VTech Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 303)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2024

PERFORMANCE HIGHLIGHTS

- Group revenue declined by 4.3% to US$2,145.7 million
- Gross profit margin improved from 28.3% to 29.6%
- Profit attributable to shareholders of the Company rose by 11.7% to US$166.6 million
- Final dividend of US48.0 cents per ordinary share, resulting in a full-year dividend of US65.0 cents per ordinary share, an increase of 10.2% from the previous financial year
- Successful acquisition of assets of Gigaset Communications GmbH
- Financial position remains strong

The directors (the "Directors") of VTech Holdings Limited (the "Company") announce the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2024 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2024

	Note	**2024 US$ million**	2023 US$ million
Revenue	2	**2,145.7**	2,241.7
Cost of sales		**(1,510.8)**	(1,608.0)
Gross profit		**634.9**	633.7
Other net (expenses)/income	3	**(0.7)**	1.7
Selling and distribution costs		**(278.4)**	(294.0)
Administrative and other operating expenses		**(77.9)**	(77.6)
Research and development expenses		**(81.7)**	(83.3)
Operating profit	2(b)	**196.2**	180.5
Net finance expense	3	**(4.9)**	(12.0)
Profit before taxation	3	**191.3**	168.5
Taxation	4	**(24.7)**	(19.3)
Profit for the year and attributable to shareholders of the Company		**166.6**	149.2
Earnings per share (US cents)	6		
- Basic		**66.0**	59.1
- Diluted		**65.9**	59.1

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	2024 US$ million	2023 US$ million
Profit for the year	**166.6**	149.2
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**	(2.0)
	0.5	(2.0)
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on hedging, net of deferred tax	**2.0**	0.4
Realisation of hedging reserve, net of deferred tax	**(0.9)**	(2.5)
Exchange translation differences	**(9.9)**	(20.5)
	(8.8)	(22.6)
Other comprehensive income for the year	**(8.3)**	(24.6)
Total comprehensive income for the year	**158.3**	124.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Note	**2024 US$ million**	2023 US$ million
Non-current assets			
Tangible assets	7	**68.9**	74.9
Advance payment for acquisition of non-current assets	8	**22.7**	-
Right-of-use assets		**140.9**	162.8
Intangible assets		**14.7**	15.3
Goodwill		**36.1**	36.1
Interest in an associate		**3.8**	3.8
Investments		**1.2**	1.9
Net assets on defined benefit retirement scheme		**6.3**	5.6
Deferred tax assets		**8.7**	9.2
		303.3	309.6
Current assets			
Stocks		**348.0**	475.5
Debtors, deposits and prepayments	9	**283.7**	324.3
Taxation recoverable		**5.2**	10.5
Deposits and cash		**322.1**	198.5
		959.0	1,008.8
Current liabilities			
Creditors and accruals	10	**(418.8)**	(468.5)
Provisions for defective goods returns and other liabilities		**(23.4)**	(25.6)
Lease liabilities		**(18.4)**	(16.6)
Taxation payable		**(12.6)**	(6.5)
		(473.2)	(517.2)
Net current assets		**485.8**	491.6
Total assets less current liabilities		**789.1**	801.2
Non-current liabilities			
Deferred tax liabilities		**(3.2)**	(3.2)
Lease liabilities		**(140.3)**	(163.3)
Long service payment liabilities		**(0.6)**	-
		(144.1)	(166.5)
Net assets		**645.0**	634.7
Capital and reserves			
Share capital		**12.6**	12.6
Reserves		**632.4**	622.1
Total equity		**645.0**	634.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

		Attributable to shareholders of the Company							
	Note	Share capital US$ million	Share premium US$ million	Shares held for Share Award 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 2022		12.6	160.8	(0.3)	(11.3)	0.3	3.0	513.7	678.8
Changes in equity for the year ended 31 March 2023									
Comprehensive income									
Profit for the year		-	-	-	-	-	-	149.2	149.2
Other comprehensive income									
Fair value gains on hedging, net of deferred tax		-	-	-	-	-	0.4	-	0.4
Realisation of hedging reserve, net of deferred tax		-	-	-	-	-	(2.5)	-	(2.5)
Exchange translation differences		-	-	-	(20.5)	-	-	-	(20.5)
Effect of remeasurement of net assets on defined benefit scheme, net of deferred tax		-	-	-	-	-	-	(2.0)	(2.0)
Other comprehensive income for the year		-	-	-	(20.5)	-	(2.1)	(2.0)	(24.6)
Total comprehensive income for the year		-	-	-	(20.5)	-	(2.1)	147.2	124.6
Final dividend in respect of the previous year		-	-	-	-	-	-	(128.9)	(128.9)
Interim dividend in respect of the current year	5	-	-	-	-	-	-	(42.9)	(42.9)
Equity-settled share based payments: Share Option Scheme		-	-	-	-	0.4	-	-	0.4
Shares issued under Share Option Scheme		-	0.9	-	-	-	-	-	0.9
Shares issued under Share Award Scheme		-	1.6	(1.6)	-	-	-	-	-
Shares purchased for Share Award Scheme		-	-	(1.5)	-	-	-	-	(1.5)
Vesting of shares of Share Award Scheme		-	-	3.3	-	-	-	-	3.3
At 31 March 2023 / 1 April 2023		12.6	163.3	(0.1)	(31.8)	0.7	0.9	489.1	634.7
Changes in equity for the year ended 31 March 2024									
Comprehensive income									
Profit for the year		-	-	-	-	-	-	166.6	166.6
Other comprehensive income									
Fair value gains on hedging, net of deferred tax		-	-	-	-	-	2.0	-	2.0
Realisation of hedging reserve, net of deferred tax		-	-	-	-	-	(0.9)	-	(0.9)
Exchange translation differences		-	-	-	(9.9)	-	-	-	(9.9)
Effect of remeasurement of net assets on defined benefit scheme, net of deferred tax		-	-	-	-	-	-	0.5	0.5
Other comprehensive income for the year		-	-	-	(9.9)	-	1.1	0.5	(8.3)
Total comprehensive income for the year		-	-	-	(9.9)	-	1.1	167.1	158.3
Final dividend in respect of the previous year	5	-	-	-	-	-	-	(106.2)	(106.2)
Interim dividend in respect of the current year	5	-	-	-	-	-	-	(43.0)	(43.0)
Equity-settled share based payments: Share Option Scheme		-	-	-	-	0.1	-	-	0.1
Shares option lapsed during the year		-	-	-	-	(0.2)	-	0.2	-
Shares issued under Share Award Scheme		-	1.1	(1.1)	-	-	-	-	-
Shares purchased for Share Award Scheme		-	-	(2.0)	-	-	-	-	(2.0)
Vesting of shares of Share Award Scheme		-	-	3.1	-	-	-	-	3.1
At 31 March 2024		**12.6**	**164.4**	**(0.1)**	**(41.7)**	**0.6**	**2.0**	**507.2**	**645.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	Note	**2024 US$ million**	2023 US$ million
Operating activities			
Operating profit		**196.2**	180.5
Depreciation of tangible assets	3	**33.2**	34.7
Depreciation of right-of-use assets	3	**21.6**	21.1
Amortisation of intangible assets	3	**0.6**	0.7
Fair value loss on investments measured at fair value through profit or loss	3	**0.7**	0.3
(Gain)/Loss on disposal of tangible assets	3	**(0.3)**	0.6
Share-based payment expenses: Share Award Scheme		**3.1**	3.3
Share-based payment expenses: Share Option Scheme		**0.1**	0.4
Decrease in stocks		**127.5**	77.8
Decrease in debtors, deposits and prepayments		**40.3**	60.0
Decrease in creditors and accruals		**(48.2)**	(100.3)
Decrease in provisions for defective goods returns and other liabilities		**(1.6)**	(2.7)
Increase in net assets on defined benefit scheme		**(0.1)**	(0.3)
Cash generated from operations		**373.1**	276.1
Interest received/(paid)		**2.9**	(4.1)
Interest on lease liabilities		**(7.8)**	(7.9)
Taxes paid		**(13.0)**	(25.3)
Net cash generated from operating activities		**355.2**	238.8
Investing activities			
Purchase of tangible assets		**(32.4)**	(27.9)
Advance payment on purchase of non-current assets	8	**(22.7)**	-
Proceeds from disposal of tangible assets		**0.7**	0.4
Net cash used in investing activities		**(54.4)**	(27.5)
Financing activities			
Capital element of lease rentals paid		**(19.9)**	(18.8)
Payment for shares acquired for Share Award Scheme		**(2.0)**	(1.5)
Proceeds from shares issued upon exercise of share options		**-**	0.9
Dividends paid	5	**(149.2)**	(171.8)
Net cash used in financing activities		**(171.1)**	(191.2)
Effect of exchange rate changes		**(6.1)**	(17.4)
Increase in cash and cash equivalents		**123.6**	2.7
Cash and cash equivalents at 1 April		**198.5**	195.8
Cash and cash equivalents at 31 March		**322.1**	198.5

NOTES

1. Basis of preparation

The annual results set out in the announcement are extracted from the Group's consolidated financial statements for the year ended 31 March 2024. 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").

The consolidated financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(a) New and amended IFRSs

The IASB has issued a number of amendments to IFRSs and a new IFRS that are first effective or available for early adoption for the current accounting period of the Group:

- IFRS 17, *Insurance Contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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.

(b) New Hong Kong Institute of Certified Public Accountants ("HKICPA") guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of Hong Kong Special Administrative Region (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

1. Basis of preparation *(Continued)*

(b) New Hong Kong Institute of Certified Public Accountants ("HKICPA") guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism *(Continued)*

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its long service payment liability and has applied the above HKICPA guidance. This has no material impact on the Group's results and financial position for the current and prior periods.

2. 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 is 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 2024

	North America US$ million	**Europe US$ million**	**Asia Pacific US$ million**	**Other Regions US$ million**	**Total US$ million**
Electronic Learning Products	**415.9**	**315.6**	**70.4**	**8.7**	**810.6**
Telecommunication Products	**201.0**	**77.2**	**21.3**	**8.4**	**307.9**
Contract Manufacturing Services	**305.7**	**495.5**	**226.0**	**-**	**1,027.2**
Total	**922.6**	**888.3**	**317.7**	**17.1**	**2,145.7**

Year ended 31 March 2023

	North America US$ million	Europe US$ million	Asia Pacific US$ million	Other Regions US$ million	Total US$ million
Electronic Learning Products	471.4	330.1	79.4	10.5	891.4
Telecommunication Products	239.9	96.4	28.4	13.6	378.3
Contract Manufacturing Services	273.5	490.5	208.0	-	972.0
Total	984.8	917.0	315.8	24.1	2,241.7

2. Revenue and Segment Information *(Continued)*

(a) Revenue *(Continued)*

The Group's customer base is diversified and include one (2023: one) customer with whom transactions have exceeded 10% of the Group's revenue. The revenue from this customer accounted for approximately 13% (2023: 13%) of the Group's revenue. Such revenue is attributable to the North America segment.

(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 the 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.

2. Revenue and Segment Information *(Continued)*

(b) Segment Information *(Continued)*

(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, lease liabilities and long service payment liabilities with the exception of taxation payable and deferred tax liabilities.

Year ended 31 March 2024

	North America US$ million	**Europe US$ million**	**Asia Pacific US$ million**	**Other Regions US$ million**	**Total US$ million**
Reportable segment revenue	**922.6**	**888.3**	**317.7**	**17.1**	**2,145.7**
Reportable segment profit	**89.6**	**69.6**	**33.9**	**3.1**	**196.2**
Depreciation and amortisation	**3.3**	**3.6**	**48.5**	**-**	**55.4**
Reportable segment assets	**145.5**	**123.1**	**924.0**	**-**	**1,192.6**
Reportable segment liabilities	**(84.9)**	**(29.5)**	**(487.1)**	**-**	**(601.5)**

Year ended 31 March 2023

	North America US$ million	Europe US$ million	Asia Pacific US$ million	Other Regions US$ million	Total US$ million
Reportable segment revenue	984.8	917.0	315.8	24.1	2,241.7
Reportable segment profit	80.0	61.8	34.5	4.2	180.5
Depreciation and amortisation	3.3	3.7	49.5	-	56.5
Reportable segment assets	163.8	108.4	969.4	-	1,241.6
Reportable segment liabilities	(89.2)	(26.5)	(558.3)	-	(674.0)

2. Revenue and Segment Information *(Continued)*

(c) Reconciliations of reportable segment assets and liabilities

	2024 US$ million	2023 US$ million
Assets		
Reportable segment assets	**1,192.6**	1,241.6
Intangible assets	**14.7**	15.3
Goodwill	**36.1**	36.1
Interest in an associate	**3.8**	3.8
Investments	**1.2**	1.9
Taxation recoverable	**5.2**	10.5
Deferred tax assets	**8.7**	9.2
Consolidated total assets	**1,262.3**	1,318.4
Liabilities		
Reportable segment liabilities	**(601.5)**	(674.0)
Taxation payable	**(12.6)**	(6.5)
Deferred tax liabilities	**(3.2)**	(3.2)
Consolidated total liabilities	**(617.3)**	(683.7)

3. Profit before taxation

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

	2024 US$ million	2023 US$ million
Fair value loss on investments measured at fair value through profit or loss *(Notes (i) & (ii))*	**0.7**	0.3
Government subsidies *(Notes (i) & (iii))*	**-**	(2.0)
Depreciation of tangible assets	**33.2**	34.7
Depreciation of right-of-use assets	**21.6**	21.1
Amortisation of intangible assets	**0.6**	0.7
(Gain)/Loss on disposal of tangible assets	**(0.3)**	0.6
Interest on lease liabilities *(Note (iv))*	**7.8**	7.9
Other interest (income)/expenses, net *(Note (iv))*	**(2.9)**	4.1
Net foreign exchange loss	**0.7**	1.2
Net (gain)/loss on forward foreign exchange contracts		
- Net gain on cash flow hedging instruments reclassified from equity	**(1.0)**	(2.7)
- Net (gain) / loss on forward foreign exchange contracts	**(2.1)**	1.3

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"). A fair value loss of US$0.7 million (2023: US$0.3 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.

4. Taxation

	2024 **US$ million**	2023 US$ million
Current tax		
- Hong Kong	**13.9**	12.0
- Overseas	**11.2**	7.0
(Over)/Under-provision in respect of prior years		
- Hong Kong	**-**	0.2
- Overseas	**(1.0)**	(1.3)
Deferred tax		
- Origination and reversal of temporary differences	**0.6**	1.4
	24.7	19.3
Current tax	**24.1**	17.9
Deferred tax	**0.6**	1.4
	24.7	19.3

(a) Hong Kong Profits Tax has been calculated at the rate of 16.5% (2023: 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.

5. Dividends

	2024 **US$ million**	2023 US$ million
Interim dividend of US17.0 cents (2023: US17.0 cents) per share declared and paid	**43.0**	42.9
Final dividend of US48.0 cents (2023: US42.0 cents) per share proposed after the end of the reporting period	**121.4**	106.1

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 17 May 2023, the Directors proposed a final dividend of US42.0 cents per ordinary share for the year ended 31 March 2023, which was estimated to be US$106.1 million at the time calculated on the basis of the ordinary shares in issue as at 31 March 2023. The final dividend was approved by shareholders at the annual general meeting on 19 July 2023. The final dividend paid in respect of the year ended 31 March 2023 totaled US$106.2 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$166.6 million (2023: US$149.2 million).

The calculation of basic earnings per share is based on the weighted average of 252.6 million (2023: 252.4 million) ordinary shares in issue during the year after adjusting for shares held for Share Award Scheme.

The calculation of diluted earnings per share for the year ended 31 March 2024 was based on 252.6 million ordinary shares (2023: 252.4 million) which is the weighted average number of ordinary shares in issue during the year after adjusting for shares held for Share Award Scheme and the number of dilutive potential Awarded Shares under the Company's Share Award Scheme.

7. Tangible Assets

During the year ended 31 March 2024, the Group acquired items of tangible assets with a cost of US$32.4 million (2023: US$27.9 million).

8. Advance Payment for Acquisition of Non-Current Assets

At 31 March 2024, an advance payment of US$22.7 million (2023: US$Nil) was made for the purchase of certain non-current assets, including both tangible and intangible assets. The transaction was completed on 5 April 2024.

9. Debtors, deposits and prepayments

At 31 March 2024, total debtors, deposits and prepayments of US$283.7 million (31 March 2023: US$324.3 million) included net trade debtors of US$224.6 million (31 March 2023: US$277.2 million).

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:

	2024 **US$ million**	2023 US$ million
0-30 days	**136.0**	155.8
31-60 days	**58.4**	98.6
61-90 days	**23.2**	15.8
>90 days	**7.0**	7.0
Total	**224.6**	277.2

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.

10. Creditors and accruals

At 31 March 2024, total creditors and accruals of US$418.8 million (31 March 2023: US$468.5 million) included trade creditors of US$199.8 million (31 March 2023: US$252.3 million).

At the end of the reporting period, an ageing analysis of trade creditors by invoice date is as follows:

	2024 **US$ million**	2023 US$ million
0-30 days	**78.0**	74.9
31-60 days	**36.6**	68.4
61-90 days	**46.5**	38.4
>90 days	**38.7**	70.6
Total	**199.8**	252.3

11. Non-Adjusting Event After the Reporting Period

On 5 April 2024, the Company, through a wholly-owned subsidiary, completed the acquisition of certain assets from Gigaset Communications GmbH, a company incorporated in Germany, at an agreed preliminary purchase price of EUR27.5 million (approximately equivalent to US$29.1 million).

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 March 2024 as set out in the announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Boards and consequently no assurance has been expressed by the auditor.

FINAL DIVIDEND

The Board of Directors (the "Board") has recommended the payment of a final dividend (the "Final Dividend") of US48.0 cents per ordinary share in respect of the year ended 31 March 2024, payable on 8 August 2024 to the shareholders whose names appear on the register of members of the Company as at the close of business on 30 July 2024 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 24 July 2024 (the "2024 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 Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 26 July 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the 2024 AGM, the register of members of the Company will be closed from 19 July 2024 to 24 July 2024 (both days inclusive), during which no transfer of shares will be effected. The shareholders whose names appear on the register of members of the Company on 24 July 2024 are entitled to attend and vote at the 2024 AGM following completion of the registration procedures for share transfers. In order to be entitled to attend and vote at the 2024 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the principal share registrar of the Company, MUFG Fund Services (Bermuda) Limited of 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda, or the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. (local time of the relevant share registrar) on 18 July 2024.

(b) For the purpose of determining shareholders who are qualified for the Final Dividend, the register of members of the Company will be closed on 30 July 2024, on which no transfer of shares will be effected. In order to qualify for the Final Dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the principal share registrar of the Company, MUFG Fund Services (Bermuda) Limited of 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda, or the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. (local time of the relevant share registrar) on 29 July 2024.

LETTER TO SHAREHOLDERS

VTech reported an increase in profit for the financial year 2024 despite a decline in revenue. Tighter economic conditions in North America and Europe resulted in lower sales of electronic learning products (ELPs) and telecommunication (TEL) products. This offset record revenue at contract manufacturing services (CMS) as the supply of materials improved. Profit was boosted by an improvement in gross profit margin and a decline in operating expenses.

Results and Dividend

Group revenue for the year ended 31 March 2024 declined by 4.3% to US$2,145.7 million, from US$2,241.7 million in the previous financial year. Lower sales in North America, Europe and Other Regions offset higher sales in Asia Pacific.

Profit attributable to shareholders of the Company increased by 11.7% to US$166.6 million. The increase in profit was mainly due to an improvement in gross profit margin, supported by lower operating expenses resulting from a decline in selling and distribution costs.

Basic earnings per share increased by 11.7% to US66.0 cents, compared to US59.1 cents in the financial year 2023.

The Board of Directors has proposed a final dividend of US48.0 cents per ordinary share, providing a full-year dividend of US65.0 cents per ordinary share, an increase of 10.2% from the US59.0 cents declared in the previous financial year. This represents a dividend payout ratio of 98.7%.

Costs

The Group's gross profit margin in the financial year 2024 was 29.6%, as compared with 28.3% in the previous financial year. The improvement came as freight charges and inventory provision fell. Direct labour costs and manufacturing overheads also declined because of increased automation, a reduction in the factory workforce and the depreciation of the Renminbi against the US dollar. Partially offsetting these gains, cost of materials as a percentage of Group revenue rose despite lower materials prices because of a change in product mix.

Our Businesses

The financial year 2024 saw market conditions remain challenging, as inflation and high interest rates continued to weigh on consumer demand and business investment in North America and Europe. Consumers are more price-sensitive and cautious in making discretionary purchases. In response, retailers are managing inventories closely, leading to reductions in orders. The strong US dollar, meanwhile, has continued to pressure retailers outside the US. On the positive side, the supply of materials has greatly improved, allowing CMS to clear order backlogs and fulfil new orders more efficiently.

ELPs saw a decrease in revenue in the financial year 2024, with sales falling in all regions as the toy market declined in both North America and the main European countries. Despite this, many key VTech products continued to lead their categories. KidiZoom® Duo DX has been number one in the Electronic Entertainment (excluding tablet) category in Germany, France and the UK in the calendar years 2020 to 2023 inclusive, while Magic Adventures™ Globe topped Electronic Learning Aids Hardware/Software & Accessories in the US, Germany, France and the UK in both calendar year 2022 and 2023[1]. This shows that VTech remains a leader in children's electronic learning as it continues to deliver innovative educational toys based on age-appropriate technologies**.** In the financial year 2024, a new ELPs sales office in Italy started contributing to the top line.

Standalone products represented approximately 89% of total ELPs revenue in the financial year 2024, compared to about 87% in the financial year 2023. Sales decreased for both the VTech and LeapFrog brands. At VTech, the declines were mainly attributable to lower sales of infant and toddler products, KidiZoom cameras and eco-friendly products. This offset growth for the Go! Go! Smart family of products, preschool products, electronic learning aids, the Kidi line, Switch & Go® Dinos and Marble Rush®. For LeapFrog, the infant, toddler and preschool products all saw decreases, offsetting rising sales of eco-friendly toys. The LeapLand Adventures™ range posted a sales decline, despite the successful roll-out of Magic Adventures™ Telescope during the financial year 2024. Magic Adventures Telescope was named one of the "Best Inventions of 2023" by *Time* magazine and was also a finalist in the 2023 "The Toy Foundation's Toy of the Year Award" in the STEAM (science, technology, engineering, the arts and mathematics) category.

Platform products also saw sales decrease for both brands. At VTech, there were declines for educational tablets, KidiZoom Smartwatch, Touch & Learn Activity Desk™ and KidiBuzz™/ KidiCom®. LeapFrog also experienced broad-based declines, with lower sales of educational tablets and interactive reading systems. Meanwhile, sales of Magic Adventures Globe increased slightly. Subscriptions to LeapFrog Academy™ declined on the back of lower sales of educational tablets.

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[1] Circana, Retail Tracking Service

Revenue from TEL products was lower in all regions, with declines in residential phones, commercial phones and other telecommunication products. The share of commercial phones and other telecommunication products within total TEL products revenue was approximately 60% in the financial year 2024, as compared with about 57% in the previous financial year.

The residential phone market in the US and Europe contracted further during the financial year 2024. This was compounded in the US by less shelf space at a major retailer and in Europe by over-inventory among ODM (original design manufacturing) customers. VTech nevertheless remained the number one supplier of residential phones in the US[2].

For commercial phones, growth in hotel phones and headsets was insufficient to offset declines in SIP (Session Initiation Protocol) phones and multi-line analogue phones. The new series of hotel phones performed well, allowing VTech to gain market share. The Snom D7 series was pre-set and sold as a phone for hotel administration, also contributing to rising sales. Headsets, meanwhile, benefited from increased orders by a customer. SIP phones were negatively impacted by the challenging economic environment in Europe, while sales of multi-line analogue phones decreased as the transition was made to a new generation of products. The new Snom M500 multi-cell mobility system started contributing to sales during the financial year 2024, while the Snom D8 series continued to be well-received by the market.

Other telecommunication products, which include baby monitors, CareLine® residential phones, CAT-iq (Cordless Advanced Technology—internet and quality) handsets and IADs (integrated access devices), also experienced lower sales. Baby monitors declined in the face of keen competition, while CareLine residential phones, CAT-iq handsets and IADs all fell because ODM customers reduced orders. However, VTech retained its position as the number one baby monitor brand in the US, Canada[3] and the UK[4].

CMS achieved record revenue in the financial year 2024, with higher sales in all regions. The materials supply improved, clearing the backlog of orders, especially for professional audio equipment. More generally, sales benefited from business activities returning to normal following the pandemic. Professional audio equipment, medical and health products, communication products and smart energy storage systems saw growth, offsetting declines in hearables, industrial products, home appliances, solid state lighting, IoT (Internet-of-Things) and automotive products.

The strong performance of CMS was supported by the continued expansion of production capacity worldwide in response to customer requirements. Furthermore, the implementation of Industry 4.0 is now well-advanced at the manufacturing facilities in mainland China. This is delivering more reliable product quality due to higher levels of automation, leading to further productivity gains. Industry 4.0 is also enabling data-driven production planning and giving customers real-time access to production status, improving upon already excellent customer service.

[2] MarketWise Consumer Insights, LLC, April 2023 – March 2024

[3] Circana/Retail Tracking Service, US and Canada, VTech and LeapFrog brands combined, based on dollars and units, April 2023 – March 2024 combined vs April 2022 – March 2023 combined

[4] GfK Retail and Technology UK Limited. Based on period March 2022 – December 2023

As a result, VTech CMS once again outperformed the global electronics manufacturing services (EMS) market, rising to 26th place globally in the calendar year 2023 from 28th place in 2022, according to *Manufacturing Market Insider*[5]. According to *Music Trades Magazine*, VTech also remained the world's number one contract manufacturer of professional audio equipment in the calendar year 2022[6].

Acquisition of the Assets of Gigaset

On 5 April 2024 VTech completed the acquisition of the assets of Gigaset Communications GmbH (Gigaset), a global leader in communication technology. These assets were related to the development, production and sales activities of Gigaset's businesses in DECT (Digital Enhanced Cordless Telecommunications) phones, business telephony solutions for enterprise customers and android-based smartphones. The preliminary purchase price was EUR27.5 million and the transaction was funded by internal resources.

Gigaset is a German brand with a more than 30-year history and the acquisition is highly complementary to the TEL products business. Gigaset is the market leader in DECT phones in Europe, while VTech is the number one supplier of residential phones in the US. The acquisition therefore strengthens the Group's leadership and makes VTech now the world's leader in residential phones. In commercial phones, Gigaset's product range focuses on multi-cell systems, complementing Snom's desksets. Meanwhile, its smartphone business opens up a completely new product area for VTech. Gigaset also has a comprehensive sales network covering all European markets that can now be combined with VTech's strength in North America. Furthermore, the acquisition gives VTech its first manufacturing facilities in Europe through Gigaset's highly automated factory in Bocholt, which is supported by R&D (research and development) centres in Germany and Poland.

With a proven track record of integrating such acquisitions, VTech is confident of being able to unlock the value of the new assets, generating sustainable and profitable growth over the long term.

Outlook

Inflation and high interest rates continue to weigh on consumer sentiment and business investment in North America and Europe. Geo-political conditions, meanwhile, are increasingly uncertain. Despite the challenge this poses, the Group expects higher revenue in the financial year 2025. ELPs will grow as new products hit the shelves, while TEL products will benefit from an immediate contribution from Gigaset. CMS revenue is expected to hold steady. Profitability is forecast to improve due to higher Group revenue, stable costs and a more favourable product mix.

The stable cost environment is expected to continue in the financial year 2025. Cost of materials is forecast to remain little changed due to weak global demand. Labour costs and manufacturing overheads are holding steady as there is currently no pressure for wage increases in mainland China and the Renminbi remains weak. These factors will offset an increase in freight charges, which have risen owing to the situation in the Middle East.

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[5] *Manufacturing Market Insider*, March 2024 edition

[6] *Music Trades Magazine*, September 2023

The ELPs business is expected to see a recovery in revenue, driven by new product launches and enhanced merchandising arrangements. A rebound is expected in both the US and Europe. New VTech and LeapFrog products in the core learning categories, KidiZoom Smartwatch, KidiZoom cameras and the Magic Adventures line will drive growth. In Asia Pacific, sales in Australia are forecast to stabilise. The positive momentum in mainland China is expected to continue, with increasing sales in both offline and online channels. Globally, to counter the pressures of the challenging operating environment, VTech will be more targeted in its marketing and tighten inventory management further.

Sales of TEL products are forecast to rise as Gigaset makes an immediate top-line contribution. Integrating Gigaset's businesses into the Group's global R&D, procurement, manufacturing, sales and marketing and logistics operations will be the key task for the financial year 2025. This will see the TEL products business reorganised into three categories, namely residential phones, commercial phones and smartphones, and other telecommunication products. VTech is targeting to complete the process by the end of the current calendar year.

Sales of residential phones will return to growth following the addition of the Gigaset brand, with its sales network covering all European markets. The Group aims to grow Gigaset's residential phone business and market share by expanding its product lines. In commercial phones, Snom branded commercial phones will see sales increase, driven by new product launches. Gigaset's multi-cell systems will be augmented by Snom SIP phones. Hotel phones will also contribute to growth, as the positive momentum continues and VTech gains further market share. Gigaset's android-based smartphones, meanwhile, add a new domain to VTech's product portfolios. Other telecommunication products will see the Group build on the success of its first baby monitor with AI (artificial intelligence) features to launch a second-generation version with more advanced functionalities.

CMS revenue is expected to be stable. Faced with economic uncertainties, customers have become cautious in placing orders and are managing inventory more tightly. Sales of key product categories are expected to remain largely stable. Growth will be seen in smart energy storage systems, as the customer is launching new products and gaining market share. Sales of hearables will be negatively impacted by lower demand.

To prepare for future growth, the drive to globalise the production base will continue. Given the strong demand for supply from the Malaysian facilities from existing customers, the Group plans to add more manufacturing space within the current facilities. In Mexico, the factory is on track to offer full turnkey EMS capability from June 2024 onwards. The Group will also begin the assessment of implementing Industry 4.0 in its Malaysian and Mexican facilities to raise efficiency, cost effectiveness and customer service further.

VTech has expanded its global footprint further with the acquisition of the Gigaset assets. We now enjoy greater economies of scale and more direct access to key markets, shortening product lead times and simplifying supply chains. This will enable us to serve our customers better. We can therefore be confident of achieving sustainable growth based on our strategy of product innovation, market share gains, geographic expansion and operational excellence.

I take this opportunity to thank my fellow directors for their wise counsel during the year and all our colleagues for their hard work. I thank also our customers and suppliers for their co-operation as we work together to address the challenges of a fast-changing environment. Finally, my gratitude goes to our shareholders and business partners for their continuing support.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

For the year ended 31 March 2024

	2024 US$ million	2023 US$ million	Change US$ million
Revenue	**2,145.7**	2,241.7	(96.0)
Gross profit	**634.9**	633.7	1.2
Gross profit margin	**29.6%**	28.3%	
Other net (expenses)/income	**(0.7)**	1.7	(2.4)
Total operating expenses	**(438.0)**	(454.9)	16.9
Total operating expenses as a percentage of revenue	**20.4%**	20.3%	
Operating profit	**196.2**	180.5	15.7
Operating profit margin	**9.1%**	8.1%	
Net finance expense	**(4.9)**	(12.0)	7.1
Profit before taxation	**191.3**	168.5	22.8
Taxation	**(24.7)**	(19.3)	(5.4)
Effective tax rate	**12.9%**	11.5%	
Profit for the year and attributable to shareholders of the Company	**166.6**	149.2	17.4
Net profit margin	**7.8%**	6.7%	

Revenue

Group revenue for the year ended 31 March 2024 decreased by 4.3% to US$2,145.7 million compared with the previous financial year. The decrease in revenue was largely driven by the decrease in revenue in North America, Europe and Other Regions, which offset the higher sales in Asia Pacific.

	2024		2023		Increase / (decrease)	
	US$ million	%	US$ million	%	US$ million	%
North America	**922.6**	**43.0%**	984.8	43.9%	(62.2)	(6.3%)
Europe	**888.3**	**41.4%**	917.0	40.9%	(28.7)	(3.1%)
Asia Pacific	**317.7**	**14.8%**	315.8	14.1%	1.9	0.6%
Other Regions	**17.1**	**0.8%**	24.1	1.1%	(7.0)	(29.0%)
	2,145.7	**100.0%**	2,241.7	100.0%	(96.0)	(4.3%)

Gross Profit/Margin

Gross profit for the financial year 2024 was US$634.9 million, an increase of US$1.2 million or 0.2% compared to the US$633.7 million recorded in the previous financial year. Gross profit margin for the year increased from 28.3% to 29.6%. It was mainly due to the decreases in freight charges and inventory provisions, as well as the lower direct labour costs and manufacturing overheads arising from the depreciation of Renminbi against the US dollar and reduction in number of workers compared with the same period last year. These offset the negative impacts of higher cost of materials as percentage of Group revenue resulting from the change in the product mix despite the decline in material prices.

Operating Profit / Margin

Operating profit for the year ended 31 March 2024 was US$196.2 million, an increase of US$15.7 million or 8.7% compared with the previous financial year. Operating profit margin also increased from 8.1% to 9.1%. The improvement in both operating profit and operating profit margin was mainly due to the increase in gross profit margin. 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)/income included a fair value loss of US$0.7 million on this Investment, as compared with a fair value loss of US$0.3 million in the same period last year. Operating profit for the year ended 31 March 2023 also included government subsidies of US$2.0 million in response to COVID-19.

Total operating expenses for the year ended 31 March 2024 decreased from US$454.9 million to US$438.0 million as compared with the last financial year. Total operating expenses as a percentage of Group revenue increased from 20.3% to 20.4%.

Selling and distribution costs decreased from US$294.0 million to US$278.4 million compared with the same period last year. As a percentage of Group revenue, selling and distribution costs decreased from 13.1% to 13.0%. It was mainly attributable to the decrease in advertising and promotion costs and other selling and distribution costs for ELPs and TEL products as percentage of Group revenue.

Administrative and other operating expenses increased from US$77.6 million to US$77.9 million compared with the same period last year. It was mainly due to the increase in employee related costs. The net exchange loss arising from the Group’s global operations in the ordinary course of business was US$0.7 million, as compared with a net exchange loss of US$1.2 million in the last financial year. Administrative and other operating expenses as a percentage of Group revenue also increased from 3.5% to 3.6%.

During the financial year 2024, the research and development expenses were US$81.7 million, a decrease of 1.9% compared with the previous financial year of US$83.3 million. It was mainly attributable to lower project expenses and employee related costs. Research and development expenses as a percentage of Group revenue increased from 3.7% to 3.8%.

Profit Attributable to Shareholders and Earnings per Share

Profit attributable to shareholders of the Company for the year ended 31 March 2024 was US$166.6 million, an increase of US$17.4 million or 11.7% as compared to the last financial year. Net profit margin also increased from 6.7% to 7.8%.

Basic earnings per share for the year ended 31 March 2024 were US66.0 cents as compared to US59.1 cents in the previous financial year.

Dividends

During the financial year 2024, the Group declared and paid an interim dividend of US17.0 cents per share, which aggregated to US$43.0 million. The Directors have proposed a final dividend of US48.0 cents per share, which is estimated to be US$121.4 million.

Liquidity and Financial Resources

Shareholders' funds as at 31 March 2024 were US$645.0 million, an increase of 1.6% from US$634.7 million in the last financial year. Shareholders' funds per share increased by 1.6% from US$2.51 to US$2.55.

The Group had no borrowings as at 31 March 2024 and 31 March 2023.

The Group's financial position remains strong. As at 31 March 2024, the Group had net cash of US$322.1 million, an increase of 62.3% as compared to US$198.5 million as of 31 March 2023. It was mainly due to the increase in net cash generated from operating activities and the lower dividend payment compared with the last financial year. These offset the advance payment for acquisition of certain assets from Gigaset, as well as unfavourable foreign currency exchange movements on the Group's net assets as a result of the depreciation of foreign currencies against United States Dollar during the financial year.

Analysis of Cash Flow from Operations

	2024 US$ million	2023 US$ million	Change US$ million
Operating profit	**196.2**	180.5	15.7
Depreciation and amortisation	**55.4**	56.5	(1.1)
EBITDA	**251.6**	237.0	14.6
(Gain)/Loss on disposal of tangible assets	**(0.3)**	0.6	(0.9)
Fair value loss on investments	**0.7**	0.3	0.4
Share-based payment expense: Share Award Scheme	**3.1**	3.3	(0.2)
Share-based payment expenses: Share Option Scheme	**0.1**	0.4	(0.3)
Working capital change	**117.9**	34.5	83.4
Cash generated from operations	**373.1**	276.1	97.0

The Group's cash generated from operations for the year ended 31 March 2024 was US$373.1 million, an increase of US$97.0 million or 35.1% as compared to US$276.1 million in the previous financial year. The increase was mainly attributable to the larger decrease in working capital and higher EBITDA compared with the previous financial year.

Working Capital Change

	Balance as at 31 March 2023 US$ million	Hedging and others US$ million	Working capital change per cash flow US$ million	**Balance as at 31 March 2024 US$ million**
Stocks	475.5	-	(127.5)	**348.0**
Trade debtors	277.2	-	(52.6)	**224.6**
Other debtors, deposits and prepayments	47.1	(0.3)	12.3	**59.1**
Trade creditors	(252.3)	-	52.5	**(199.8)**
Other creditors and accruals	(216.2)	1.5	(4.3)	**(219.0)**
Provisions for defective goods returns and other liabilities	(25.6)	-	2.2	**(23.4)**
Long service payment liabilities	-	-	(0.6)	**(0.6)**
Net assets on defined benefit scheme	5.6	0.6	0.1	**6.3**
Total working capital	311.3	1.8	(117.9)	**195.2**

Stocks as of 31 March 2024 were US$348.0 million, decreased from US$475.5 million as of 31 March 2023. The turnover days also decreased from 128 days to 101 days. The lower stock level was largely due to the decrease in raw materials and finished goods as the supply constraints had eased compared with the corresponding period of the previous financial year.

As at 31 March All figures are in US$ million unless stated otherwise	**2024**	2023
Stocks	**348.0**	475.5
Average stocks as a percentage of Group revenue	**19.2%**	22.9%
Turnover days	**101 days**	128 days

Trade debtors as of 31 March 2024 were US$224.6 million, decreased from US$277.2 million as of 31 March 2023. Debtor turnover days increased from 59 days to 60 days. The lower trade debtor balance as at 31 March 2024 was mainly due to the decrease in revenue in the fourth quarter of the financial year 2024 compared with the corresponding period of the previous financial year. The overdue balances greater than 30 days accounted for 2.6% of the gross trade debtors as of 31 March 2024.

As at 31 March All figures are in US$ million unless stated otherwise	**2024**	2023
Trade debtors	**224.6**	277.2
Average trade debtors as a percentage of Group revenue	**11.7%**	13.4%
Turnover days	**60 days**	59 days

Other debtors, deposits and prepayments as of 31 March 2024 were US$59.1 million, increased from US$47.1 million as of 31 March 2023. It was mainly attributable to the purchase of tax reserve certificates amounts of US$8.3 million.

Trade creditors as of 31 March 2024 were US$199.8 million, as compared to US$252.3 million as of 31 March 2023. Creditor turnover days decreased from 102 days to 91 days. The decrease in trade creditors was mainly due to the decrease 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	**2024**	2023
Trade creditors	**199.8**	252.3
Turnover days	**91 days**	102 days

Other creditors and accruals as of 31 March 2024 were US$219.0 million, increased from US$216.2 million as of 31 March 2023. It was largely attributable to the increases in advance payments from customer and accruals of advertising expenses and other allowances to customers.

Provisions for defective goods returns and other liabilities as of 31 March 2024 were US$23.4 million, as compared to US$25.6 million as of 31 March 2023.

Net assets on defined benefit scheme as of 31 March 2024 were US$6.3 million, as compared to US$5.6 million as of 31 March 2023. The increase was mainly due to the re-measurement of net assets 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 2024, the Group invested US$32.4 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 2025 for ongoing business operations are expected to be US$34.5 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.

Acquisition of assets from Gigaset Communications GmbH in the financial year 2025

Subsequent to the reporting period, the Group has completed the acquisition of certain assets from Gigaset at an agreed preliminary purchase price of EUR27.5 million (approximately equivalent to US$29.1 million). This acquisition included all intangible assets, real estate, plant and equipment as well as inventories relating to the development, production and sales activities of phones. The purpose of this acquisition is to strengthen the Group’s leadership position in residential cordless phones, expand market channels and product portfolios globally, as well as manufacturing footprint in Europe. The acquisition would also add engineering talents to VTech's global R&D teams, leveraging synergies in technological development of its products and operational efficiencies.

Employees

The average number of VTech’s employees for the financial year 2024 was around 19,700, compared to 19,500 in the previous financial year. Staff related costs for the year ended 31 March 2024 were approximately US$349 million, as compared to approximately US$370 million in the financial year 2023.

Review of Operations

North America

Group revenue in North America decreased by 6.3% to US$922.6 million in the financial year 2024, as lower sales of ELPs and TEL products offset an increase at CMS. North America remained VTech’s largest market, accounting for 43.0% of Group revenue.

ELPs revenue in North America decreased by 11.8% to US$415.9 million. Sales decreased in both the US and Canada as consumer demand weakened and the toy markets contracted. Standalone and platform products both registered lower sales, as did both the VTech and LeapFrog brands. Despite the challenges, VTech retained its leadership in electronic learning toys from infancy through toddler to preschool in the US and Canada in the calendar year 2023[7].

In the standalone products, at VTech higher sales of the Go! Go! Smart family of products, preschool products, Switch & Go Dinos and the Kidi line were insufficient to offset lower sales of infant products, KidiZoom camera, Marble Rush and eco-friendly toys. LeapFrog managed to achieve higher sales of eco-friendly toys, while the successful roll-out of Magic Adventures Telescope contributed additional revenue. However, this was offset by lower sales of infant, toddler and preschool products, LeapLand Adventures and Magic Adventures Microscope.

Platform products also saw declines for both brands. The decrease at VTech was attributable to lower sales of KidiZoom Smartwatch, KidiBuzz and Touch & Learn Activity Desk. LeapFrog saw lower sales of educational tablets, interactive reading systems and Magic Adventures Globe, while subscriptions to LeapFrog Academy also declined.

[7] Circana, 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 2023

The Group's range of innovative ELPs achieved widespread recognition in North America throughout the financial year 2024, garnering more than 90 industry awards from trusted parenting websites, toy industry experts, toy advisory boards and major retailers. Storytime with Sunny™ was included in Walmart Canada's "2023 Top Toys List", while Drill & Learn Workbench™ made Walmart's "2023 Top Toys List" in the US. Magic Adventures Telescope was named among the "Best Inventions of 2023" by the prestigious *Time* magazine. It was also selected as a finalist in "The Toy Foundation's Toy of the Year Awards" in the STEAM category.

TEL products revenue in North America fell by 16.2% to US$201.0 million in the financial year 2024, with declines in all three product categories. Growth in Canada was offset by a decrease in the US.

A continuing market contraction saw sales of residential phones decline, while less shelf space from a major US retailer led to lower sales of AT&T branded phones. The Group did, however, increase its sales in Canada. During the financial year 2024, VTech maintained its leadership position in the US residential phones market[8].

Commercial phones registered an overall sales decline. There were higher sales of hotel phones and Snom branded SIP phones, but this was unable to offset declines for headsets and multi-line analogue phones. The Group revitalised its go-to-market strategy for SIP phones, driving the sales increase in this product line. A range of Snom D7 desksets designed for hotel administration led to the growth in hotel phones. New thermostats for the hotel channel also started to make a sales contribution. Headsets, meanwhile, declined as a customer placed fewer orders. Sales of multi-line analogue phones decreased as the products made the transition to a new generation.

Sales of other telecommunication products also declined. Baby monitors saw sales decrease due to keen competition. A reduction in orders led to lower sales of CareLine residential phones and IADs. VTech launched several important new products during the financial year 2024, including in September 2023 the V-Care VC2105 Smart Baby Monitor, which uses AI to provide sleep analytics and real-time alerts. The popular range of V-Hush™ Sleep Training Soothers was expanded with new models. These are equipped with a touch night light offering over 250 colour choices and up to six ceiling projection frames.

In the financial year 2024, the Group maintained its number one position in the baby monitor market in the US and Canada[9]. LeapFrog's LF2936FHD Baby Monitor was named "Touch Screen Monitor Product of the Year" in the "2023 Baby Innovation Awards" in the US.

CMS sales in North America increased by 11.8% to US$305.7 million in the financial year 2024. The main driver was professional audio equipment. Power amplifiers, mixers and wireless microphones benefited from improved materials supply, clearing the accumulated backlog of orders. The full revival of music concerts and related activities following the pandemic, along with new product launches, further led to increasing orders for such equipment. Sales of IoT products were boosted by a new customer in the field of smart home control systems. By contrast, sales of industrial products decreased, as orders for PCBA (printed circuit board assembly) for coin and note recognition machines fell. Solid-state lighting also experienced a decline as a slowdown in construction activity reduced demand for LED (light-emitting diode) lighting.

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[8] MarketWise Consumer Insights, LLC, April 2023 – March 2024

[9] Circana/Retail Tracking Service, US and Canada, VTech and LeapFrog brands combined, based on dollars and units, April 2023 – March 2024 combined vs April 2022 – March 2023 combined

The high level of service and dedication to quality of VTech CMS led to more recognition from customers in the US during the financial year 2024, including “Best Supplier” from a professional audio equipment customer, a “20 Years Partnership Award” from an industrial products customer, “2023 Best Service Supplier” from a solid-state lighting customer and “Preferred Supplier 2023” from an automotive products customer.

Europe

Group revenue in Europe decreased by 3.1% to US$888.3 million in the financial year 2024, as lower sales of ELPs and TEL products offset an increase at CMS. The region accounted for 41.4% of Group revenue.

ELPs revenue in Europe fell by 4.4% to US$315.6 million, with declines in both standalone and platform products. Sales fell in all key markets, including France, the UK, Germany and Spain. In the calendar year 2023, VTech nevertheless remained the number one infant and toddler toys manufacturer in France, the UK, Germany, Spain and the Benelux countries[10].

For standalone products, the sales decrease came as growth in LeapFrog products was unable to offset a decline for the VTech brand. At LeapFrog, infant, toddler and preschool products saw higher sales, offsetting a decrease in LeapLand Adventures. Sales of Magic Adventures Microscope and eco-friendly toys were stable. The successful launch of Magic Adventures Telescope in key European markets added incremental revenue. At VTech, preschool products, electronic learning aids and Marble Rush recorded higher sales. These gains, however, were insufficient to offset lower sales of infant products, the Go! Go! Smart family of products, KidiZoom camera, the Kidi line, Switch & Go Dinos and eco-friendly toys.

Platform products saw lower VTech sales as children’s educational tablets, KidiZoom Smartwatch, the KidiCom range of products and Touch & Learn Activity Desk all declined. By contrast, sales of LeapFrog products rose. This came as Magic Adventures Globe achieved growth, while sales of interactive reading systems were stable.

During the financial year 2024, VTech was given the prestigious “Trophée de l’innovation (Innovation Trophy) 2002-2023” by a key customer in France. In addition, four VTech ELPs won “Grand Prix du Jouet 2023” awards from France’s *La Revue du Jouet* magazine. The award-winning products were KissKiss, Mon toutou bisous (Kosy the Kissing Puppy) in the “Best Interactive Plush Toy” category, Switch & Go Combo – Trio, le méga T-Rex SOS 3 en 1 (Switch & Go 3-in-1 Rescue Rex) in the “Best Transformable Vehicle” category, KidiSecrets Mon casier MagicLocker in the “Best Electronic Game” category and Genius XL – Télescope Vidéo Interactif (Magic Adventures Telescope) in the “Best Scientific Toy” category. In Spain, Magic Adventures Telescope was awarded “Best Toy of the Year 2023” in the category of “Electronic Toys” by the Spanish Association of Toy Manufacturers.

Revenue from TEL products in Europe decreased by 19.9% to US$77.2 million in the financial year 2024, as residential phones, commercial phones and other telecommunication products all experienced declines.

Sales of VTech residential phones grew, as the brand expanded into France and Italy, while increasing sales in the UK and Germany. This was offset by lower shipments to ODM customers, who were facing over-inventory issues.

[10] Circana, Retail Tracking Service, January – December 2023

The decline in commercial phones came as sales of Snom branded SIP phones and hotel phones trended lower. Inflation and high interest rates led to reduced business investment in Europe, affecting demand for SIP phones and hotel phones. Countering the overall decline, the latest Snom D8 SIP desksets have proven popular despite their premium price point, while the value D7 series was expanded to cater to continued demand. Building out the Snom deskset offering further, the multi-cell M500 mobility system was launched in February 2024. In hotel phones, to target future growth, Snom Technology GmbH was appointed as an additional sales channel in continental Europe.

In other telecommunication products, growth in baby monitors was insufficient to compensate for a drop in CareLine residential phones, CAT-iq handsets and IADs as ODM customers reduced orders due to over-inventory. Nonetheless, VTech and LeapFrog baby monitors made good progress in the UK, strengthening the Group's position as the number one baby monitor brand in the country[11]. In January 2024, VTech was named the UK's most trusted baby monitor brand in the latest *BrandSpark International UK Trust Study*, conducted by market research and consulting firm BrandSpark International, in partnership with *Newsweek* magazine[12].

CMS revenue in Europe grew by 1.0% to US$495.5 million. Medical and health products, communication products and smart energy storage systems saw higher sales, offsetting declines in hearables, professional audio equipment, IoT products and automotive products. Sales of home appliances were stable.

Medical and health products grew as hearing aids customers launched new products and gained market share, while sales of hair removal products were stable. In communication products, wireless router sales rose as the customer built up inventory to prepare for moving production to a new location and VTech gained market share. Sales of energy storage systems ramped up as the customer captured market share following new product launches. Sales of hearables decreased, however, as the customer's headsets for mobile phones reached the end of their life cycle. Sales of headsets for commercial use returned to normal levels. Professional audio equipment fell as orders for home audio interface products declined, although a new customer was added. Sales of home appliances held steady. IoT products saw lower orders for smart meters as the customer lost market share. Meanwhile, orders for internet-connected thermostats and air-conditioning controls declined as demand returned to normal levels after the energy crisis and a product launch was delayed. Sales of automotive products were lower as the customer lost market share because of keen competition and the delayed launch of its new EV (electric vehicle) charger.

During the financial year, VTech CMS picked up several supplier awards from its European customers. These included "Supplier of the Year 2023" and a "Best Supplier Award 2023" from two IoT product customers, as well as "Supplier of the Year 2023" and an "Outstanding Supplier Award" from two professional audio equipment customers.

Asia Pacific

Group revenue in Asia Pacific increased by 0.6% to US$317.7 million in the financial year 2024, as lower sales of ELPs and TEL products were offset by an increase at CMS. The region accounted for 14.8% of Group revenue.

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[11] GfK Retail and Technology UK Limited. Based on period March 2022 – December 2023

[12] Voted most trusted Baby Monitor brand by UK shoppers based on the 2024 BrandSpark® U.K. Trust Study

Revenue from ELPs in Asia Pacific decreased by 11.3% to US$70.4 million, as higher sales in mainland China were offset by declines in Australia and Japan. In mainland China, both online and offline channels posted sales increases as the country rebounded from the pandemic. The strong sell-through of the core learning products and the revamped Go! Go! Smart Wheels® line drove the growth. Australia saw sales decreases for both VTech and LeapFrog branded products, as higher inflation and interest rates led to a weakening of the economy. Nonetheless, VTech maintained its position as the number one manufacturer in the infant and toddler toys category in the country[13]. In Japan, sales were affected by lower sell-through of jointly developed smartwatches and a decrease in sales to a major toy retailer.

TEL products revenue in Asia Pacific decreased by 25.0% to US$21.3 million due to lower sales in Australia, Japan and Hong Kong. In Australia, both residential phones and baby monitors registered declines. However, the Group's baby monitors picked up two "Bounty Baby Awards 2023" during the financial year 2024. The VTech BM7750HD Baby Monitor was a "Bronze Winner" in the "Best Baby Monitor" category, while LeapFrog's LF925HD Baby Monitor made the "Editors' Top 5 Picks". In Japan, sales of residential phones fell as an ODM customer reduced orders because of over-inventory. In Hong Kong, sales decreased following declines for IADs and residential phones.

CMS sales in Asia Pacific rose by 8.7% to US$226.0 million, driven mainly by rising orders for DJ equipment, which boosted sales of professional audio equipment. The CMS facilities in Malaysia are also benefiting from the continued strong rise in demand from existing customers seeking to diversify their source of supply. Medical and health products experienced a decline on lower sales of diagnostic ultrasound systems due to over-inventory, coupled with a delay in a new product launch. Communication products also posted a decline. Sales of marine radios were down, as the depreciation of the Japanese yen saw customers move the production of some models back in-house to Japan. During the financial year 2024, a professional audio equipment customer in Australia honoured VTech CMS with a "10 Years Partnership Award".

Other Regions

Group revenue in Other Regions, comprising Latin America, the Middle East and Africa, fell by 29.0% to US$17.1 million in the financial year 2024. The decrease was due mainly to lower sales of ELPs and TEL products. Other Regions accounted for 0.8% of Group revenue.

ELPs revenue in Other Regions decreased by 17.1% to US$8.7 million. Latin America, the Middle East and Africa all reported lower sales.

TEL products revenue in Other Regions was down by 38.2% to US$8.4 million. The decrease was attributable to sales declines in Latin America, the Middle East and Africa.

CMS revenue in Other Regions was immaterial in the financial year 2024.

[13] Circana, Retail Tracking Service, January – December 2023

CORPORATE GOVERNANCE PRACTICES

The Company 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 (the "Code") set out in Appendix C1 to the Listing Rules. Throughout the financial year ended 31 March 2024, the Company has complied with all the code provisions of the Code, except for the deviation from code provision C.2.1 of Part 2 of the Code as described below.

Under code provision C.2.1 of Part 2 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 more than 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 the long-term interests of the shareholders.

The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee, and a Risk Management and Sustainability Committee, each with defined terms of reference which are no less exacting than those set out in the applicable provisions of the Code. Full details of the Company's corporate governance practices will be disclosed in the Company's Annual Report for the year ended 31 March 2024.

REVIEW OF GROUP'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS

On the date of this announcement, the Audit Committee met to review the Group's audited consolidated financial statements and reports for the year ended 31 March 2024 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 2024 have been reviewed with no disagreement by the Audit Committee. The Audit Committee has also reviewed and approved the revised Policy on Provision of Non-Assurance Services by Auditor, the key Environmental, Social and Governance issues and the related risks and strategies, and the 2024 Sustainability Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules regarding securities transactions for the Directors. The Model Code is also extended to apply to specified employees including the senior management of the Group. After having made specific enquiries, all Directors and specified employees confirmed that they had complied with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions throughout the year ended 31 March 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 March 2024.

During the year ended 31 March 2024, the trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme of the Company, purchased on the Stock Exchange a total of 322,900 shares of the Company for an aggregate consideration of approximately US$2.0 million.

By Order of the Board
VTech Holdings Limited
Allan WONG Chi Yun
Chairman

Hong Kong, 21 May 2024

As at the date of this announcement, the Executive Directors of the Company are Dr. Allan WONG Chi Yun (Chairman and Group Chief Executive Officer), Dr. PANG King Fai and Mr. Andy LEUNG Hon Kwong. The Non-executive Director of the Company is Mr. William WONG Yee Lai. The Independent Non-executive Directors of the Company are Dr. William FUNG Kwok Lun, Professor GAN Jie, Professor KO Ping Keung, Dr. Patrick WANG Shui Chung and Mr. WONG Kai Man.

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