of Commerce degree from the University of British Columbia and was a member of the Institute of Chartered Accountants of British Columbia.

Alec Louis ANDERSON, aged 54, President of VTech Communications, Inc., is responsible for the Telecommunications Products in the United States. Mr. ANDERSON joined the Group in 2015 as the Vice President of Finance of the Telecommunications Products in the United States. Prior to joining the Group, he held executive management positions for over 25 years, with over 12 years in the consumer products industry. Mr. ANDERSON holds a Bachelor's degree in Business from California State University, San Bernardino.

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 March 2022.

Principal Activity

The principal activity of the Group is design, manufacture and distribution of consumer electronic products.

Group Results and Dividends

The results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of profit or loss on page 90.

An interim dividend of US17.0 cents (2021: US17.0 cents) per ordinary share was paid to shareholders on 17 December 2021. The Board has recommended the payment of a final dividend of US51.0 cents (2021: US74.0 cents) per ordinary share in respect of the year ended 31 March 2022, payable on 28 July 2022 to the shareholders whose names appear on the register of members of the Company as at the close of business on 19 July 2022 subject to the approval of the shareholders of the Company at the 2022 AGM.

The final dividend will be payable in United States dollars save that those shareholders with a registered address in Hong Kong will receive an equivalent amount in Hong Kong dollars which will be calculated at the rate of exchange as quoted to the Company by The Hong Kong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 15 July 2022.

Business Review

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the preceding sections of this Annual Report set out on pages 3 to 78 and they form part of this Report of the Directors. Further details relating to the Group's relationships with its key stakeholders and the Group's environmental policies and performance can be found in the Company's 2022 Sustainability Report, which is available on the Company's website: www.vtech.com.

Group Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 133.

Tangible Assets

Details of the movements in tangible assets of the Group during the financial year are shown in note 7 to the consolidated financial statements.

Share Capital and Share Options

Details of the movements in share capital and share options of the Company during the financial year are set out in note 21 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and the Company and the reserves available for distribution to the shareholders of the Company during the financial year are set out in the consolidated statement of changes in equity on pages 92 to 93 and in note 22 to the consolidated financial statements respectively.

Donations

During the financial year, the Group made charitable and other donations in an aggregate amount of approximately about US$193,000.

Directors

The Directors who held office during the financial year and up to the date of this Report of the Directors were:

Executive Directors
Allan WONG Chi Yun *(Chairman and Group Chief Executive Officer)*
PANG King Fai
Andy LEUNG Hon Kwong

Non-executive Director
William WONG Yee Lai

Independent Non-executive Directors
William FUNG Kwok Lun
KO Ping Keung
Patrick WANG Shui Chung
WONG Kai Man

At the 2022 AGM, Dr. Allan WONG Chi Yun, Dr. Patrick WANG Shui Chung and Mr. WONG Kai Man shall retire as Directors by rotation in accordance with Bye-law 112 of the Company's Bye-laws. All of the above three Directors, being eligible, shall offer themselves for re-election as Directors at the 2022 AGM.

Brief biographical details of the Directors and the senior management are set out on pages 79 to 80 of this Annual Report.

Permitted Indemnity Provision

Pursuant to the Bye-laws of the Company, a permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has also purchased the Directors' and Officers' Liability Insurance to provide adequate protection against claims arising from the lawful discharge of duties by the directors of the Company and its subsidiaries throughout the financial year.

Directors' Service Contracts

None of the Directors has a service contract with any company in the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Director's service contract entered into between the Company and Dr. Allan WONG Chi Yun in 1999 has no expiry date, but can be terminated by the giving of two months' prior notice, and is exempt from shareholders' approval requirement under Rule 13.68 of the Listing Rules.

Directors' Interests in Contracts

No transactions, arrangements and contracts of significance to which the Company, its subsidiaries, its holding companies, its controlling shareholder, or the subsidiaries of its controlling shareholder was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the financial year.

Directors' Interests in Competing Business

None of the Directors (other than Independent Non-executive Directors in accordance with the disclosure requirements of the Listing Rules) has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Directors' Rights to Acquire Shares or Debentures

Save for the share option scheme and the share purchase scheme disclosed below and in note 21 to the consolidated financial statements, at no time during or at the end of the financial year was the Company, or any of its subsidiaries or its holding companies, a party to any arrangement which enables the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Incentive Schemes

The Company operates a share option scheme and a share purchase scheme for the purpose of providing incentives and rewards to the eligible participants who contribute to the success of the Group's operations.

Share Option Scheme

At the annual general meeting of the Company held on 13 July 2021, the shareholders of the Company approved the termination of the share option scheme adopted on 22 July 2011 (the "2011 Scheme") (otherwise the 2011 Scheme would expire on 21 July 2021) and the adoption of a new share option scheme (the "2021 Scheme").

Details of the 2011 Scheme, the 2021 Scheme and the movements in relation to the share options granted pursuant to the 2021 Scheme are set out in note 21(b) to the consolidated financial statements.

Share Purchase Scheme

The share purchase scheme of the Company (the "Share Purchase Scheme") was approved on 30 March 2011 (the "Adoption Date").

Details of the Share Purchase Scheme (and the Addendum to the Share Purchase Scheme for the eligible French employees of the Group ("French Subplan")) are set out in note 21(c) to the consolidated financial statements.

During the year ended 31 March 2022, 221,900 shares (2021: 306,000 shares) were purchased on the Stock Exchange pursuant to the Share Purchase Scheme. The total amount paid to purchase 221,900 shares during the financial year was approximately US$1.6 million (2021: US$2.3 million). Further, 250,000 new shares (2021: 350,000 shares) were issued under the general mandate of the Company pursuant to the Share Purchase Scheme. Please refer to the announcement of the Company dated 9 June 2021 for further details.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

	Number of ordinary shares			**Equity derivatives**			
Name of Director	**Personal interest**	**Family interest**	**Other Interest**	**Share options**	**Unvested ordinary shares under Share Purchase Scheme**	**Total**	**Approximate percentage of shareholding** *(Note 10)*
Allan WONG Chi Yun	13,623,076	–	74,101,153 *(Note 1)* 4,667,037 *(Note 2)*	250,000	100,000 *(Note 3)*	92,741,266	36.75%
PANG King Fai	387,300	–	–	180,000	30,000 *(Note 4)*	597,300	0.24%
Andy LEUNG Hon Kwong	591,000	–	–	300,000	50,000 *(Note 5)*	941,000	0.37%
William WONG Yee Lai	–	–	74,101,153 *(Notes 1&6)*	–	–	74,101,153	29.36%
William FUNG Kwok Lun	449,430	5,000 *(Note 7)*	592,000 *(Note 8)*	–	–	1,046,630	0.41%
Patrick WANG Shui Chung	162,000	–	–	–	–	162,000	0.06%

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

Notes:

(1) *The shares were beneficially owned as to 1,416,325 shares by Honorex Limited ("Honorex"), as to 65,496,225 shares by Conquer Rex Limited ("Conquer Rex") and as to 7,188,603 shares by Twin Success Pacific Limited ("Twin Success"). Conquer Rex was wholly owned by Honorex. Each of Conquer Rex, Honorex and Twin Success was wholly owned by Surplus Assets Limited ("Surplus Assets"). Surplus Assets was wholly owned by Credit Suisse Trust Limited ("Credit Suisse") which acts as the trustee of The Allan Wong 2011 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun, a Director, is the founder. Surplus Assets was therefore deemed to have an aggregate indirect interest in 74,101,153 shares and Honorex was also deemed to have an indirect interest in 65,496,225 shares. Surplus Assets was wholly owned by Credit Suisse which was deemed to be interested in 74,101,153 shares by virtue of the SFO.*

(2) *The shares were held by Wong Chung Man Limited which was wholly-owned by Dr. Allan WONG Chi Yun.*

(3) *An aggregate of 100,000 Awarded Shares were granted to Dr. Allan WONG Chi Yun pursuant to the Share Purchase Scheme during the financial year. The Awarded Shares were purchased on the Stock Exchange by the trustee of the Share Purchase Scheme and will be vested on 17 May 2022 subject to the achievement of certain performance conditions for the year ended 31 March 2022.*

(4) *An aggregate of 30,000 Awarded Shares were granted to Dr. PANG King Fai pursuant to the Share Purchase Scheme during the financial year. The Awarded Shares were purchased on the Stock Exchange by the trustee of the Share Purchase Scheme and will be vested on 17 May 2022 subject to the achievement of certain performance conditions for the year ended 31 March 2022.*

(5) *An aggregate of 50,000 Awarded Shares were granted to Mr. Andy LEUNG Hon Kwong pursuant to the Share Purchase Scheme during the financial year. The Awarded Shares were purchased on the Stock Exchange by the trustee of the Share Purchase Scheme and will be vested on 17 May 2022 subject to the achievement of certain performance conditions for the year ended 31 March 2022.*

(6) *Mr. William WONG Yee Lai was deemed to be interested in 74,101,153 shares under the SFO by virtue of him being one of the discretionary beneficiaries of The Allan Wong 2011 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun is the founder.*

(7) *The shares were held by Pacific Fame Worldwide Limited which was beneficially owned by the spouse of Dr. William FUNG Kwok Lun.*

(8) *The shares were held by Golden Step Limited which was beneficially owned by Dr. William FUNG Kwok Lun.*

(9) *All the interests stated above represented long positions.*

(10) *The approximate percentage of shareholding is calculated based on 252,379,133 shares of the Company in issue as at 31 March 2022.*

Save as disclosed above, as at 31 March 2022, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholdings

As at 31 March 2022, other than the interests of the Directors and chief executives of the Company as disclosed above, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which fell to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name of shareholder	**Capacity**	**Number of shares held**	**Approximate percentage of shareholding** *(Note 3)*
Credit Suisse Trust Limited	Trustee *(Note 1)*	74,101,153	29.36%
Surplus Assets Limited	Interest of controlled corporation *(Note 1)*	74,101,153	29.36%
Honorex Limited	Interest of controlled corporation *(Note 1)*	65,496,225	25.95%
	Beneficial owner *(Note 1)*	1,416,325	0.56%
Conquer Rex Limited	Beneficial owner *(Note 1)*	65,496,225	25.95%

Notes:

(1) *Please refer to Note (1) disclosed under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" in this Report of the Directors.*

(2) *All the interest stated above represented long positions.*

(3) *The approximate percentage of shareholding is calculated based on 252,379,133 shares of the Company in issue as at 31 March 2022.*

Save as disclosed above, as at 31 March 2022, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which fell to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Public Float

Based on the information publicly available and within the knowledge of the Directors, the Company has maintained at least 25% of the total issued share capital of the Company to be held by the public at all times during the year ended 31 March 2022 and up to the date of this Report of the Directors.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2022.

Securities Purchase Arrangements

At the 2021 AGM, shareholders renewed the approval of a general mandate authorising the Directors to effect repurchases of the Company's shares up to a limit of 10% of the shares in issue as at that date.

Purchase, Sale or Redemption of Listed Shares

The Company and its subsidiaries have not redeemed any of its shares during the financial year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the financial year, except that the trustee of the Share Purchase Scheme, pursuant to the rules and trust deed of the Share Purchase Scheme, purchased on the Stock Exchange a total of 221,900 Company's shares at a consideration of approximately US$1.6 million.

Major Customers and Suppliers

For the year ended 31 March 2022, the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total value of purchases. The Group's largest customer accounted for approximately 13.1% of the Group's revenue and the Group's five largest customers in aggregate accounted for approximately 44.1% of the Group's revenue during the financial year.

Mr. Andy LEUNG Hon Kwong has an interest in 1,000 shares (representing less than 0.001% of the total issued shares) in the parent company of a company which is one of the Group's five largest customers and also the Group's largest supplier.

Dr. William FUNG Kwok Lun has interests in 500 shares, 30,000 shares and 18,000 shares (each representing less than 0.0001%, less than 0.01% and less than 0.01% of the total issued shares, respectively) in the respective parent companies of the three companies which are the Group's five largest customers.

Save as disclosed above, as at 31 March 2022, as far as the Directors are aware, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had an interest in the customers and the suppliers noted above.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Bye-laws of the Company and there are no statutory restrictions against such rights under the laws of Bermuda in which the Company is incorporated.

Auditor

The Group's consolidated financial statements have been audited by KPMG, who shall retire and, being eligible, offer itself for re-appointment at the 2022 AGM.

On behalf of the Board

Allan WONG Chi Yun
Chairman

Hong Kong, 16 May 2022

To the Shareholders of VTech Holdings Limited
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of VTech Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 90 to 132, which comprise the consolidated statement of financial position as at 31 March 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessing the valuation of stocks

Refer to note 14 to the consolidated financial statements and the accounting policies on page 100.

The Key Audit Matter	How the matter was addressed in our audit
Stocks held at the year end comprise a wide range of products including electronic learning products and telecommunication products. Sales of stocks in the electronic products industry can be volatile due to keen competition in the market and consumer demand frequently changing. The Group typically sells or disposes of slow moving stocks at a markdown from the original price. Accordingly, the actual future selling prices of some items of stocks may fall below their cost. Management assesses the net realisable value of slow moving and excess stocks with reference to the stock ageing report, anticipated future selling prices and / or sales forecasts. Stocks are written down to their net realisable value where this falls below their cost. We identified the valuation of stocks as a key audit matter because determining appropriate stock write-downs and provisions involves predicting the excess quantities of stocks which will remain unused or unsold after the end of the reporting period and the markdowns necessary to sell such slow moving stocks, which can be inherently uncertain and which requires the exercise of significant management judgement.	Our audit procedures to assess the valuation of stocks included the following: • evaluating the Group’s stock write-down and provision policy with reference to the requirements of the prevailing accounting standards; • assessing whether the stock write-downs and provisions made at the reporting date were consistent with the Group’s stock write-down and provision policy by recalculating the stock write-downs and provisions based on the relevant parameters in the policy; • examining the subsequent utilisation or release of provisions recorded as at 31 March 2021 and additional provisions made in the current year in respect of stocks on hand as at 31 March 2021 to assess whether the judgement made by management in estimating the provisions in the prior year indicated possible management bias; • assessing, on a sample basis, whether items in the stock ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation; • enquiring of the director of each division and senior members of the sales team about any expected changes in plans for markdowns or disposals of slow moving stocks and comparing their representations with actual production and sales transactions subsequent to the reporting date; and • evaluating, on a sample basis, whether stocks were stated at the lower of cost and net realisable value at the reporting date by comparing the sales prices of stocks subsequent to the reporting date with their carrying values as at 31 March 2022.

Assessing potential impairment of goodwill

Refer to note 10 to the consolidated financial statements and the accounting policies on page 97.

The Key Audit Matter	How the matter was addressed in our audit
Management performs impairment assessments of the goodwill which arose from business combinations. In performing such impairment assessments, management compares the carrying value of each of the separately identifiable cash-generating units ("CGUs") to which goodwill had been allocated with their respective recoverable amounts, being the higher of fair value less costs of disposal and value in use, to determine if any impairment loss should be recognised. Value in use is assessed based on discounted cash flow forecasts. The preparation of discounted cash flow forecasts for the purpose of assessing value in use involves estimating future cash flows, growth rates and discount rates which can be inherently uncertain. We identified the assessment of potential impairment of goodwill as a key audit matter because the year end goodwill impairment assessments performed by management contain certain judgemental assumptions which could be subject to management bias.	Our audit procedures to assess potential impairment of goodwill included the following: • assessing the management's identification of CGUs, the allocation of assets to each CGU and the methodology adopted by management in its impairment assessments of goodwill with reference to the requirements of the prevailing accounting standards; • evaluating the assumptions adopted in the preparation of the cash flow forecasts for the purpose of the impairment assessments of goodwill, including projected future growth rates for income and expenses, with reference to our understanding of the business, historical trends and available industry information and available market data; • assessing whether the discount rates applied in the discounted cash flow forecasts prepared for the purpose of assessing potential impairment of goodwill were within a reasonable range by comparison with data for companies operating in the same industries; • comparing the cashflow forecasts prepared at the end of last year for the purpose of impairment assessments with the actual performance of the businesses for the current year and make enquiries of management as to the reasons for any significant variations identified, to assess whether the judgement made by management in the preparation of the cash flow forecasts in the prior year indicated possible management bias; and • assessing the impact of changes in the key assumptions, including projected profitability and the discount rates, adopted in the discounted cash flow forecasts on the conclusions reached in the impairment assessments and assessing whether there were any indicators of management bias in the selection of these assumptions.

Assessing the expected credit loss allowance for trade debtors

Refer to notes 15 and 23(a) to the consolidated financial statements and the accounting policies on pages 98 to 100.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 March 2022, the Group's gross trade debtors totalled US$332.8 million, against which allowances for expected credit losses ("ECL") of US$7.4 million were recorded. The Group's loss allowances are based on management's estimate of the lifetime ECL of the trade debtors, which is estimated by taking into account ageing of trade debtors and credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. Such assessment involves a significant degree of management judgement. We identified the ECL allowance for trade debtors as a key audit matter because determining the level of loss allowance requires the exercise of significant management judgement.	Our audit procedures to assess the ECL allowance for trade debtors included the following: • obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to credit control, debt collection and estimation of ECL; • evaluating the Group's policies for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard; • assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation; • obtaining an understanding of the key parameters and assumptions of the ECL model adopted by the management, including historical default data and management's estimated loss rates; • assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic condition and forward-looking information; and • reperforming the calculation of the loss allowance as at 31 March 2022 based on the Group's credit loss allowance policies.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Sze Kit, Roy.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

16 May 2022

Consolidated Statement of Profit or Loss

For the year ended 31 March 2022

	Note	2022 US$ million	2021 US$ million
Revenue	1	**2,370.5**	2,372.3
Cost of sales		**(1,701.4)**	(1,645.7)
Gross profit		**669.1**	726.6
Other net (expenses) / income	2	**(0.5)**	4.2
Selling and distribution costs		**(304.9)**	(295.5)
Administrative and other operating expenses		**(75.6)**	(82.7)
Research and development expenses		**(84.3)**	(86.4)
Operating profit	1(b)	**203.8**	266.2
Net finance expense	2	**(9.6)**	(7.3)
Share of results of an associate		**0.4**	0.4
Profit before taxation	2	**194.6**	259.3
Taxation	4	**(21.9)**	(28.4)
Profit for the year and attributable to shareholders of the Company		**172.7**	230.9
Earnings per share (US cents)	6		
– Basic		**68.5**	91.6
– Diluted		**68.5**	91.6

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	2022 US$ million	2021 US$ million
Profit for the year	**172.7**	230.9
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Effect of remeasurement of net assets on defined benefit scheme, net of deferred tax	**0.5**	8.0
	0.5	8.0
Items that may be reclassified subsequently to profit or loss:		
Fair value gains / (losses) on hedging, net of deferred tax	**3.0**	(2.7)
Realisation of hedging reserve, net of deferred tax	**2.7**	(3.3)
Exchange translation differences	**(4.2)**	27.6
	1.5	21.6
Other comprehensive income for the year	**2.0**	29.6
Total comprehensive income for the year	**174.7**	260.5

The notes and principal accounting policies on pages 95 to 132 form part of these financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 5.

Consolidated Statement of Financial Position

As at 31 March 2022

	Note	**2022 US$ million**	2021 US$ million
Non-current assets			
Tangible assets	7	**87.3**	92.2
Right-of-use assets	8	**180.8**	193.1
Intangible assets	9	**16.0**	16.8
Goodwill	10	**36.1**	36.1
Interest in an associate	11	**3.8**	3.4
Investments	12	**2.2**	6.8
Net assets on defined benefit scheme	20(b)	**7.4**	6.9
Deferred tax assets	13(b)	**10.9**	10.0
		344.5	365.3
Current assets			
Stocks	14	**553.3**	414.0
Debtors, deposits and prepayments	15	**384.9**	318.9
Taxation recoverable	13(a)	**8.2**	3.6
Deposits and cash	16	**195.8**	343.8
		1,142.2	1,080.3
Current liabilities			
Creditors and accruals	17	**(567.2)**	(461.8)
Provisions for defective goods returns and other liabilities	18	**(28.3)**	(26.4)
Lease liabilities	19	**(20.6)**	(17.5)
Taxation payable	13(a)	**(11.9)**	(17.3)
		(628.0)	(523.0)
Net current assets		**514.2**	557.3
Total assets less current liabilities		**858.7**	922.6
Non-current liabilities			
Deferred tax liabilities	13(b)	**(3.4)**	(2.9)
Lease liabilities	19	**(176.5)**	(188.6)
		(179.9)	(191.5)
Net assets		**678.8**	731.1
Capital and reserves			
Share capital	21(a)	**12.6**	12.6
Reserves		**666.2**	718.5
Total equity		**678.8**	731.1

Approved and authorised for issue by the Board of Directors on 16 May 2022.

Allan WONG Chi Yun
Director

PANG King Fai
Director

The notes and principal accounting policies on pages 95 to 132 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

		Attributable to shareholders of the Company						
	Note	Share capital US$ million	Share premium US$ million	Shares held for Share Purchase Scheme US$ million	Exchange reserve US$ million	Hedging reserve US$ million	Revenue reserve US$ million	Total equity US$ million
At 1 April 2020		12.6	156.2	(0.7)	(34.7)	3.3	464.8	601.5
Changes in equity for the year ended 31 March 2021								
Comprehensive income								
Profit for the year		–	–	–	–	–	230.9	230.9
Other comprehensive income								
Fair value losses on hedging, net of deferred tax		–	–	–	–	(2.7)	–	(2.7)
Realisation of hedging reserve, net of deferred tax		–	–	–	–	(3.3)	–	(3.3)
Exchange translation differences		–	–	–	27.6	–	–	27.6
Effect of remeasurement of net assets on defined benefit scheme, net of deferred tax		–	–	–	–	–	8.0	8.0
Other comprehensive income for the year		–	–	–	27.6	(6.0)	8.0	29.6
Total comprehensive income for the year		–	–	–	27.6	(6.0)	238.9	260.5
Final dividend in respect of the previous year		–	–	–	–	–	(90.8)	(90.8)
Interim dividend in respect of the current year	5	–	–	–	–	–	(42.8)	(42.8)
Shares issued under Share Purchase Scheme	22(b)	–	2.1	(2.1)	–	–	–	–
Shares purchased for Share Purchase Scheme	21(c)&22(b)	–	–	(2.3)	–	–	–	(2.3)
Shares lapsed under Share Purchase Scheme	22(b)	–	–	(0.1)	–	–	0.1	–
Vesting of shares of Share Purchase Scheme	21(c)&22(b)	–	–	5.0	–	–	–	5.0
At 31 March 2021		12.6	158.3	(0.2)	(7.1)	(2.7)	570.2	731.1

The notes and principal accounting policies on pages 95 to 132 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 March 2022

	Note	Attributable to shareholders of the Company							
		Share capital US$ million	Share premium US$ million	Shares held for Share Purchase Scheme US$ million	Exchange reserve US$ million	Capital reserve US$ million	Hedging reserve US$ million	Revenue reserve US$ million	Total equity US$ million
At 1 April 2021		12.6	158.3	(0.2)	(7.1)	–	(2.7)	570.2	731.1
Changes in equity for the year ended 31 March 2022									
Comprehensive income									
Profit for the year		–	–	–	–	–	–	172.7	172.7
Other comprehensive income									
Fair value gains on hedging, net of deferred tax		–	–	–	–	–	3.0	–	3.0
Realisation of hedging reserve, net of deferred tax		–	–	–	–	–	2.7	–	2.7
Exchange translation differences		–	–	–	(4.2)	–	–	–	(4.2)
Effect of remeasurement of net assets on defined benefit scheme, net of deferred tax		–	–	–	–	–	–	0.5	0.5
Other comprehensive income for the year		–	–	–	(4.2)	–	5.7	0.5	2.0
Total comprehensive income for the year		–	–	–	(4.2)	–	5.7	173.2	174.7
Final dividend in respect of the previous year	5	–	–	–	–	–	–	(186.8)	(186.8)
Interim dividend in respect of the current year	5	–	–	–	–	–	–	(42.9)	(42.9)
Equity-settled share based payments: share options	21(b)&22(b)	–	–	–	–	0.3	–	–	0.3
Shares issued under Share Purchase Scheme	22(b)	–	2.5	(2.5)	–	–	–	–	–
Shares purchased for Share Purchase Scheme	21(c)&22(b)	–	–	(1.6)	–	–	–	–	(1.6)
Vesting of shares of Share Purchase Scheme	21(c)&22(b)	–	–	4.0	–	–	–	–	4.0
At 31 March 2022		**12.6**	**160.8**	**(0.3)**	**(11.3)**	**0.3**	**3.0**	**513.7**	**678.8**

The notes and principal accounting policies on pages 95 to 132 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Note	**2022 US$ million**	2021 US$ million
Operating activities			
Operating profit		**203.8**	266.2
Depreciation of tangible assets	2	**41.4**	36.6
Depreciation of right-of-use assets	2	**22.4**	21.8
Amortisation of intangible assets	2	**0.8**	0.9
Dividend income from investment	2	**(3.6)**	–
Fair value loss on investments measured at fair value through profit or loss	2	**4.6**	1.5
(Gain) / Loss on disposal of tangible assets	2	**(0.1)**	0.1
Share-based payment expenses: Share Purchase Scheme	2	**4.0**	5.0
Share-based payment expenses: share options	2	**0.3**	–
Increase in stocks		**(139.3)**	(41.4)
Increase in debtors, deposits and prepayments		**(63.6)**	(49.7)
Increase in creditors and accruals		**109.2**	67.5
Increase in provisions for defective goods returns and other liabilities		**1.9**	2.2
Decrease in net assets on defined benefit scheme		**–**	0.2
Cash generated from operations		**181.8**	310.9
Interest paid		**(0.5)**	–
Interest on lease liabilities		**(9.1)**	(7.3)
Taxes paid		**(32.6)**	(23.3)
Net cash generated from operating activities		**139.6**	280.3
Investing activities			
Purchase of tangible assets		**(35.9)**	(48.0)
Proceeds from disposal of tangible assets		**0.3**	0.2
Dividend received from investment		**3.6**	–
Net cash used in investing activities		**(32.0)**	(47.8)
Financing activities			
Capital element of lease rentals paid	19(b)	**(18.5)**	(19.8)
Payment for shares acquired for Share Purchase Scheme	21(c)	**(1.6)**	(2.3)
Dividends paid	5	**(229.7)**	(133.6)
Net cash used in financing activities		**(249.8)**	(155.7)
Effect of exchange rate changes		**(5.8)**	24.5
(Decrease) / Increase in cash and cash equivalents		**(148.0)**	101.3
Cash and cash equivalents at 1 April		**343.8**	242.5
Cash and cash equivalents at 31 March	16	**195.8**	343.8

The notes and principal accounting policies on pages 95 to 132 form part of these financial statements.

Principal Accounting Policies

A Principal Activities and Organisation

The Group's principal activities and operating segments are set out in note 1 to the consolidated financial statements.

The Company was incorporated in Bermuda. In view of the international nature of the Group's operations, the financial statements are presented in United States dollars.

B Statement of Compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related Interpretations promulgated by the International Accounting Standards Board ("IASB").

These financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group:

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

C Basis of Preparation of the Financial Statements

The consolidated financial statements for the year ended 31 March 2022 comprise the Company and its subsidiaries and a structured entity (together referred to as the "Group") and the Group's interest in an associate.

These financial statements are prepared on the historical cost basis as modified by the revaluation of derivative financial instruments and investments at their fair value as explained in the accounting policies set out below.

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 29.

D Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and a structured entity and the Group's interest in an associate. All significant inter-company balances and transactions and any unrealised gains arising from inter-company transactions are eliminated on consolidation.

Subsidiaries (including structured entities) are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary and a structured entity is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. The assets and liabilities of the structured entity, VTech Share Purchase Scheme Trust, are included in the Group's consolidated statement of financial position and the shares held by the VTech Share Purchase Scheme Trust are presented as a deduction from equity as Shares held for Share Purchase Scheme.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries in the Company's statement of financial position are stated at cost less impairment losses (see note (N)(iii)). The financial results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

An associate is an entity in which the Group or Company has significant influence but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Principal Accounting Policies (Continued)

D Basis of Consolidation (Continued)

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes (H) and (N)(iii)). Any acquisition date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the individual company's statement of financial position, investments in associates are stated at cost less impairment losses (see note (N)(iii)).

E Revenue Recognition

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from the sale of goods is recognised when the customer takes possession of and accepts the products. Revenue is stated net of sales taxes, returns, rebates and discounts.

(ii) Interest income is recognised as it accrues using the effective interest method.

(iii) Dividend income is recognised when the Group's right to receive payment is established.

(iv) Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

F Research and Development

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible, the attributable expenditure is separately identifiable and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads which are directly attributable to development activities. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note (N)(iii)). Development expenditure that does not meet the above criteria is recognised as an expense in the period in which it is incurred.

Amortisation is calculated to write off capitalised development costs on a straight-line basis over their estimated useful lives, commencing from the date when the products are put into commercial production.

G Translation of Foreign Currencies

Foreign currency transactions during the year are translated into United States dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transactions dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Principal Accounting Policies (Continued)

G Translation of Foreign Currencies (Continued)

The results of foreign operations are translated into United States dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into United States dollars at the closing foreign exchange rates at the end of the reporting period.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

H Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note (N)(iii)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

I Business Combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

J Tangible Assets and Depreciation

Tangible assets are stated at cost less accumulated depreciation and impairment losses (see note (N)(iii)).

Depreciation is calculated to write off the cost of assets on a straight-line basis over their estimated useful lives which are as follows:

Leasehold land	Over the unexpired term of lease
Medium-term and short-term leasehold buildings and leasehold improvements	10 to 50 years or lease term, if shorter
Moulds	1 year
Machinery and equipment	3 to 5 years
Computers, motor vehicles, furniture and fixtures	3 to 7 years

Where parts of a tangible asset have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of tangible assets are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss on the date of retirement or disposal.

K Construction in Progress

Construction in progress represents land and buildings under development and is stated at cost less impairment losses (see note (N)(iii)). Cost comprises the construction costs of buildings and costs paid to acquire land use rights.

Building construction costs are transferred to leasehold buildings when the assets are completed and put into operational use and depreciation will be provided at the appropriate rates in accordance with the depreciation policies (see note (J)).

No depreciation or amortisation is provided in respect of construction in progress.

L Intangible Assets

Intangible assets acquired in a business combination is recognised at fair value at the acquisition date. Intangible assets with finite useful life is stated at cost less accumulated amortisation and impairment losses (see note (N)(iii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Brand	30 years
Technology	5 years

Both the period and method of amortisation are reviewed annually.

Principal Accounting Policies (Continued)

M Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note N(iii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes (N)(i) and (O)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

N Credit Losses and Impairment of Assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on the financial assets measured at amortised cost (including deposits and cash, debtors and deposits).

Financial assets measured at fair value, including equity securities measured at fair value through profit or loss ("FVPL") and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade debtors are always measured at an amount equal to lifetime ECLs. ECLs on trade debtors are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Principal Accounting Policies (Continued)

N Credit Losses and Impairment of Assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note (N)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– tangible assets;

– right-of-use assets;

– construction in progress;

– intangible assets;

– goodwill;

– interest in an associate, and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

Principal Accounting Policies (Continued)

N Credit Losses and Impairment of Assets (Continued)

(iii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised as an expense in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim Financial Reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

O Other Investments

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associate, are set out below.

Investments in debt and equity securities are recognised / derecognised on the date the Group commits to purchase / sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 23(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note (E)).

– Fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECLs, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– Fair value through profit or loss ("FVPL"), if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note (E).

P Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average or the first-in-first-out basis, and comprises materials, direct labour and an appropriate share of production overheads incurred in bringing the stocks to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of stocks to net realisable value and all losses of stocks are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of stocks is recognised as a reduction in the amount of stocks recognised as an expense in the period in which the reversal occurs.

Principal Accounting Policies (Continued)

Q Trade and Other Debtors

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note (Y)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including allowance for credit losses (see note (N)(i)).

R Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note (N)(i).

S Trade and Other Creditors

Trade and other creditors are initially recognised at fair value. Subsequent to initial recognition, trade and other creditors are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

T Provisions and Contingent Liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

U Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

V Employee Benefits

The Group operates a number of defined contribution retirement schemes throughout the world, including Hong Kong, and a defined benefit retirement scheme in Hong Kong. The assets of all schemes are held separately from those of the Company and its subsidiaries.

Principal Accounting Policies (Continued)

V Employee Benefits (Continued)

(i) Defined contribution schemes

Contributions to the defined contribution schemes are at various funding rates that are in accordance with the local practice and regulations. Contributions relating to the defined contribution schemes are charged to profit or loss as incurred.

(ii) Defined benefit scheme

The Group's net obligation in respect of defined benefit retirement scheme is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any scheme assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and are allocated by function as part of "cost of sales", "selling and distribution costs" or "administrative and other operating expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a scheme are changed, or when a scheme is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the scheme amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement scheme are recognised in other comprehensive income and reflected immediately in revenue reserve. Remeasurements comprise actuarial gains and losses, the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iii) Equity and equity related compensation benefits

For share options granted under the 2011 Scheme and 2021 Scheme and shares of the Company granted under the Shares Purchase Scheme ("Awarded Shares"), the fair value of share options and Awarded Shares granted to employees is recognised as an employee cost with a corresponding increase in the capital reserve and Shares held for Share Purchase Scheme, respectively, within equity. The fair value of share options is measured at grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options or the Awarded Shares, the total estimated fair value of the share options and Awarded Shares are spread over the vesting period, taking into account the probability that the share options and Awarded Shares will vest.

During the vesting period, the number of share options and Awarded Shares that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged / credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve and Shares held for Share Purchase Scheme, respectively. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options and Awarded Shares that vest (with a corresponding adjustment to the capital reserve and Shares held for Share Purchase Scheme) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount in respect of share options is recognised in the capital reserve until either the share option is exercised (when it is transferred to the share premium account) or the share option expires (when it is released directly to revenue reserve).

For those Awarded Shares which are amortised over the vesting periods, the Group revises its estimates of the number of Awarded Shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is charged / credited to employee share-based compensation expense in the current year, with a corresponding adjustment to Shares held for Share Purchase Scheme.

W Shares held for Share Purchase Scheme

Where the VTech shares are acquired by VTech Share Purchase Scheme Trust from the market, the consideration of shares acquired from the market (including any directly attributable incremental costs), is presented as Shares held for Share Purchase Scheme and deducted from total equity.

Upon vesting, the related costs of the vested Awarded Shares purchased from the market and shares acquired from reinvesting dividends received on the Awarded Shares ("dividend shares") are credited to Shares held for Share Purchase Scheme, with a corresponding increase in share-based payment expenses for Awarded Shares, and decrease in revenue reserve for dividend shares.

For vesting of forfeited or unallocated shares regranted, the related costs of the forfeited or unallocated shares regranted are credited to Shares held for Share Purchase Scheme, and the related fair value of the shares regranted are debited to capital reserve. The difference between the cost and the fair value of the shares regranted is credited to share premium if the fair value is higher than the costs, or debited against revenue reserve if the fair value is less than the cost.

X Derivative Financial Instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates (cash flow hedges).

Principal Accounting Policies (Continued)

X Derivative Financial Instruments (Continued)

Cash flow hedges (Continued)

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affects profit or loss (such as when a forecast sale occurs).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then the hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

Y Contract Assets and Contract Liabilities

A contract asset is recognised when the Group recognises revenue (see note (E)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note (N)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note (Q)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note (E)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note (Q)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note (E)).

Z Dividends

Dividends proposed or declared after the end of the reporting period are not recognised as a liability at the end of the reporting period.

AA Segment Reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources and performance assessment.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

AB Related Parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions apply:

- (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (f) The entity is controlled or jointly controlled by a person identified in (i).
- (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 Revenue and Segment Information

(a) Revenue

The principal activity of the Group is design, manufacture and distribution of consumer electronic products. All revenue of the Group are from contracts with customers within the scope of IFRS 15 and recognised at a point in time.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products and regions is as follows:

Year ended 31 March 2022	**North America US$ million**	**Europe US$ million**	**Asia Pacific US$ million**	**Other Regions US$ million**	**Total US$ million**
Electronic Learning Products	**555.6**	**375.1**	**83.9**	**10.9**	**1,025.5**
Telecommunication Products	**274.9**	**93.8**	**27.7**	**10.9**	**407.3**
Contract Manufacturing Services	**238.0**	**556.2**	**143.4**	**0.1**	**937.7**
Total	**1,068.5**	**1,025.1**	**255.0**	**21.9**	**2,370.5**

Year ended 31 March 2021	North America US$ million	Europe US$ million	Asia Pacific US$ million	Other Regions US$ million	Total US$ million
Electronic Learning Products	536.9	351.2	82.0	8.4	978.5
Telecommunication Products	270.5	109.3	31.7	13.8	425.3
Contract Manufacturing Services	187.7	625.8	154.7	0.3	968.5
Total	995.1	1,086.3	268.4	22.5	2,372.3

The Group's customer base is diversified and include three (2021: three) customers with whom transactions have exceeded 10% of the Group's revenue. The revenue from these three customers accounted for approximately 13%, 12% and 11% of the Group's revenue for the year ended 31 March 2022 respectively. For the year ended 31 March 2021, approximately 15%, 12% and 12% of the Group's revenue are derived from three external customers. Such revenue is attributable to the North America segment.

Details of concentration of credit risk of the Group are set out in note 23(a).

(b) Segment Information

The Group manages its businesses by divisions, which are organised by geography. In accordance with IFRS 8 – *Operating segments* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

- North America (including the United States and Canada)
- Europe
- Asia Pacific
- Other Regions, which covers sales of electronic products to the rest of the world

The Company is domiciled in Bermuda. The results of its revenue from external customers located in North America, Europe, Asia Pacific and elsewhere are set out in the table below.

Each of the above reportable segments primarily derives its revenue from the sale of electronic learning products, telecommunication products and products from contract manufacturing services to customers in the relevant geographical region.

All of these products are manufactured in the Group's manufacturing facilities located in the People's Republic of China ("PRC") and Malaysia under the Asia Pacific segment and Mexico under North America segment.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

(i) Segment revenues and results

Revenue is allocated to the reportable segment based on the location of external customers. Expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those geographical locations or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is operating profit.

In addition to receiving segment information concerning operating profit, management is provided with segment information concerning revenue and depreciation and amortisation.

(ii) Segment assets and liabilities

Segment assets include all non-current assets and current assets with the exception of deferred tax assets, taxation recoverable and other corporate assets including intangible assets, goodwill, investments and interest in an associate.

Segment liabilities include creditors and accruals, provisions for defective goods returns and other liabilities and lease liabilities with the exception of taxation payable and deferred tax liabilities.

1 Revenue and Segment Information (Continued)

(b) Segment Information (Continued)

Year ended 31 March 2022	**North America US$ million**	**Europe US$ million**	**Asia Pacific US$ million**	**Other Regions US$ million**	**Total US$ million**
Reportable segment revenue	**1,068.5**	**1,025.1**	**255.0**	**21.9**	**2,370.5**
Reportable segment profit	**104.1**	**67.6**	**28.1**	**4.0**	**203.8**
Depreciation and amortisation	**3.4**	**3.7**	**57.5**	**–**	**64.6**
Reportable segment assets	**212.3**	**138.2**	**1,059.0**	**–**	**1,409.5**
Reportable segment liabilities	**(93.6)**	**(38.1)**	**(660.9)**	**–**	**(792.6)**

Year ended 31 March 2021	North America US$ million	Europe US$ million	Asia Pacific US$ million	Other Regions US$ million	Total US$ million
Reportable segment revenue	995.1	1,086.3	268.4	22.5	2,372.3
Reportable segment profit	137.7	80.0	44.4	4.1	266.2
Depreciation and amortisation	3.4	3.2	52.7	–	59.3
Reportable segment assets	180.1	103.6	1,085.2	–	1,368.9
Reportable segment liabilities	(83.7)	(36.7)	(573.9)	–	(694.3)

(iii) Reconciliations of reportable segment assets and liabilities

	Note	**2022 US$ million**	2021 US$ million
Assets			
Reportable segment assets		**1,409.5**	1,368.9
Intangible assets	9	**16.0**	16.8
Goodwill	10	**36.1**	36.1
Interest in an associate	11	**3.8**	3.4
Investments	12	**2.2**	6.8
Taxation recoverable	13(a)	**8.2**	3.6
Deferred tax assets	13(b)	**10.9**	10.0
Consolidated total assets		**1,486.7**	1,445.6
Liabilities			
Reportable segment liabilities		**(792.6)**	(694.3)
Taxation payable	13(a)	**(11.9)**	(17.3)
Deferred tax liabilities	13(b)	**(3.4)**	(2.9)
Consolidated total liabilities		**(807.9)**	(714.5)

2 Profit Before Taxation

Profit before taxation is arrived at after charging / (crediting) the following:

	Note	**2022 US$ million**	2021 US$ million
Staff related costs			
– salaries and wages		**367.1**	343.8
– pension costs: defined contribution schemes	20(a)	**25.8**	17.3
– pension costs: defined benefit scheme	20(b)	**1.1**	1.4
– severance payments		**1.7**	2.2
– share-based payment expenses: Share Purchase Scheme	21(c)	**4.0**	5.0
– share-based payment expenses: share options	21(b)	**0.3**	–
		400.0	369.7
Cost of inventories	14(b)	**1,701.4**	1,645.7
Dividend Income from investment *(notes (i) & (ii))*		**(3.6)**	–
Fair value loss on investments measured at fair value through profit or loss *(notes (i) & (ii))*		**4.6**	1.5
Government subsidies *(notes (i) & (iii))*		**(0.5)**	(5.7)
Depreciation of tangible assets	7	**41.4**	36.6
Depreciation of right-of-use assets	8	**22.4**	21.8
Amortisation of intangible assets	9	**0.8**	0.9
(Gain) / loss on disposal of tangible assets		**(0.1)**	0.1
Auditors' remuneration			
– audit services		**0.8**	0.9
– audit related services		**0.1**	0.1
– tax services		**0.6**	0.6
Loss allowance for trade debtors	23(a)	**1.4**	1.2
Reversal of loss allowance for trade debtors	23(a)	**(0.5)**	(1.4)
Royalties		**12.7**	14.5
Interest on lease liabilities *(note (iv))*		**9.1**	7.3
Other interest expenses, net *(note (iv))*		**0.5**	–
Provision for defective goods returns	18	**17.3**	19.0
Net foreign exchange loss / (gain)		**0.3**	(0.6)
Net loss / (gain) on forward foreign exchange contracts			
– Net loss / (gain) on cash flow hedging instruments reclassified from equity		**2.9**	(3.6)
– Net (gain) / loss on forward foreign exchange contracts		**(1.2)**	1.2

Notes:

(i) Included in other net (expenses) / income in the consolidated statement of profit or loss.

(ii) The Group invests in an investment holding company which has a shareholding in a listed entity that designs and distributes integrated circuit products (the "Investment"). Upon the partial disposal of the listed entity during the year, a dividend income of US$3.6 million was received from the investment holding company and the Group recognised a fair value loss of the same amount on the Investment accordingly. A fair value loss of US$1.0 million on the Investment relating to the unsold shareholding in the listed entity was also recorded in the current year.

(iii) This represented employment subsidies received from various governments in response to the outbreak of COVID-19.

(iv) Included in net finance expense in the consolidated statement of profit or loss.

3 Directors' Emoluments and Individuals with Highest Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefit of Directors) Regulation are as follows:

Directors' emoluments

	Fees US$ million	Salaries, allowances and benefits in kind US$ million	Discretionary bonuses US$ million	Contributions to retirement benefit schemes US$ million	Share-based payment *(note (ix))* US$ million	Total US$ million
For the year ended 31 March 2022						
Executive Directors *(i)*						
Allan WONG Chi Yun *(ii & iii)*	**–**	**1.2**	**1.8**	**0.1**	**0.7**	**3.8**
PANG King Fai *(iii)*	**–**	**0.6**	**0.5**	**0.1**	**0.2**	**1.4**
Andy LEUNG Hon Kwong *(iii)*	**–**	**0.7**	**1.1**	**0.1**	**0.4**	**2.3**
Non-executive Director						
William WONG Yee Lai *(iv)*	**–**	**–**	**–**	**–**	**–**	**–**
Independent Non-executive Directors						
William FUNG Kwok Lun *(v)*	**–**	**–**	**–**	**–**	**–**	**–**
KO Ping Keung *(vi)*	**–**	**–**	**–**	**–**	**–**	**–**
Patrick WANG Shui Chung *(vii)*	**–**	**–**	**–**	**–**	**–**	**–**
WONG Kai Man *(viii)*	**–**	**–**	**–**	**–**	**–**	**–**
	–	**2.5**	**3.4**	**0.3**	**1.3**	**7.5**
For the year ended 31 March 2021						
Executive Directors *(i)*						
Allan WONG Chi Yun *(ii)*	–	1.1	2.8	0.1	–	4.0
PANG King Fai *(iii)*	–	0.6	0.8	0.1	0.5	2.0
Andy LEUNG Hon Kwong *(iii)*	–	0.6	1.5	0.1	0.8	3.0
Non-executive Director						
William WONG Yee Lai *(iv)*	–	–	–	–	–	–
Independent Non-executive Directors						
William FUNG Kwok Lun *(v)*	–	–	–	–	–	–
KO Ping Keung *(vi)*	–	–	–	–	–	–
Patrick WANG Shui Chung *(vii)*	–	–	–	–	–	–
WONG Kai Man *(viii)*	–	–	–	–	–	–
	–	2.3	5.1	0.3	1.3	9.0

Notes:

(i) The Directors' fee paid to each executive Director, except for Dr. Allan WONG Chi Yun, was US$35,000 (2021: US$30,000) per annum. The Directors' fee paid to Dr. Allan WONG Chi Yun was US$38,000 (2021: US$32,000) per annum.

(ii) Included in the emoluments paid to Dr. Allan WONG Chi Yun, a housing benefit of HK$4,800,000 for the year ended 31 March 2022 (2021: HK$4,800,000), which was based on the tenancy agreement entered into between the Company and Aldenham Company Limited ("Aldenham"). Aldenham is an indirect wholly-owned subsidiary of a discretionary trust of which Dr. Allan WONG Chi Yun, a Director, is the founder.

(iii) Included in the emoluments paid to Dr. Allan WONG Chi Yun, Dr. PANG King Fai and Mr. Andy LEUNG Hon Kwong, an aggregate of 100,000 shares (2021: Nil), 30,000 shares (2021: 60,000 shares) and 50,000 shares (2021: 100,000 shares) were granted to Dr. Allan WONG Chi Yun, Dr. PANG King Fai and Mr. Andy LEUNG Hon Kwong respectively pursuant to the Share Purchase Scheme during the year.

(iv) The Directors' fee paid to Mr. William WONG Yee Lai was US$35,000 per annum (2021: US$30,000) per annum.

(v) The Directors' fee paid to Dr. William FUNG Kwok Lun was US$48,000 (2021: US$38,000) per annum.

(vi) The Directors' fee paid to Professor KO Ping Keung was US$46,000 (2021: US$37,000) per annum.

(vii) The Directors' fee paid to Dr. Patrick WANG Shui Chung was US$48,000 (2021: US$38,000) per annum.

(viii) The Directors' fee paid to Mr. WONG Kai Man was US$51,000 (2021: US$39,000) per annum.

(ix) These include the estimated value of share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note (V)(iii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Option Scheme" in the Report of Directors and note 21(b) to the financial statements.

3 Directors' Emoluments and Individuals with Highest Emoluments (Continued)

Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2021: three) are Directors whose emoluments are set out above. The aggregate of the emoluments in respect of the other two (2021: two) individuals are as follows:

	2022 US$ million	2021 US$ million
Salaries, allowances and benefits in kind	**1.0**	0.8
Discretionary bonuses	**1.2**	0.9
Share-based payment	**0.4**	0.7
	2.6	2.4

The emoluments fell within the following bands:

	2022 Individuals	2021 Individuals
US$		
1,089,001 – 1,153,000	**–**	1
1,281,001 – 1,345,000	**2**	1
	2	2

During the years ended 31 March 2022 and 31 March 2021, there were no amounts paid to Directors and individuals for compensation for loss of office and inducement for joining the Group.

Emoluments of senior management

Other than the Directors' remuneration and emoluments of five highest individuals disclosed above, the emoluments of the senior management whose profiles are included in Directors and Senior Management section of this Annual Report fell within the following bands:

	2022 Individuals	2021 Individuals
US$		
193,001 – 257,000	**–**	1
257,001 – 320,000	**1**	–
385,001 – 449,000	**1**	1
449,001 – 513,000	**1**	–
513,001 – 577,000	**–**	1
577,001 – 641,000	**–**	1
641,001 – 705,000	**2**	1
897,001 – 961,000	**–**	1
1,089,001 – 1,153,000	**1**	–
	6	6

4 Taxation

	Note	**2022 US$ million**	2021 US$ million
Current tax			
– Hong Kong		**12.6**	20.9
– Overseas		**10.3**	9.9
Overprovision in respect of prior years			
– Hong Kong		**(0.2)**	–
– Overseas		**(0.1)**	(0.3)
Deferred tax			
– Origination and reversal of temporary differences	13(b)	**(0.7)**	(2.1)
		21.9	28.4
Current tax		**22.6**	30.5
Deferred tax		**(0.7)**	(2.1)
		21.9	28.4

(a) Hong Kong Profits Tax has been calculated at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the year.

(b) Overseas taxation has been calculated at the current rates of taxation prevailing in the jurisdiction in which the Group operates.

(c) Reconciliation between the effective income tax rate and the statutory domestic income tax rate:

The consolidated effective income tax rate for the year ended 31 March 2022 was 11.3% (2021: 11.0%). The effective income tax rate is reconciled to the statutory domestic income tax rate as follows:

	2022 %	2021 %
Statutory domestic income tax rate	**16.5**	16.5
Difference in overseas income tax rates	**1.7**	1.4
Tax effect of non-temporary differences	**(6.9)**	(6.9)
Effective income tax rate	**11.3**	11.0

5 Dividends

	Note	2022 US$ million	2021 US$ million
Interim dividend of US17.0 cents (2021: US17.0 cents) per share declared and paid	22(b)	**42.9**	42.8
Final dividend of US51.0 cents (2021: US74.0 cents) per share proposed after the end of the reporting period	22(b)	**128.7**	186.8

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

At a meeting held on 18 May 2021, the Directors proposed a final dividend of US74.0 cents per ordinary share for the year ended 31 March 2021, which was estimated to be US$186.6 million at the time calculated on the basis of the ordinary shares in issue as at 31 March 2021. The final dividend was approved by shareholders at the annual general meeting on 13 July 2021. The final dividend paid in respect of the year ended 31 March 2021 totaled US$186.8 million.

6 Earnings Per Share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of the Company of US$172.7 million (2021: US$230.9 million).

The calculation of basic earnings per share is based on the weighted average of 252.1 million (2021: 252.0 million) ordinary shares in issue during the year after adjusting for shares held for Share Purchase Scheme.

The calculation of diluted earnings per share for the year ended 31 March 2022 was based on 252.1 million ordinary shares (2021: 252.0 million) which is the weighted average number of ordinary shares in issue during the year after adjusting for shares held for Share Purchase Scheme and the number of dilutive potential Awarded Shares under the Company's Share Purchase Scheme.

7 Tangible Assets

	Land and buildings US$ million	Leasehold improvements US$ million	Moulds, machinery and equipment US$ million	Computers, motor vehicles, furniture and fixtures US$ million	Construction in progress US$ million	Total US$ million
Cost						
At 1 April 2020	48.8	28.6	359.4	152.9	6.9	596.6
Additions	11.2	1.5	30.7	6.0	–	49.4
Disposals	–	(1.2)	(4.6)	(5.1)	–	(10.9)
Effect of changes in exchange rates	1.5	2.0	7.4	6.7	–	17.6
At 31 March 2021 and 1 April 2021	61.5	30.9	392.9	160.5	6.9	652.7
Additions	0.2	4.0	25.0	6.7	–	35.9
Disposals	–	(0.1)	(13.6)	(3.1)	–	(16.8)
Effect of changes in exchange rates	0.3	1.1	2.1	1.3	–	4.8
At 31 March 2022	**62.0**	**35.9**	**406.4**	**165.4**	**6.9**	**676.6**
Accumulated depreciation						
At 1 April 2020	36.8	16.5	321.2	139.2	6.9	520.6
Charge for the year	1.4	1.8	26.3	7.1	–	36.6
Written back on disposals	–	(1.2)	(4.5)	(4.9)	–	(10.6)
Effect of changes in exchange rates	0.2	1.3	5.9	6.5	–	13.9
At 31 March 2021 and 1 April 2021	38.4	18.4	348.9	147.9	6.9	560.5
Charge for the year	2.0	1.7	30.4	7.3	–	41.4
Written back on disposals	–	(0.1)	(13.5)	(3.0)	–	(16.6)
Effect of changes in exchange rates	0.3	0.8	1.8	1.1	–	4.0
At 31 March 2022	**40.7**	**20.8**	**367.6**	**153.3**	**6.9**	**589.3**
Net book value at 31 March 2022	**21.3**	**15.1**	**38.8**	**12.1**	**–**	**87.3**
Net book value at 31 March 2021	23.1	12.5	44.0	12.6	–	92.2

7 Tangible Assets (Continued)

Land and buildings comprise:

	Medium-term leasehold land and buildings US$ million	Short-term leasehold buildings US$ million	Total US$ million
Cost			
At 1 April 2020	8.4	40.4	48.8
Additions	11.2	–	11.2
Effect of changes in exchange rates	0.8	0.7	1.5
At 31 March 2021 and 1 April 2021	20.4	41.1	61.5
Additions	0.2	–	0.2
Effect of changes in exchange rates	(0.3)	0.6	0.3
At 31 March 2022	**20.3**	**41.7**	**62.0**
Accumulated depreciation			
At 1 April 2020	2.4	34.4	36.8
Charge for the year	0.7	0.7	1.4
Effect of changes in exchange rates	0.1	0.1	0.2
At 31 March 2021 and 1 April 2021	3.2	35.2	38.4
Charge for the year	0.8	1.2	2.0
Effect of changes in exchange rates	–	0.3	0.3
At 31 March 2022	**4.0**	**36.7**	**40.7**
Net book value at 31 March 2022	**16.3**	**5.0**	**21.3**
Net book value at 31 March 2021	17.2	5.9	23.1
Net book value of land and buildings at 31 March 2022 comprises:			
Hong Kong			
Medium-term leasehold land and buildings (less than 50 years but not less than 10 years)	**1.2**	**–**	**1.2**
Overseas			
Medium-term leasehold land and buildings	**15.1**	**–**	**15.1**
Short-term leasehold buildings	**–**	**5.0**	**5.0**

8 Right-of-use Assets

	Leasehold land held for own use *(note (i))* US$ million	Other properties leased for own use *(note (ii))* US$ million	Total US$ million
Cost			
At 1 April 2020	4.2	168.3	172.5
Additions	–	51.6	51.6
Effect of changes in exchange rates	0.4	9.8	10.2
At 31 March 2021 and 1 April 2021	4.6	229.7	234.3
Additions	–	16.2	16.2
Lease modification	–	(10.0)	(10.0)
Effect of changes in exchange rates	0.1	5.3	5.4
At 31 March 2022	**4.7**	**241.2**	**245.9**
Accumulated depreciation			
At 1 April 2020	–	17.7	17.7
Charge for the year	0.1	21.7	21.8
Effect of changes in exchange rates	–	1.7	1.7
At 31 March 2021 and 1 April 2021	0.1	41.1	41.2
Charge for the year	0.1	22.3	22.4
Effect of changes in exchange rates	–	1.5	1.5
At 31 March 2022	**0.2**	**64.9**	**65.1**
Net book value at 31 March 2022	**4.5**	**176.3**	**180.8**
Net book value at 31 March 2021	4.5	188.6	193.1

Notes:

(i) Included in leasehold land held for own use is the amount of US$3.0 million (2021: US$2.9 million) paid for acquisition of certain sites in the PRC.

(ii) The Group has obtained the right to use other properties as its factory, warehouse and office through tenancy agreement. Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses whether it is reasonably certain to exercise the options. All future lease payments during the extension periods are included in the measurement of lease liabilities as such options are considered reasonably certain to be exercised. During the years ended 31 March 2022 and 31 March 2021, the Group has exercised the extension options of certain tenancy agreements and reassessed the future lease payments payable for these tenancy agreements following a market rent review.

(iii) For the year ended 31 March 2022, additions to right-of-use assets include amount of US$8.5 million (2021: US$2.5 million) related to the capitalised lease payments payable under new tenancy agreement and amount of US$7.7 million (2021: US$49.1 million) related to reassessment of certain tenancy agreements following the exercise of extension options (Note (ii)). Details of the maturity analysis of lease liabilities and total cash outflow for leases are set out in notes 19(a) and 19(c) respectively.

(iv) For the year ended 31 March 2022, expenses related to short-term leases amounted to US$15.5 million (2021: US$6.9 million).

9 Intangible Assets

	Brand US$ million	Technology US$ million	Total US$ million
Cost			
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	**20.0**	**1.1**	**21.1**
Accumulated amortisation			
At 1 April 2020	2.7	0.7	3.4
Charge for the year	0.7	0.2	0.9
At 31 March 2021 and 1 April 2021	3.4	0.9	4.3
Charge for the year	0.6	0.2	0.8
At 31 March 2022	**4.0**	**1.1**	**5.1**
Net book value at 31 March 2022	**16.0**	**–**	**16.0**
Net book value at 31 March 2021	16.6	0.2	16.8

The amortisation charge for the year is included in administrative and other operating expenses in the consolidated statement of profit or loss.

10 Goodwill

	US$ million
Cost	
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	**36.1**

Goodwill arose from the acquisition of the entire equity interest in LeapFrog Enterprises, Inc. ("LeapFrog"), Snom Technology GmbH ("Snom") and VTech Communications (Malaysia) Sdn. Bhd. ("VTech Malaysia").

Impairment tests for cash generating units containing goodwill

Goodwill is allocated to the Group's cash generating units ("CGU") identified as follows:

	2022 US$ million	2021 US$ million
Electronic Learning Products	**23.2**	23.2
Snom	**7.9**	7.9
VTech Malaysia	**5.0**	5.0
	36.1	36.1

In accordance with IAS 36, *Impairment of Assets*, the Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts as at the end of the reporting period. Goodwill impairment reviews have been performed at the lowest level of CGU which generates cash flows independently.

The recoverable amount of Electronic Learning Products is determined based on value-in-use calculation. The calculation uses cash flow projections based on a five-year financial budget approved by management, extrapolated perpetually with an estimated general long-term continuous annual growth of not more than 1% (2021: not more than 1%). The discount rate used of approximately 14.9% (2021: 14.9%) is pre-tax and reflects specific risks related to the relevant operation.

The recoverable amount of Snom is determined based on value-in-use calculation. The calculation uses cash flow projections based on a five-year financial budget approved by management, extrapolated perpetually with an estimated general long-term continuous annual growth of not more than 1% (2021: not more than 1%). The discount rate used of approximately 14.3% (2021: 15.0%) is pre-tax and reflects specific risks related to the relevant operation.

The recoverable amount of VTech Malaysia is determined based on value-in-use calculation. The calculation uses cash flow projections based on a five-year financial budget approved by management, extrapolated perpetually with an estimated general long-term continuous annual growth of not more than 1% (2021: not more than 1%). The discount rate used of approximately 16.5% (2021: 15.9%) is pre-tax and reflects specific risks related to the relevant operation.

The budgeted gross margin and net profit margin are determined by management for each individual CGU based on past performance and its expectations for market development. Management believes that any reasonably foreseeable changes in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

11 Interest in an Associate

The information of the associate company, which is individually immaterial, is as follows:

	2022 US$ million	2021 US$ million
The carrying amount of this associate company in the consolidated financial statements	**3.8**	3.4
The amount of the Group's share of the associate's		
Post-tax profit	**0.4**	0.4
Other comprehensive income	**–**	–
Total comprehensive income	**0.4**	0.4

12 Investments

At 31 March 2022, investments of US$2.2 million (2021: US$6.8 million) represent investments in unlisted companies measured at fair value through profit or loss.

13 Income Tax in the Consolidated Statement of Financial Position

(a) Current taxation in the consolidated statement of financial position represents:

	2022 US$ million	2021 US$ million
Provision for profits tax for the year	**(22.9)**	(30.8)
Provisional profits tax paid	**24.0**	18.7
	1.1	(12.1)
Balance of profits tax payable relating to prior years	**(4.8)**	(1.6)
	(3.7)	(13.7)
Represented by:		
Taxation recoverable *(note)*	**8.2**	3.6
Taxation payable *(note)*	**(11.9)**	(17.3)
	(3.7)	(13.7)

Note: Taxation recoverable / (payable) in the consolidated statement of financial position comprises provision for Hong Kong Profits Tax and overseas tax chargeable at the appropriate current rates of taxation ruling in the relevant jurisdictions and after netting off provisional tax paid.

13 Income Tax in the Consolidated Statement of Financial Position (Continued)

(b) The components of deferred tax assets / (liabilities) and the movements for the years ended 31 March 2022 and 31 March 2021 are as follows:

	Note	Unutilised tax losses US$ million	Intangible assets arising from business combination US$ million	Depreciation of right-of-use assets US$ million	Other temporary differences US$ million	Total US$ million
Deferred tax arising from:						
At 1 April 2020		1.5	(2.1)	2.6	3.4	5.4
(Charged) / Credited to consolidated statement of profit or loss	4	(0.5)	0.1	1.3	1.2	2.1
Charged to other comprehensive income		–	–	–	(0.4)	(0.4)
At 31 March 2021 and 1 April 2021		1.0	(2.0)	3.9	4.2	7.1
(Charged) / Credited to consolidated statement of profit or loss	4	(0.5)	0.1	0.9	0.2	0.7
Charged to other comprehensive income		–	–	–	(0.3)	(0.3)
At 31 March 2022		**0.5**	**(1.9)**	**4.8**	**4.1**	**7.5**

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority on the same taxable entity. The following amounts are shown in the consolidated statement of financial position:

	2022 US$ million	2021 US$ million
Deferred tax assets	**10.9**	10.0
Deferred tax liabilities	**(3.4)**	(2.9)
	7.5	7.1

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets of US$8.0 million (2021: US$8.2 million) arising from unused tax losses sustained in the operations of certain subsidiaries of US$42.6 million (2021: US$43.5 million) have not been recognised as the availability of future taxable profits against which the assets can be utilised is not considered to be probable at 31 March 2022.

The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in the PRC expire 5 years after the relevant accounting year end date in which they arose. The tax losses arising from the operations in the United States in tax years ending before 1 January 2019 expire up to 20 years after the relevant accounting year end date in which they arose, depending on the relevant jurisdictions.

14 Stocks

(a) Stocks in the consolidated statement of financial position comprise:

	2022 US$ million	2021 US$ million
Raw materials	**233.4**	171.5
Work in progress	**62.4**	48.8
Finished goods	**257.5**	193.7
	553.3	414.0

Stocks carried at net realisable value at 31 March 2022 amounted to US$30.4 million (2021: US$24.2 million).

(b) The analysis of the amount of stocks recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	2022 US$ million	2021 US$ million
Carrying amount of stocks sold	**1,691.2**	1,636.2
Write-down of stocks	**12.9**	12.1
Reversal of write-down of stocks	**(2.7)**	(2.6)
	1,701.4	1,645.7

The reversal of write-down of stocks arose due to an increase in estimated net realisable value of certain products as a result of change in consumer preferences.

15 Debtors, Deposits and Prepayments

	Note	2022 US$ million	2021 US$ million
Trade debtors (Net of loss allowance of US$7.4 million (2021: US$7.6 million))	15(a)& 23(a)	**325.4**	270.7
Other debtors, deposits and prepayments		**54.7**	47.1
Financial assets measured at amortised cost		**380.1**	317.8
Forward foreign exchange contracts held as cash flow hedging instruments	23(b), (d)&(e)	**4.8**	1.1
		384.9	318.9

All of other debtors, deposits and prepayments apart from the amounts of US$7.7 million (comprised largely of rental deposits) (2021: US$6.7 million) are expected to be recovered or recognised as an expense within one year.

(a) Ageing Analysis

At the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of loss allowance, is as follows:

	2022 US$ million	2021 US$ million
0-30 days	**190.0**	178.3
31-60 days	**92.0**	58.9
61-90 days	**23.8**	25.7
>90 days	**19.6**	7.8
Total	**325.4**	270.7

The majority of the Group's sales are on letters of credit and on open credit with varying terms of 30 to 90 days. Certain open credit sales are covered by credit insurance or bank guarantees. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 23(a).

16 Deposits and Cash

	2022 US$ million	2021 US$ million
Short term bank deposits	**2.1**	2.1
Cash at bank and in hand	**193.7**	341.7
	195.8	343.8

Deposits and cash as at 31 March 2022 include US$12.1 million (2021: US$19.0 million) placed with banks in the PRC, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

17 Creditors and Accruals

	Note	2022 US$ million	2021 US$ million
Trade creditors	17(a)	**327.2**	236.7
Contract liabilities	17(b)	**16.9**	13.4
Other creditors and accruals	17(c)& 23(d)	**222.8**	206.5
Forward foreign exchange contracts held as cash flow hedging instruments	23(b), (d)&(e)	**0.3**	5.2
		567.2	461.8

(a) Ageing Analysis

At the end of the reporting period, an ageing analysis of trade creditors by invoice date is as follows:

	2022 US$ million	2021 US$ million
0-30 days	**106.2**	104.2
31-60 days	**74.3**	47.7
61-90 days	**61.7**	58.6
>90 days	**85.0**	26.2
Total	**327.2**	236.7

(b) Contract Liabilities

The Group may bill in advance of performance in manufacturing arrangements for certain customers. Contract liabilities in the prior years of US$13.4 million (2021: US$14.8 million) were recognised as revenue during the year ended 31 March 2022 upon the transfer of control over the products to the customers.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date for its sales contracts for electronic products as the performance obligations had an original expected duration of one year or less.

(c) Other Creditors and Accruals

Other creditors and accruals comprised largely accruals for staff costs, advertising and promotion expenses, rebates and allowances to customers, and miscellaneous operating expenses.

Other creditors and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

18 Provisions for Defective Goods Returns and Other Liabilities

At 31 March 2022, provisions of US$28.3 million (2021: US$26.4 million) include provision for defective goods returns of US$18.3 million (2021: US$18.2 million) and other liabilities of US$10.0 million (2021: US$8.2 million).

Movement of provision for defective goods returns is as follows:

	2022 US$ million	2021 US$ million
At 1 April	**18.2**	17.4
Additional provision charged to consolidated statement of profit or loss	**17.3**	19.0
Utilised during the year	**(17.2)**	(18.2)
At 31 March	**18.3**	18.2

The Group undertakes to repair or replace items that fail to perform satisfactorily in accordance with the terms of the sales. A provision is recognised for expected return claims, which included cost of repairing or replacing defective goods, loss of margin and cost of materials scrapped, based on past experience of the level of repairs and returns.

19 Lease Liabilities

(a) At 31 March 2022, the lease liabilities were repayable as follows:

	2022 US$ million	2021 US$ million
Within 1 year	**20.6**	17.5
After 1 year but within 2 years	**17.6**	14.7
After 2 years but within 5 years	**57.4**	46.4
After 5 years	**101.5**	127.5
	176.5	188.6
	197.1	206.1

(b) Reconciliation of lease liabilities arising from financing activities:

	2022 US$ million	2021 US$ million
At 1 April	**206.1**	165.2
Changes from financing cash flows:		
– Capital element of lease rentals paid	**(18.5)**	(19.8)
Exchange adjustments	**4.1**	9.1
Other change:		
– Increase in lease liabilities from entering into new leases or reassessments during the year	**16.2**	51.6
– Lease modification	**(10.8)**	–
At 31 March	**197.1**	206.1

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for lease rentals paid comprise the following:

	2022 US$ million	2021 US$ million
Within operating cash flows	**24.6**	14.2
Within financing cash flows	**18.5**	19.8
	43.1	34.0

20 Pension Schemes

The Group operates a defined benefit scheme and defined contribution schemes in Hong Kong and overseas. The defined contribution scheme operated in Hong Kong complies with the requirements under the Mandatory Provident Fund ("MPF") Ordinance.

(a) Defined contribution schemes

For the defined contribution schemes operated for overseas employees and Hong Kong employees under the MPF Ordinance, the retirement benefit costs expensed in the consolidated statement of profit or loss amounted to US$24.7 million (2021: US$16.3 million) and US$1.1 million (2021: US$1.0 million) respectively.

(b) Defined benefit scheme

For the defined benefit scheme (the "Scheme") operated for Hong Kong employees, contributions made by the Group during the year were calculated based on advice from Willis Towers Watson Hong Kong Limited ("Willis Towers Watson"), independent actuaries and consultants. The Scheme is valued annually. The latest actuarial valuation was completed by Willis Towers Watson as at 31 March 2022 using the projected unit credit method.

(i) For the defined benefit scheme, the amounts recognised in the consolidated statement of financial position are as follows:

	2022 US$ million	2021 US$ million
Fair value of Scheme assets	**34.4**	37.8
Present value of funded defined benefit obligations	**(27.0)**	(30.9)
Net assets on defined benefit scheme recognised in the consolidated statement of financial position	**7.4**	6.9

A portion of the above obligations is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay US$1.0 million in contributions to defined benefit retirement scheme in the year ending 31 March 2023.

20 Pension Schemes (Continued)

(b) Defined benefit scheme (Continued)

(ii) Movement in fair value of Scheme assets:

	2022 US$ million	2021 US$ million
At 1 April	**37.8**	31.5
Interest income on Scheme assets	**0.3**	0.3
Return on Scheme assets excluding interest income	**(1.5)**	7.3
Actual Group's contributions	**1.1**	1.2
Actual benefits paid	**(3.2)**	(2.4)
Administrative expenses paid from Scheme assets	**(0.1)**	(0.1)
At 31 March	**34.4**	37.8

(iii) Movement in present value of defined benefit obligations:

	2022 US$ million	2021 US$ million
At 1 April	**30.9**	33.3
Actuarial gains arising from changes in liability experience	**(0.4)**	(0.4)
Actuarial gains arising from changes in financial assumptions	**(1.7)**	(1.3)
Actuarial losses arising from changes in demographic assumptions	**0.1**	0.1
Interest cost	**0.2**	0.2
Current service cost	**1.1**	1.4
Actual benefits paid	**(3.2)**	(2.4)
At 31 March	**27.0**	30.9

The weighted average duration of the defined benefit obligations is 4.9 years (2021: 5.5 years).

(iv) The amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	Note	2022 US$ million	2021 US$ million
Current service cost		**1.1**	1.4
Net interest income on net defined benefit asset		**(0.1)**	(0.1)
Administrative expenses paid from Scheme assets		**0.1**	0.1
Amounts recognised in profit or loss	2	**1.1**	1.4
Actuarial gains		**(2.0)**	(1.6)
Return on Scheme assets excluding interest income		**1.5**	(7.3)
Amounts recognised in other comprehensive income		**(0.5)**	(8.9)
Total defined benefit expense / (income)		**0.6**	(7.5)

(v) Scheme assets consist of the following:

	2022 US$ million	2021 US$ million
Equity securities:		
– Financial institutions	**3.1**	4.1
– Non-financial institutions	**10.6**	13.2
	13.7	17.3
Bonds:		
– Government	**10.9**	8.6
– Non-government	**8.3**	10.4
	19.2	19.0
Cash and others	**1.5**	1.5
	34.4	37.8

(vi) The significant actuarial assumptions used as at 31 March 2022 (expressed as weighted average) and sensitivity analysis are as follows:

	2022	2021
Discount rate	**2.1%**	0.9%
Future salary increases	**3.0%**	3.0%

The below analysis shows how the net assets on defined benefit scheme as at 31 March 2022 would have increased / (decreased) as a result of a 0.25% point change in the significant actuarial assumptions:

	Increase in 0.25% point US$ million	Decrease in 0.25% point US$ million
Discount rate	**0.3**	**(0.3)**
Future salary increases	**(0.3)**	**0.3**

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

21 Share Capital, Share Options and Share Purchase Scheme

(a) Share Capital

	2022 US$ million	2021 US$ million
Authorised		
Ordinary shares: 400,000,000 (2021: 400,000,000) of US$0.05 each	**20.0**	20.0

	2022		2021	
	No. of shares	**US$ million**	No. of shares	US$ million
Issued and fully paid				
Ordinary shares of US$0.05 each:				
As at 1 April	**252,129,133**	**12.6**	251,779,133	12.6
Issue of new shares under general mandate pursuant to the Share Purchase Scheme	**250,000**	**–**	350,000	–
As at 31 March	**252,379,133**	**12.6**	252,129,133	12.6

The Company's issued and fully paid shares as at 31 March 2022 included 273,700 shares (2021: 337,700 shares) held in trust by the trustee under the Share Purchase Scheme, of which 28,800 shares (2021: 36,200 shares) were held in trust by the trustee under the French Subplan and remain unvested, details of which are set out in note 21(c).

The company level statement of financial position can be found in note 26.

(b) Share Options

(i) Termination of the 2011 Scheme

The Company adopted a share option scheme on 22 July 2011 (the "2011 Scheme") for the purpose of providing incentives and rewards to the eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2011 Scheme include directors, officers and employees of any members of the Group as the Remuneration Committee may determine or approve. Under the 2011 Scheme, the Directors may, at their discretion, at any time during 10 years from the date of adoption of the 2011 Scheme, invite directors, officers and employees of any member of the Group to subscribe for the shares of the Company in accordance with the terms of the 2011 Scheme at prices to be determined by the Directors in accordance with the requirements of the Listing Rules.

At the annual general meeting of the Company held on 13 July 2021, the shareholders of the Company approved the termination of the 2011 Scheme (otherwise the 2011 Scheme would expire on 21 July 2021) and the adoption of a new share option scheme ("the 2021 Scheme"). Since the adoption of the 2011 Scheme and during the year ended 31 March 2022 (up to the date of termination of the 2011 Scheme), no share options were granted, exercised, cancelled or lapsed under the 2011 Scheme. For details of the 2011 Scheme which has already been terminated, please refer to note 21(b) to the Consolidated Financial Statements contained in the Company's Annual Report 2021.

(ii) 2021 Scheme

The purposes of the 2021 Scheme are to (i) attract potential employees; (ii) motivate and retain the eligible participants to support the Group's long term development; and (iii) provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and / or providing benefits to the eligible participants for their contributions and / or potential contributions to the Group. The eligible participants include directors, officers and employees of any members of the Group as determined by the Board from time to time.

Under the 2021 Scheme, the Directors may, at their discretion, at any time during the 10 years from the date of adoption of the 2021 Scheme, invite the eligible participants to subscribe for the shares of the Company in accordance with the terms of the 2021 Scheme at prices to be determined by the Directors in accordance with the requirements of the Listing Rules. The exercise price shall be such price determined by the Board at its absolute discretion and shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day, (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant, and (iii) the nominal value of the share of the Company on the date of grant. The new shares, when issued and fully paid, will rank pari passu among themselves and with the shares currently in issue, pursuant to the 2021 Scheme. As at the date of this Annual Report, the total number of shares available for issue under the 2021 Scheme was 25,237,913 shares, representing approximately 10% of the total number of issued shares of the Company.

21 Share Capital, Share Options and Share Purchase Scheme (Continued)

(b) Share Options (Continued)

(ii) 2021 Scheme (Continued)

Pursuant to Chapter 17 of the Listing Rules, the Company can issue share options so that the number of shares that may be issued upon exercise of all share options to be granted under the scheme and any other schemes does not in aggregate exceed 10% of the relevant class of shares in issue as at the date of adoption of the 2021 Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular. The Company may also seek separate shareholders' approval for granting share options beyond the 10% limit to the eligible participants specifically identified by the Company, subject to shareholders' approval and the issue of a circular. The Company can issue share options so that shares to be issued upon exercise of all outstanding share options does not exceed 30% of the relevant class of shares in issue from time to time.

Subject to the further restrictions in the Listing Rules concerning grant of share options to substantial shareholders, the total number of shares issued and to be issued upon exercise of share options granted and to be granted to any one eligible participant in any 12-month period must not exceed 1% of the relevant class of shares in issue. The Company can grant further share options in excess of this limit, subject to shareholders' approval (with that eligible participant and his associates abstaining from voting) and the issue of a circular.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a non-refundable sum of HK$1 by the grantee. The period within which the share options must be exercised will be specified by the Company at the time of grant, and must expire no later than 10 years from the date of grant. The Company may specify any minimum period(s) for which an share option must be held before it can be exercised. The 2021 Scheme does not contain any such minimum period. The 2021 Scheme has a life of 10 years and shall expire on 12 July 2031.

Since the adoption of the 2011 Scheme and up to the date of termination of the 2011 Scheme, no share options were granted under the 2011 Scheme; and the 2021 Scheme was adopted on 13 July 2021. Therefore, there were no outstanding options at the beginning of the year ended 31 March 2022.

The movements in relation to the share options granted (and the number of underlying shares subject to the share options) under the 2021 Scheme during the year ended 31 March 2022 (and since the adoption of 2021 Scheme on 13 July 2021) are as follows:

				Number of underlying shares to the share options granted		
				Changes during the year		
Name / category of grantees	**Date of grant** *(note 1)*	**Exercise price HK$**	**Exercise period** *(note 2)*	**Granted (since 13 July 2021)**	**Exercised / Cancelled / Lapsed** *(note 3)*	**Balance as at 31 March 2022**
Directors						
Allan WONG Chi Yun *(note 4)*	14 Mar 2022	54.00	31 March 2022 to 30 March 2024	83,333	–	83,333
	14 Mar 2022	54.00	31 March 2023 to 30 March 2025	83,333	–	83,333
	14 Mar 2022	54.00	31 March 2024 to 30 March 2026	83,334	–	83,334
PANG King Fai	14 Mar 2022	54.00	31 March 2022 to 30 March 2024	60,000	–	60,000
	14 Mar 2022	54.00	31 March 2023 to 30 March 2025	60,000	–	60,000
	14 Mar 2022	54.00	31 March 2024 to 30 March 2026	60,000	–	60,000
Andy LEUNG Hon Kwong	14 Mar 2022	54.00	31 March 2022 to 30 March 2024	100,000	–	100,000
	14 Mar 2022	54.00	31 March 2023 to 30 March 2025	100,000	–	100,000
	14 Mar 2022	54.00	31 March 2024 to 30 March 2026	100,000	–	100,000
Other employees	14 Mar 2022	54.00	31 March 2022 to 30 March 2024	90,000	–	90,000
	14 Mar 2022	54.00	31 March 2023 to 30 March 2025	90,000	–	90,000
	14 Mar 2022	54.00	31 March 2024 to 30 March 2026	90,000	–	90,000

Notes:

(1) The closing price per share immediately before the date on which the share options were granted was HK$52.80.

(2) The vesting period of the share options is from the date of grant until the commencement of the relevant exercise period.

(3) During the year ended 31 March 2022 (and since the adoption of the 2021 Scheme on 13 July 2021), no share options were exercised, cancelled or lapsed under the 2021 Scheme.

(4) Dr. Allan WONG Chi Yun is an Executive Director, the Chairman, the Group Chief Executive Officer, and a substantial shareholder of the Company.

21 Share Capital, Share Options and Share Purchase Scheme (Continued)

(b) Share Options (Continued)

(ii) 2021 Scheme (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	2022	
	Weighted average exercise price	**Number of options**
Outstanding at the beginning of the year	–	–
Granted during the year	**HK$54.00**	**1,000,000**
Outstanding at the end of the year	**HK$54.00**	**1,000,000**
Exercisable at the end of the year	**HK$54.00**	**333,333**

The share options outstanding at 31 March 2022 had an exercise price of HK$54.00 and a weighted average remaining contractual life of 3 years.

(iii) Value of Share Options

Pursuant to Rule 17.08 of the Listing Rules, the value of the share options granted during the financial year ended 31 March 2022 is to be expensed through the consolidated statement of profit or loss over the vesting period.

The fair values of share options granted by the Company were determined using the Black-Scholes options pricing model, a commonly-used model for estimating the fair value of a share option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimates. The value of a share option is determined by different variables which are based on a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option.

Fair value of share options and assumptions

	Date of grant		
	14 March 2022	**14 March 2022**	**14 March 2022**
Exercise period	31 March 2022 to 30 March 2024	31 March 2023 to 30 March 2025	31 March 2024 to 30 March 2026
Fair value of each share option as of the date of grant	HK$5.70	HK$6.71	HK$7.04
Closing share price at the date of grant	HK$54.00	HK$54.00	HK$54.00
Exercise price	HK$54.00	HK$54.00	HK$54.00
Expected volatility *(note (i))*	35.33%	35.33%	35.33%
Annual risk-free interest rate (based on Hong Kong government bonds)	2.95%	2.95%	2.95%
Expected average life of share options	1.0 year	2.0 years	3.1 years
Expected dividend yield *(note (ii))*	9.35%	9.35%	9.35%

Notes:

(i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of the Company's daily share prices over the two years immediately preceding the grant date.

(ii) Expected dividend yield is based on historical dividends over one year prior to the grant date.

During the year ended 31 March 2022, share-based payment expenses of US$0.3 million in respect of the 2021 Scheme were charged to the consolidated statement of profit or loss.

(c) Share Purchase Scheme

On the Adoption Date, the Company adopted the Share Purchase Scheme, which is a share incentive award scheme for the purposes of incentivising employees and attracting suitable personnel for the continuous development of the Group. Eligible participants of the Share Purchase Scheme include directors, officers and employees of any members of the Group as the Remuneration Committee may determine or approve. The Awarded Shares will be the existing shares, which will be purchased on the Stock Exchange by the independent trustee with funds provided by the Company, and will be awarded in such manner as the Remuneration Committee may determine or approve. The maximum number of shares that can be held by the trustee under the Share Purchase Scheme is limited to 3% of the issued share capital of the Company from time to time (excluding shares which have already been transferred to employees on vesting). The Share Purchase Scheme shall be valid and effective for a term of 20 years from the Adoption Date.

21 Share Capital, Share Options and Share Purchase Scheme (Continued)

(c) Share Purchase Scheme (Continued)

The Awarded Shares will be granted to the eligible participants at no consideration subject to the applicable conditions and vesting period as determined by the Remuneration Committee.

On 26 March 2013, the Company adopted the French Subplan. The Awarded Shares will be granted to the eligible French employees of the Group pursuant to the Share Purchase Scheme and the French Subplan subject to the defined vesting period. The vesting period applicable under the French Subplan is currently not less than 1 year following the date of the award and a further 1 year sales restriction period as calculated from the date of the Awarded Shares being transferred to the eligible French employees.

On 19 May 2015, the Company further amended and extended the Share Purchase Scheme such that the Company may furnish the trustee of the Share Purchase Scheme with cash to subscribe for the new shares under the general mandate of the Company (as approved by the shareholders at the annual general meeting of the Company from time to time) and hold such new shares in trust for the selected participants (not being connected persons of the Company) under the Share Purchase Scheme. The new shares, when issued and fully paid, will rank pari passu among themselves and with the shares currently in issue, pursuant to the Share Purchase Scheme.

During the year ended 31 March 2022, 221,900 shares (2021: 306,000 shares) were purchased on the Stock Exchange pursuant to the Share Purchase Scheme. The total amount paid to purchase 221,900 shares during the year ended 31 March 2022 was approximately US$1.6 million (2021: US$2.3 million). Further, 250,000 new shares (2021: 350,000 shares) were issued under the general mandate of the Company pursuant to the Share Purchase Scheme.

Details of the Awarded Shares (including the shares awarded pursuant to the French Subplan) which have been granted to the Directors, senior management and eligible employees during each of the years ended 31 March 2022 and 31 March 2021, respectively, are as follows:

Date of award *(note 1)*	**Number of Awarded Shares granted**	**Cost of related Awarded Shares US$ million**	**Vesting period for Awarded Shares granted under Share Purchase Scheme**	**Vesting period for Awarded Shares granted under French Subplan**
Year ended 31 March 2022				
23 June 2021	179,700 *(note 2)*	1.8	23 June 2021 to 29 June 2021	–
22 July 2021	22,300 *(note 2)*	0.2	22 July 2021 to 28 July 2021	–
30 July 2021	57,600 *(notes 2&3)*	0.5	30 July 2021 to 5 August 2021	30 July 2022 to 5 August 2022
14 March 2022	244,000 *(note 4)*	1.5	17 May 2022 to 23 May 2022	–
Year ended 31 March 2021				
23 June 2020	224,220 *(note 2)*	1.5	23 June 2020 to 29 June 2020	–
16 July 2020	106,400 *(notes 2&3)*	0.7	16 July 2020 to 22 July 2020	16 July 2021 to 22 July 2021
15 January 2021	269,000 *(note 5)*	2.1	20 May 2021 to 26 May 2021	–

Notes:

(1) The date of award refers to the date on which the Company issued the letter of award to the eligible participants for the entitlement to the Awarded Shares.

(2) These Awarded Shares included the new shares allotted and issued by the Company to the trustee of the Share Purchase Scheme for the selected participants (not being connected persons of the Company).

(3) These Awarded Shares included 28,800 Awarded Shares (2021: 36,200 Awarded Shares) granted under the French Subplan during the year ended 31 March 2022.

(4) 180,000 Awarded Shares and 64,000 Awarded Shares were granted to certain executive Directors and senior management on 14 March 2022 respectively and will be vested on 17 May 2022 subject to achievement of certain performance conditions for the year ended 31 March 2022. These Awarded Shares were purchased on the Stock Exchange by the trustee of the Share Purchase Scheme.

(5) 160,000 Awarded Shares and 109,000 Awarded Shares were granted to certain executive Directors and senior management on 15 January 2021 respectively and were vested during the year ended 31 March 2022. These Awarded Shares were purchased on the Stock Exchange by the trustee of the Share Purchase Scheme.

(6) No Awarded Shares (2021:5,800 Awarded Shares) lapsed during the year ended 31 March 2022.

(7) 100 Awarded Shares (2021: Nil) were cancelled during the year ended 31 March 2022.

(8) No Awarded Shares were granted to non-executive Directors during the year ended 31 March 2022 and 31 March 2021.

21 Share Capital, Share Options and Share Purchase Scheme (Continued)

(c) Share Purchase Scheme (Continued)

As at 31 March 2022, a total of 273,700 shares (2021: 337,700 shares) were held in trust by the trustee under the Share Purchase Scheme of which 28,800 shares (2021: 36,200 shares) were held in trust by the trustee under the French Subplan which were granted to the eligible French employees of the Group and remain unvested. The trustee can exercise the voting rights of the shares held in trust in any general meetings as shareholder as it sees fit (and the Company has no power to influence how the trustee should exercise this discretion). Dividends derived from the shares held under the said trust will be reinvested to acquire further shares.

During the year ended 31 March 2022, share-based payment expenses of US$4.0 million (2021: US$5.0 million) in respect of the Awarded Shares were charged to the consolidated statement of profit or loss.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group has no bank borrowings as at 31 March 2022 and 31 March 2021. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

In order to monitor its capital structure, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares, return capital to shareholders or raise new debt financing.

The Group's adjusted capital at 31 March 2022 and 31 March 2021 is as follows:

	2022 **US$ million**	2021 US$ million
Total equity	**678.8**	731.1
Less: Proposed dividends	**(128.7)**	(186.6)
	550.1	544.5

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22 Reserves

(a) The Group

Details of the movements in reserves of the Group during the years ended 31 March 2022 and 31 March 2021 are set out in the consolidated statement of changes in equity.

(b) The Company

	Note	Share capital US$ million	Share premium US$ million	Shares held for Share Purchase Scheme US$ million	Exchange reserve US$ million	Capital reserve US$ million	Revenue reserve US$ million	Total equity US$ million
At 1 April 2020		12.6	156.2	(0.7)	(1.0)	–	231.4	398.5
Changes in equity for the year ended 31 March 2021								
Comprehensive income								
Profit for the year		–	–	–	–	–	212.4	212.4
Total comprehensive income for the year		–	–	–	–	–	212.4	212.4
Final dividend in respect of the previous year		–	–	–	–	–	(90.8)	(90.8)
Interim dividend in respect of the current year	5	–	–	–	–	–	(42.8)	(42.8)
Shares issued under Share Purchase Scheme		–	2.1	(2.1)	–	–	–	–
Shares purchased for Share Purchase Scheme	21(c)	–	–	(2.3)	–	–	–	(2.3)
Shares lapsed under Share Purchase Scheme		–	–	(0.1)	–	–	0.1	–
Vesting of shares of Share Purchase Scheme	21(c)	–	–	5.0	–	–	–	5.0
At 31 March 2021 and 1 April 2021		12.6	158.3	(0.2)	(1.0)	–	310.3	480.0
Changes in equity for the year ended 31 March 2022								
Comprehensive income								
Profit for the year		–	–	–	–	–	174.0	174.0
Total comprehensive income for the year		–	–	–	–	–	174.0	174.0
Final dividend in respect of the previous year	5	–	–	–	–	–	(186.8)	(186.8)
Interim dividend in respect of the current year	5	–	–	–	–	–	(42.9)	(42.9)
Equity-settled share based payments: share options	21(b)	–	–	–	–	0.3	–	0.3
Shares issued under Share Purchase Scheme		–	2.5	(2.5)	–	–	–	–
Shares purchased for Share Purchase Scheme	21(c)	–	–	(1.6)	–	–	–	(1.6)
Vesting of shares of Share Purchase Scheme	21(c)	–	–	4.0	–	–	–	4.0
At 31 March 2022		**12.6**	**160.8**	**(0.3)**	**(1.0)**	**0.3**	**254.6**	**427.0**

Reserves of the Company available for distribution to shareholders amounted to US$254.6 million (2021: US$310.3 million).

22 Reserves (Continued)

(c) Nature and purpose of reserves

The application of share premium account is governed by the Companies Act 1981 of Bermuda.

The exchange reserve comprises exchange differences arising from the translation of the financial statements of foreign operations.

The hedging reserve comprises the effective portion of the cumulative net change in fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows.

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note (V)(iii).

23 Financial Risk Management and Fair Values

Exposure to credit, currency, interest rate and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade debtors. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade debtors

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 13.2% (2021: 11.8%) and 39.8% (2021: 41.0%) of the total trade debtors was due from the Group's largest customer and the five largest customers respectively.

The majority of the Group's sales are on letters of credit and on open credit with varying terms of 30 to 90 days. Certain open credit sales are covered by credit insurance or bank guarantees.

The Group measures loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors as at 31 March 2022 and 31 March 2021:

	31 March 2022		
	Expected loss rate %	**Gross carrying amount US$ million**	**Loss allowance US$ million**
Current (not past due)	**0.1%**	**310.0**	**(0.3)**
1-30 days past due	**14.1%**	**17.8**	**(2.5)**
31-60 days past due	**90.7%**	**4.3**	**(3.9)**
61-90 days past due	**100.0%**	**0.3**	**(0.3)**
More than 90 days past due	**100.0%**	**0.4**	**(0.4)**
	2.2%	**332.8**	**(7.4)**

	31 March 2021		
	Expected loss rate %	Gross carrying amount US$ million	Loss allowance US$ million
Current (not past due)	0.1%	257.1	(0.3)
1-30 days past due	22.2%	17.6	(3.9)
31-60 days past due	90.5%	2.1	(1.9)
61-90 days past due	100.0%	0.6	(0.6)
More than 90 days past due	100.0%	0.9	(0.9)
	2.7%	278.3	(7.6)

Expected loss rates are based on actual loss experience over the past year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data have been collected, current conditions, recent settlement experience and the Group's view of economic conditions over the expected lives of the trade debtors. As at 31 March 2022, the overall expected loss rate was 2.2% (2021: 2.7%) which reflected the settlement experience on the trade debtors.

Movement in the loss allowance account in respect of trade debtors during the year is as follows:

	2022 US$ million	2021 US$ million
At 1 April	**7.6**	8.5
Amounts written off during the year	**(1.1)**	(1.0)
Loss allowance recognised	**1.4**	1.2
Reversal of loss allowance	**(0.5)**	(1.4)
Effect of changes in exchange rates	**–**	0.3
At 31 March	**7.4**	7.6

23 Financial Risk Management and Fair Values (Continued)

(b) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in currencies other than the functional currency of the operations to which they relate. As the Hong Kong Dollar ("HKD") is pegged to United States Dollar ("USD"), the Group does not expect any significant movements in the HKD / USD exchange rate. The currencies giving rise to foreign currency risk are primarily denominated in Euro ("EUR"), Pounds Sterling ("GBP"), Canadian dollars ("CAD"), Australian dollars ("AUD") and Renminbi ("RMB"). The Group manages this risk as follows:

(i) Hedges of foreign currency risk in forecast transactions

The Group uses forward exchange contracts to manage its currency risk until the settlement date of foreign currency receivables or payables. The Group designates those forward exchange contracts as hedging instruments in cash flow hedges and does not separate the forward and spot element of a forward exchange contract but instead designates the forward exchange contract in its entirety in a hedging relationship. Correspondingly, the hedged item is measured based on the forward exchange rate.

The Group enters into forward foreign exchange contracts in order to hedge the currency risk in respect of highly probable forecast sales transactions. Forward foreign exchange contracts are matched with anticipated future cash flows. As at 31 March 2022, the notional principal amounts of these outstanding forward foreign exchange contracts were US$182.2 million (2021: US$200.6 million) with net positive fair value of US$3.3 million (2021: net negative fair value of US$1.0 million) recognised as derivative financial instruments.

In addition, the Group uses forward foreign exchange contracts to hedge the exchange rate fluctuation for the purchase of RMB in respect of highly probable forecast transactions for the Group's PRC operations. Forward foreign exchange contracts are matched with anticipated future cash flows. As at 31 March 2022, the notional principal amounts of these outstanding forward foreign exchange contracts for hedging highly probable forecast transactions were US$300.5 million (2021: US$283.3 million) with net positive fair value of US$1.2 million (2021: net negative fair value of US$3.1 million) recognised as derivative financial instruments.

The Group does not anticipate any material adverse effect on its financial position resulting from its involvement in these financial instruments, nor does it anticipate non-performance by any of its counterparties.

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements providing offsetting mechanism under certain circumstances. At 31 March 2022 and 2021, the Group has not offset any of the financial instruments as no parties have exercised their rights to offset the recognised amounts in the financial statements.

The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the forward exchange contracts and the highly probable forecast transactions based on their currency amounts and the timing of their respective cash flows. The main sources of ineffectiveness in these hedging relationships are:

(a) the effect of the counterparty's and the Group's own credit risk on the fair value of the forward exchange contracts which is not reflected in the change in the value of the hedged cash flows attributable to the forward rate; and

(b) changes in the timing of the hedged transactions.

The following table details the forward exchange contracts that have been designated as cash flow hedges of the Group's highly probable forecast transactions at the end of the reporting period:

	2022		2021	
	Foreign currency million	**US$ million**	Foreign currency million	US$ million
Notional amount				
– Sell AUD	**10.3**	**7.7**	13.0	9.9
– Sell CAD	**15.8**	**12.8**	50.7	39.9
– Sell GBP	**27.0**	**36.7**	34.6	47.4
– Sell EUR	**107.6**	**125.0**	87.7	103.4
– Buy RMB	**1,930.1**	**300.5**	1,863.4	283.3

	2022	2021
	US$ million	US$ million
Carrying amount *(note)*		
– Asset	**4.8**	1.1
– Liability	**(0.3)**	(5.2)

Note: *Forward exchange contract assets and liabilities are included in the "Debtors, Deposits and Prepayments" (note 15) and "Creditors and Accruals" (note 17) line items in the consolidated statement of financial position respectively.*

The forward exchange contracts have a maturity ranging from 2023 to 2024 and have an average exchange rate between the respective foreign currencies and USD as follows:

	2022	2021
AUD to USD	**0.74380**	0.75843
USD to CAD	**1.23412**	1.26985
GBP to USD	**1.35974**	1.37015
EUR to USD	**1.16158**	1.17888
USD to RMB	**6.42290**	6.57754

23 Financial Risk Management and Fair Values (Continued)

(b) Currency risk (Continued)

(i) Hedges of foreign currency risk in forecast transactions (Continued)

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

	2022	2021
	US$ million	US$ million
Balance at 1 April	**(2.7)**	3.3
Effective portion of the cash flow hedge recognised in other comprehensive income	**6.2**	(6.5)
Related tax	**(0.5)**	0.5
Balance at 31 March	**3.0**	(2.7)
Change in fair value of the derivative instruments during the year	**7.4**	(7.7)
Hedging ineffectiveness recognised in profit or loss	**(1.2)**	1.2
Effective portion of the cash flow hedge recognised in other comprehensive income	**6.2**	(6.5)

(ii) Sensitivity analysis

A sensitivity analysis was performed at 31 March 2022 to measure the instantaneous change in the Group's profit after tax and total equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

Management estimated that a 5% appreciation / depreciation of EUR, GBP, CAD, AUD and RMB against USD respectively would not have a material effect on the Group's profit after taxation and equity attributable to shareholders for the years ended 31 March 2022 and 31 March 2021.

The sensitivity analysis performed represents an aggregation of the instantaneous effects on each of the Group entities' profit after tax and total equity measured in the respective functional currencies.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those recognised assets or liabilities held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2021.

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of interest rates changes on income-earning financial assets. The following table indicates their effective interest rates at the end of the reporting period.

Deposits and cash

	2022		2021	
	Effective interest rate	**US$ million**	Effective interest rate	US$ million
Variable rate	**0.14%**	**193.4**	0.29%	341.7
Fixed rate	**0.25%**	**2.4**	0.50%	2.1

Interest rate sensitivity

At the end of the respective reporting period, if interest rates had been increased by 25 basis points and all other variables were held constant, the Group's profit after tax and total equity would increase by approximately US$0.3 million and US$0.4 million for the years ended 31 March 2022 and 31 March 2021 respectively. This is mainly attributable to the Group's exposure to interest rate changes on its variable rate income-earning financial assets including floating rate deposits and cash. The analysis is performed on the same basis for 2021.

(d) Liquidity risk

Cash management of the Company and wholly-owned subsidiaries of the Group are substantially centralised at the Group level. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

23 Financial Risk Management and Fair Values (Continued)

(d) Liquidity risk (Continued)

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's derivative and non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

			Contractual undiscounted cash flows				
	Note	Carrying amount US$ million	Total US$ million	Within 1 year or on demand US$ million	More than 1 year but less than 2 years US$ million	More than 2 years but less than 5 years US$ million	After 5 years US$ million
At 31 March 2022							
Trade creditors	17	**327.2**	**327.2**	**327.2**	**–**	**–**	**–**
Other creditors and accruals	17	**222.8**	**222.8**	**222.8**	**–**	**–**	**–**
Lease liabilities	19(a)	**197.1**	**244.1**	**26.3**	**24.3**	**72.4**	**121.1**
Derivatives settled gross:							
Forward foreign exchange contracts – cash flow hedge	23(b)(i)						
– outflow			**479.4**	**479.4**	**–**	**–**	**–**
– inflow			**(483.9)**	**(483.9)**	**–**	**–**	**–**
At 31 March 2021							
Trade creditors	17	236.7	236.7	236.7	–	–	–
Other creditors and accruals	17	206.5	206.5	206.5	–	–	–
Lease liabilities	19(a)	206.1	265.1	25.7	23.4	65.5	150.5
Derivatives settled gross:							
Forward foreign exchange contracts – cash flow hedge	23(b)(i)						
– outflow			484.9	484.9	–	–	–
– inflow			(480.8)	(480.8)	–	–	–

(e) Fair values measurement

The fair values of debtors, deposits and prepayments, deposits and cash and creditors and accruals approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

Financial instruments carried at fair value

The Group's financial instruments are measured at fair value at the end of the reporting period on a recurring basis, categorised into three-level fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair values measured using significant unobservable inputs

23 Financial Risk Management and Fair Values (Continued)

(e) Fair values measurement (Continued)

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position. All fair value measurements below are recurring.

		Fair value measurements categorised into		
	Fair value US$ million	Level 1 US$ million	Level 2 US$ million	Level 3 US$ million
At 31 March 2022				
Assets:				
Forward foreign exchange contracts	**4.8**	**–**	**4.8**	**–**
Investments	**2.2**	**–**	**–**	**2.2**
Liabilities:				
Forward foreign exchange contracts	**(0.3)**	**–**	**(0.3)**	**–**
At 31 March 2021				
Assets:				
Forward foreign exchange contracts	1.1	–	1.1	–
Investments	6.8	–	–	6.8
Liabilities:				
Forward foreign exchange contracts	(5.2)	–	(5.2)	–

During the years ended 31 March 2022 and 31 March 2021, there were no transfers between Level 1 and Level 2 of the fair value hierarchy classifications. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward foreign exchange contracts in Level 2 is determined by discounting the difference between the forward exchange rates at the end of the reporting period and the contractual forward exchange rates.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Sensitivity to changes in significant unobservable inputs
Investments	Net asset value approach	Fair value of individual assets less liabilities of the business ("the Business Net Assets")	The estimated fair value would increase if the fair value of the Business Net Assets is higher
		Marketability discount of 10%	The estimated fair value would decrease if the marketability discount is higher

As at 31 March 2022 and 31 March 2021, the fair value of investment is determined using net asset value and adjusted for the marketability discount.

As at 31 March 2022, it is estimated that with other variables held constant, an increase / decrease of 5% (2021: 5%) in each of the unobservable inputs would have increased / decreased the net assets as follows:

	Increase / (decrease) in unobservable inputs	Increase / (Decrease) in net assets	
		2022 US$ million	2021 US$ million
Fair value of the Business Net Assets	5%	**0.1**	0.3
	(5%)	**(0.1)**	(0.3)
Marketability discount	5%	**(0.1)**	(0.1)
	(5%)	**0.1**	0.1

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2022 US$ million	2021 US$ million
Investments:		
At 1 April	**6.8**	8.3
Fair value loss	**(4.6)**	(1.5)
At 31 March	**2.2**	6.8

24 Commitments

(a) Capital commitments for property, plant and equipment

	2022 US$ million	2021 US$ million
Authorised but not contracted for	**38.4**	42.3
Contracted but not provided for	**5.3**	6.7
	43.7	49.0

(b) Other commitments

Certain wholly-owned subsidiaries of the Group (the "licensees") entered into certain licensing agreements with various third party licensors for the granting of certain rights to use the relevant cartoon characters in the Group's electronic learning products. Under these licensing agreements, the licensees are required to make royalty payments to the licensors, calculated as a percentage of net sales of the relevant character licensed products, subject to certain minimum aggregate royalty payments. The percentage of royalty payable varies over time and between licensed characters. There is no maximum royalty payment. The aggregate minimum royalty payments as at 31 March 2022 amounted to US$2.5 million (2021: US$1.2 million), of which US$1.2 million is payable in the financial year ending 31 March 2023 and the remaining US$1.3 million is payable before the financial year ending 31 March 2027.

25 Contingent Liabilities

(a) Certain subsidiaries of the Group are involved in litigation arising in the ordinary course of their respective businesses and are involved in certain accusations of infringements of intellectual property and complaints related to products liability. Having reviewed the outstanding claims and taking into account legal advice received, the Directors are of the opinion that even if the claims are found to be valid, there will be no material adverse effect on the financial position of the Group.

(b) As at 31 March 2022, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities of up to US$329.1 million (2021: US$329.1 million). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was US$Nil.

As at 31 March 2022, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

26 Company-level Statement of Financial Position

	Note	2022 US$ million	2021 US$ million
Non-current asset			
Investments in subsidiaries	26(a)	**227.5**	227.5
Current assets			
Amounts due from subsidiaries		**427.7**	480.7
Deposits and cash		**0.7**	0.8
		428.4	481.5
Current liabilities			
Amounts due to subsidiaries		**(227.5)**	(228.0)
Creditors and accruals		**(1.4)**	(1.0)
		(228.9)	(229.0)
Net current assets		**199.5**	252.5
Net assets		**427.0**	480.0
Capital and reserves			
Share capital	21(a)	**12.6**	12.6
Reserves	22(b)	**414.4**	467.4
Total equity		**427.0**	480.0

Approved and authorised for issue by the Board of Directors on 16 May 2022.

Allan WONG Chi Yun
Director

PANG King Fai
Director

26 Company-level Statement of Financial Position (Continued)

(a) Principal subsidiaries

Details of the Company's interest in those subsidiaries which materially affect the results or assets of the Group as at 31 March 2022 are set out below:

Name of subsidiary	Particulars of issued and paid up capital	Percentage of interest held by the Group	Principal activity
Incorporated / established and operating in Hong Kong:			
VTech Communications Limited	1,000 ordinary shares 5,000,000 deferred shares	*100	Design, manufacture and sale of electronic products
VTech Electronics Limited	5,000,000 ordinary shares	*100	Design, manufacture and distribution of electronic products
VTech Telecommunications Limited	1,000 ordinary shares 5,000,000 deferred shares	*100	Design, manufacture and distribution of telecommunication products
Perseus Investments Limited	1,000 ordinary shares 1,000 deferred shares	100	Property holding
Valentia Investment Limited	1,000 ordinary shares 1,000 deferred shares	100	Property holding
VTech Finance Limited	1,000,000 ordinary shares	*100	Provision of group financing services
Incorporated / established and operating in Australia:			
VTech Telecommunications (Australia) Pty Limited	AUD1	*100	Sale of telecommunication products
VTech Electronics (Australia) Pty Limited	AUD1	*100	Sale of electronic products
Incorporated / established and operating in Canada:			
VTech Technologies Canada Ltd.	Class A CAD5,000 Class B CAD195,000	*100 *100	Sale of telecommunication and electronic products
Incorporated / established and operating in France:			
VTech Electronics Europe S.A.S.	EUR450,000	*100	Sale of electronic products
Incorporated / established and operating in Germany:			
VTech Electronics Europe GmbH	EUR500,000	*100	Sale of electronic products
VTech IAD GmbH	EUR25,000	*100	Development of broadband connectivity software
Snom Technology GmbH	EUR144,578	*100	Design, manufacture and distribution of telecommunication products
Incorporated / established and operating in Malaysia:			
VTech Communications (Malaysia) Sdn. Bhd.	MYR66,319,533	*100	Manufacture of consumer electronic products
VTech Telecommunications (Malaysia) Sdn. Bhd.	MYR2,500,000	*100	Manufacture of telecommunication and electronic products
Incorporated / established and operating in the Netherlands:			
VTech Electronics Europe B.V.	EUR18,100	*100	Sale of electronic products

26 Company-level Statement of Financial Position (Continued)

(a) Principal subsidiaries (Continued)

Name of subsidiary	Particulars of issued and paid up capital	Percentage of interest held by the Group	Principal activity
Incorporated / established and operating in the People's Republic of China:			
VTech (Dongguan) Communications Limited**	HK$111,200,000	*100	Manufacture of electronic products
VTech (Dongguan) Electronics Limited**	HK$64,800,000	*100	Manufacture of electronic products
VTech (Dongguan) Electronics Industrial Co., Ltd.**	HK$18,725,011	*100	Manufacture and sale of electronic products
VTech (Dongguan) Plastic Products Co., Ltd.**	HK$20,000,000	*100	Manufacture of plastic products
VTech (Dongguan) Telecommunications Limited**	HK$52,500,000	*100	Manufacture of telecommunication products
VTech (Dongguan) Telecommunications Electronics Limited**	RMB4,000,000	*100	Manufacture and sale of electronic products
VTech (Qingyuan) Plastic & Electronics Co., Ltd**	HK$293,000,000	*100	Manufacture of plastic products
VTech Telecommunications (Shenzhen) Limited**	HK$5,000,000	*100	Sale of telecommunication products
VTech Electronics Industrial (Shenzhen) Co., Ltd**	HK$10,000,000	*100	Sale of telecommunication and electronic products
Incorporated / established and operating in Singapore:			
VTech Communications Trading (Singapore) Pte. Ltd.	SGD100	*100	Group procurement services
Incorporated / established and operating in Spain:			
VTech Electronics Europe, S.L.	EUR500,000	*100	Sale of electronic products
Incorporated / established and operating in the United Kingdom:			
VTech Electronics Europe Plc	GBP500,000	*100	Sale of electronic products
Incorporated / established and operating in the United States:			
VTech Electronics North America, L.L.C.	US$22,212,997	*100	Sale of electronic products
VTech Communications, Inc.	US$300,000	*100	Sale of telecommunication products
LeapFrog Enterprises, Inc.	US$100 common stock	*100	Development of electronic products

* *Indirectly held by subsidiary companies*

** *Wholly-owned foreign enterprise*

26 Company-level Statement of Financial Position (Continued)

(b) Associate

Details of the Company's interest in an associate (held indirectly via a subsidiary) as at 31 March 2022 are set out below:

Name of associate	Particulars of issued and paid up capital	Percentage of interest held by the Group	Principal activity
Incorporated / established and operating in the United States:			
Kuku Studios, Inc.	US$3,000,008	*35.96	Production of animated content

* *Indirectly held by subsidiary company*

(c) Controlled structured entity

VTech controls a structured entity which operates in Hong Kong, particulars of which are as follows:

Structured entity	Principal activities
VTech Share Purchase Scheme Trust	Purchase, subscribing, administering and holding shares of the Company for the Share Purchase Scheme for the benefit of eligible VTech employees (note 21(c))

As the VTech Share Purchase Scheme Trust (the "Trust") is set up solely for the purpose of purchasing, subscribing, administering and holding shares of the Company for the Share Purchase Scheme (note 21(c)), the Company controls the Trust pursuant to the trust deed and rules related to the Trust to direct the relevant activities of the Trust and it has the ability to use its power over the Trust to affect its exposure for returns.

27 Material Related Party Transactions

Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid individuals, is disclosed in note 3 to the consolidated financial statements.

28 Possible Impact of Amendments, New Standards and Interpretations issued but not yet effective for the Annual Accounting Period ended 31 March 2022

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 March 2022 and which have not been adopted in these financial statements.

Of these developments, the following relate to amendments that may be relevant to the Group's operations and financial statements:

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Annual Improvement to IFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to IAS1, *Classifications of Liabilities as Current or Non-current*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to IAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

29 Accounting Estimates and Judgements

The presentation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

Notes 10, 20 and 23 contain information about the assumptions and their risk factors relating to goodwill impairment, pension scheme obligations and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

Valuation of stocks

The Group performs regular reviews of the carrying amounts of stocks with reference to stock ageing report, anticipated future selling prices, sales forecasts and management experience and judgement. Based on this review, a write-down of stocks will be made when the estimated net realisable value of stocks decline below their carrying amounts. Due to changes in customers' preferences, actual saleability of goods may be different from estimation and the statement of profit or loss in future accounting periods could be affected by differences in this estimation.

Impairment of assets

The Group reviews internal and external sources of information at the end of each reporting period to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased, except in the case of goodwill. The Group estimates the asset's recoverable amount when any such indication exists. In addition, for goodwill, the Group estimates the recoverable amount to determine whether or not there is any indication of impairment. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and these risks specific to the assets. The preparation of projected future cash flows involves the estimation of future revenue and operating costs which are based on reasonable assumptions supported by information available to the Group. Changes in the estimates would result in additional impairment provisions or reversal of impairment in future years.

Impairment of trade debtors

The Group's loss allowances are based on management's estimate of the lifetime expected credit losses, which is estimated by taking into account ageing of trade debtors and credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the report date. Changes in these estimates could have a significant impact on the loss allowance to be recognised or reversed in future years.

Provision for defective goods returns

The Group recognises provision for expected return claims, which included cost of repairing or replacing defective goods, loss of margin and cost of materials scrapped, based on past experience of the level of repairs and returns. The Group uses all available information in determining an amount that is a reasonable approximation of the costs including estimates based on reasonable historical information and supportable assumptions. Changes in these estimates could have a significant impact on the provision and could result in additional charges or reversal of provision in future years.

VTech in the Last Five Years

	Consolidated statement of financial position as at 31 March				
	2018 US$ million	2019 US$ million	2020 US$ million	2021 US$ million	**2022 US$ million**
Non-current assets					
Tangible assets	76.2	84.3	76.0	92.2	**87.3**
Right-of-use assets	–	–	154.8	193.1	**180.8**
Leasehold land payments	4.8	4.5	–	–	**–**
Intangible assets	19.6	18.6	17.7	16.8	**16.0**
Goodwill	31.1	36.1	36.1	36.1	**36.1**
Net assets on defined benefit scheme	2.7	2.6	–	6.9	**7.4**
Other non-current assets	11.7	11.2	21.0	20.2	**16.9**
	146.1	157.3	305.6	365.3	**344.5**
Current assets					
Stocks	349.9	369.9	372.6	414.0	**553.3**
Debtors, deposits and prepayments	348.0	319.1	272.1	318.9	**384.9**
Deposits and cash	254.4	237.0	242.5	343.8	**195.8**
Other current assets	1.6	3.6	2.6	3.6	**8.2**
	953.9	929.6	889.8	1,080.3	**1,142.2**
Non-current asset held for sale	2.7	–	–	–	**–**
	956.6	929.6	889.8	1,080.3	**1,142.2**
Current liabilities					
Lease liabilities	–	–	(17.9)	(17.5)	**(20.6)**
Other current liabilities	(453.1)	(476.5)	(424.0)	(505.5)	**(607.4)**
	(453.1)	(476.5)	(441.9)	(523.0)	**(628.0)**
Net current assets	503.5	453.1	447.9	557.3	**514.2**
Total assets less current liabilities	649.6	610.4	753.5	922.6	**858.7**
Non-current liabilities					
Net obligations on defined benefit scheme	–	–	(1.8)	–	**–**
Deferred tax liabilities	(3.0)	(3.4)	(2.9)	(2.9)	**(3.4)**
Lease liabilities	–	–	(147.3)	(188.6)	**(176.5)**
	(3.0)	(3.4)	(152.0)	(191.5)	**(179.9)**
Net assets / Total equity	646.6	607.0	601.5	731.1	**678.8**

	Consolidated statement of profit or loss for the years ended 31 March				
	2018 US$ million	2019 US$ million	2020 US$ million	2021 US$ million	**2022 US$ million**
Revenue	2,130.1	2,161.9	2,165.5	2,372.3	**2,370.5**
Profit before taxation	231.0	192.3	212.3	259.3	**194.6**
Taxation	(24.7)	(21.0)	(21.6)	(28.4)	**(21.9)**
Profit for the year and attributable to shareholders of the Company	206.3	171.3	190.7	230.9	**172.7**
Basic earnings per share (US cents)	82.1	68.2	75.7	91.6	**68.5**

Note: As a result of the adoption of IFRS 16, Leases, with effect from 1 April 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 April 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2020 are stated in accordance with the policies applicable in those years.

Corporate Information

Board of Directors

Executive Directors

Allan WONG Chi Yun
(Chairman and Group Chief Executive Officer)
PANG King Fai
Andy LEUNG Hon Kwong

Non-executive Director

William WONG Yee Lai

Independent Non-executive Directors

William FUNG Kwok Lun
KO Ping Keung
Patrick WANG Shui Chung
WONG Kai Man

Audit Committee

WONG Kai Man *(Chairman)*
William FUNG Kwok Lun
KO Ping Keung
Patrick WANG Shui Chung

Nomination Committee

William FUNG Kwok Lun *(Chairman)*
KO Ping Keung
Patrick WANG Shui Chung
WONG Kai Man
Allan WONG Chi Yun

Remuneration Committee

Patrick WANG Shui Chung *(Chairman)*
William FUNG Kwok Lun
KO Ping Keung
WONG Kai Man

Risk Management and Sustainability Committee

Allan WONG Chi Yun *(Chairman)*
PANG King Fai
Andy LEUNG Hon Kwong
WONG Kai Man
Hillson CHEUNG Hoi
Shereen TONG Ka Hung
CHANG Yu Wai

Company Secretary

CHANG Yu Wai

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

23rd Floor, Tai Ping Industrial Centre, Block 1
57 Ting Kok Road
Tai Po, New Territories
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited

Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

VTech Holdings Limited

(Incorporated in Bermuda with limited liability)

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