Annual Report 2026

Stock Code : 303

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CORPORATE PROFILE

VTech is the global leader in electronic learning products from infancy through toddler and preschool and the world's largest supplier of residential phones. 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. Incorporating advanced educational expertise and cutting-edge innovation, VTech products bring 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. Its cutting-edge facilities are moving towards Industry 4.0 manufacturing, enabling it consistently to deliver high-quality products and services. This reflects a commitment to meet and even exceed customer expectations.

VTech embraces a culture of integrity, accountability and innovation to guide the company towards a sustainable future. Building upon its strong foundation of sustainability, VTech steadfastly integrates economic growth, environmental protection and social responsibility into its business strategies to design, manufacture and supply innovative and high-quality products for the well-being of people and benefit of society, aiming to drive sustainable value for its stakeholders and communities.

With a global workforce of approximately 20,000 employees in 19 countries and regions, VTech maintains R&D centres, manufacturing operations and sales subsidiaries across the Americas, Europe and Asia. This extensive network allows the Group to remain at the forefront of technology and market trends worldwide while fostering close relationships with valued customers. VTech's products are sold in over 100 countries and regions, through partnerships with leading retailers, prominent e-commerce companies and distributors worldwide.

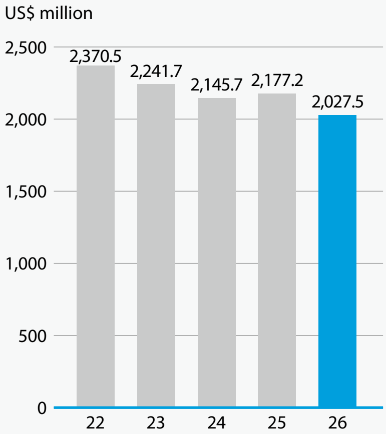
Shares of VTech Holdings Limited are listed on The Stock Exchange of Hong Kong Limited (HKSE: 303).

Financial Highlights

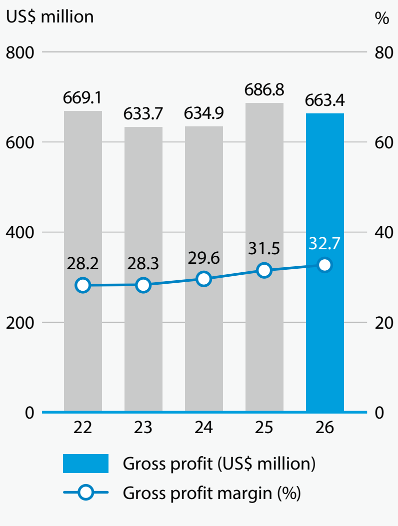
For the year ended 31 March	2026	2025	Change
Operating results (US$ million)			
Revenue	**2,027.5**	2,177.2	-6.9%
Gross profit	**663.4**	686.8	-3.4%
Operating profit	**171.0**	188.7	-9.4%
Profit before taxation	**166.8**	185.4	-10.0%
Profit attributable to shareholders of the Company	**134.1**	156.8	-14.5%
Financial position (US$ million)			
Cash generated from operations	**152.9**	255.5	-40.2%
Deposits and cash	**264.0**	335.6	-21.3%
Shareholders' funds	**647.3**	644.4	0.5%
Per share data (US cents)			
Earnings per share – basic	**52.9**	62.0	-14.7%
Earnings per share – diluted	**52.9**	61.9	-14.5%
Dividend per share – interim and final	**53.0**	61.0	-13.1%
Other data (US$ million)			
Capital expenditure	**31.3**	52.2	-40.0%
R&D expenditure	**82.9**	91.9	-9.8%
Key ratios (%)			
Gross profit margin	**32.7**	31.5	1.2% pts
Operating profit margin	**8.4**	8.7	-0.3% pts
Net profit margin*	**6.6**	7.2	-0.6% pts
EBITDA/Revenue	**11.1**	11.2	-0.1% pts
Return on shareholders' funds	**20.7**	24.3	-3.6% pts

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

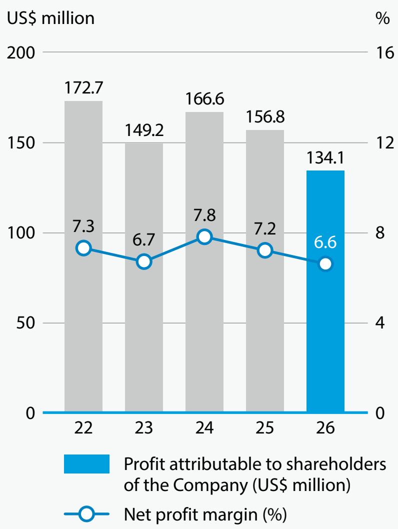
Group Revenue in Last 5 Years



Gross Profit and Gross Profit Margin in Last 5 Years



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



Letter to Shareholders

Dear Shareholders,

VTech reported a decrease in revenue in the financial year 2026. Changes in US tariff policies and depressed consumer sentiment, driven by geopolitical uncertainty, resulted in lower revenue across electronic learning products (ELPs), telecommunication (TEL) products and contract manufacturing services (CMS). Consequently, despite continued improvements in the gross profit margin, Group profit declined.

Results and Dividend

Group revenue for the year ended 31 March 2026 decreased by 6.9% to US$2,027.5 million, from US$2,177.2 million in the previous financial year. Sales were lower in all regions.

Profit attributable to shareholders of the Company decreased by 14.5% to US$134.1 million. The decline in profit was mainly due to the lower revenue, an increase in total operating expenses as a percentage of Group revenue and a higher Group effective tax rate.

Basic earnings per share decreased by 14.7% to US52.9 cents, compared to US62.0 cents in the financial year 2025.

The Board of Directors has proposed a final dividend of US36.0 cents per ordinary share, providing a full-year dividend of US53.0 cents per ordinary share, a 13.1% decrease from the US61.0 cents declared in the previous financial year. This represents a dividend payout ratio of 100%.

Costs

The Group's gross profit margin in the financial year 2026 rose to 32.7%, as compared with 31.5% in the financial year 2025. This was mainly attributable to lower cost of materials, as material prices decreased. A more favourable product mix, increases in product prices, the strength of European currencies against the US dollar and lower freight charges also contributed to the improvement in margin. The gains were partially offset by additional tariffs imposed on the US-bound products and higher direct labour costs as a percentage of Group revenue.

Our Business

The Group's businesses faced a number of challenges in the financial year 2026. The changes to US tariff policy caused considerable disruption in the first half of the financial year as retailers and manufacturers adjusted to the cost impacts. Consumers in many markets remained price-sensitive while the Group's customers were cautious when placing orders.

ELPs revenue declined in the financial year 2026, as lower sales in North America offset growth in Europe, Asia Pacific and Other Regions. Throughout the financial year, the Group continued to bring innovative products to the market, with the motion-based learning system LeapMove™ proving especially successful. Well-received from the outset by retailers, this major addition to the LeapFrog portfolio has achieved strong sell-through in both North America and Europe. The steady flow of new products, combined with enduring demand for old favourites, meant that the Group — comprising the VTech and LeapFrog brands — maintained its global leadership in electronic learning toys from infancy through toddler to preschool in the calendar year 2025[1].

Sales of both VTech and LeapFrog standalone products declined. For VTech, revenue decreased across all key product lines, except for electronic learning aids, which achieved modest growth. For LeapFrog, growth in the Magic Adventures® line and eco-friendly toys was offset by lower sales of infant, toddler and preschool products. Standalone products represented 87% of total ELPs revenue in the financial year 2026.

Platform products, by contrast, achieved an increase in sales as growth in LeapFrog offset a decline for VTech. Growth for LeapFrog products was driven by the launch of LeapMove, augmented by higher sales of Magic Adventures Globe. These gains offset lower sales of children's educational tablets, while sales of the interactive reading system held steady. VTech saw decreased sales of children's educational tablets, KidiZoom® Smartwatch, KidiBuzz™/KidiCom™ and Touch & Learn Activity Desk™. Subscriptions to LeapFrog Academy™ were stable.

In the financial year 2026, the Group gained many accolades for its ELPs from retailers and organisations representing parents and consumers. LeapMove swept to success around the world. In the US, it made both Walmart's "2025 Top Toys List" and Target's "2025 Bullseye's Top Toys List". In Europe, it was included in France's "Grands Prix du Jouet 2025" and was also a winner in the Independent Toy Awards in the UK. In Australia, it won both "Overall Product of the Year" and "Electronic Product of the Year" from Australian Toy Association. This was alongside over 30 awards for many other VTech and LeapFrog products globally, with VTech's Bluey Road Trip Playset and Get Growing Tractor & Mower Ride-On™ being named TOTY (Toy of the Year) finalists by The Toy Association in the US.

The TEL products business saw sales fall in the financial year 2026, as growth in Europe was offset by declines in North America, Asia Pacific and Other Regions. Looking at the product lines, rising sales of commercial phones and smartphones were insufficient to compensate for lower sales of residential phones and other telecommunication products. In the financial year 2026, the category of commercial phones and smartphones accounted for 55% of total TEL products revenue.

The global residential phone market continued to contract, leading to lower residential phones sales in North America, Asia Pacific and Other Regions. However, this decline was partially offset by growth in Europe, primarily because of higher sales of Gigaset products as the Group launched numerous new models to strengthen its portfolio. Among those launched were new entry-level residential phones, including the AD100, Basic 100 and Essential 300 series. The AD100 series performed particularly well owing to its feature-rich design and competitive pricing. These were joined by the Comfort 600 SIM which offers consumers the convenience of a home phone without the need for a landline. Consequently, Gigaset strengthened its leadership position in the DECT (Digital Enhanced Cordless Telecommunications) phone market in Europe[2].

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1 Ranking based on Circana, LLC, Retail Tracking Service for Projected US Dollar Sales in G12 (the US, Canada, France, Germany, the UK, Belgium, Netherlands, Italy, Australia, Spain, Brazil and Mexico) in the combined categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets), and Walkers for January – December 2025

Global Market Share Estimates. 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 2025

2 GfK Retail and Technology UK Limited, EU7, April 2025 – March 2026

The category of commercial phones and smartphones experienced solid growth, with higher sales of commercial phones, hotel phones and smartphones offsetting a decline in headsets. An existing customer has relocated its IP (Internet Protocol) phone production to Gigaset's facilities in Germany to capitalise on the Group's highly automated manufacturing and bolster supply chain resilience. This helped drive Gigaset commercial phone sales higher, as did the launch of the brand's single-cell DECT systems and Comfort 500HX, which target the home and small office market. Sales of Snom branded SIP phones remained steady, while hotel phone sales rose due to the continued good performance of the "Next Gen" product line. Gigaset smartphones were boosted by the launch of the GS6 series and new mobile phones tailored for the elderly. In contrast, headset sales were impacted by lower orders of a customer's products.

In the other telecommunication products category, which includes baby monitors, CareLine® residential phones, CAT-iq (Cordless Advanced Technology — internet and quality) handsets and IoT (Internet of Things) products, sales experienced an overall decline. Baby monitor sales fell because of rising competition, while CareLine residential phones and CAT-iq handsets saw reduced orders as end-user demand weakened. Conversely, IoT products achieved higher sales, bolstered by the continued growth of thermostats for hotel chains. Despite the broader category decline, VTech retained its position as the number one baby monitor brand in the US, Canada[3] and the UK[4].

During the financial year 2026, the Gigaset R700H protect PRO business phone was named "Product of the Year" (Category: IP Phones and Conference Solutions) in the *connect professional* "Readers' Choice 2025" awards. In baby monitors, VTech was accorded a "Women's Choice Award 2025 – 9 out of 10 Customer Recommended Baby Monitors" in the US, while in the UK its baby monitors and soothers collectively received nine awards in the "MadeForMums Tech Awards 2025" and "Dadsnet Awards 2025".

CMS revenue was lower in the financial year 2026, with declines in all regions. In the calendar year 2025, growth in the EMS (electronic manufacturing services) market has been confined largely to top-tier manufacturers serving areas such as AI (artificial intelligence) and data centres. The rest of the industry saw sales fall overall, as geopolitical uncertainty weighed on corporate investment and consumer confidence.

VTech's CMS performance broadly mirrored this trend, with lower sales in many categories. Among the best performers, communication products rose as new product launches led to growth in Wi-Fi routers, offsetting a decline for marine radios. Sales of professional audio equipment and solid-state lighting were stable. Hearables and home appliances were the categories that experienced the most noticeable sales declines. The Group's hearables customer is facing strong competition and demand for its products has fallen significantly since the end of the COVID pandemic. Sales of home appliances were negatively affected by lower orders for PCBA (printed circuit board assembly) for washing machines, as one of a customer's high-runner products came to the end of its life cycle.

In light of the changes in the global trading environment, VTech has continued to respond to customers' requirements for a more diversified production base. The transition of manufacturing from China to Malaysia has gone smoothly, allowing the Group to serve its customers seamlessly throughout. VTech has also had considerable success in building a potential customer base among start-up companies in China through its NPI (New Product Introduction) centre in Shenzhen. The financial year 2026 also saw solid progress in the ODM (original design manufacturing) business.

VTech remained the number one EMS/ODM provider in Hong Kong and one of the world's top 50 EMS/ODM providers in the calendar year 2025[5]. It also ranked as the world's largest contract manufacturer of professional audio equipment in the calendar year 2024[6]. During the financial year 2026, VTech CMS gained seven "best supplier" awards from the Group's customers, five for professional audio equipment, one for solid-state lighting and one for hearables.

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[3] Circana, LLC, Retail Tracking Service, US & CA, Baby Monitors, Units, April 2025 – March 2026

[4] GfK Retail and Technology UK Limited, April 2025 – March 2026

[5] *EMSNOW*, March 2026

[6] *Music Trades* magazine, September 2025 edition, based on estimated revenue for the calendar year 2024

> "Looking to the future, with our exceptional team, I am confident VTech will not only grow in the decades ahead but also continue to contribute to the well-being of people around the world."

50th Anniversary

This year marks a major milestone: VTech's 50th anniversary. We began in 1976 as a small start-up employing 40 people in Hong Kong, driven by a passion for electronics. In the decades since, we have been bringing joy and learning to children around the world with our ELPs, connecting people and businesses through our TEL products, and delivering trusted, high-quality manufacturing services to partners across industries through our CMS. A commitment to continuous innovation has made us a pioneer in many areas, creating the electronic educational toys category and introducing the world's first fully digital 900MHz cordless phone. Equally important, our manufacturing expertise and dedication to service excellence have earned us a distinguished reputation in the EMS industry.

The journey has never been easy. Along the way, we have overcome some extraordinary challenges, from global recession and financial crises to the COVID pandemic. Above all, our success is testament to our dedicated employees and the steadfast support of our business partners. We have built a vibrant culture of innovation that empowers talented people to create the innovative products that consumers want, year after year. Looking to the future, with our exceptional team, I am confident VTech will not only grow in the decades ahead but also continue to contribute to the well-being of people around the world.

Outlook

The US tariff situation appears to have stabilised somewhat, lending more certainty to purchase decisions. The conflict in the Middle East, however, is leading to higher prices of energy and oil-related products, as well as freight rates. The resulting inflation is negatively affecting consumer sentiment. A further deterioration of the situation in the Middle East could increase prices and tighten supply even further. Compounding this, strong demand from the AI (artificial intelligence) industry is leading to serious shortages of certain electronic components.

Despite this challenging picture, Group revenue is expected to grow in the financial year 2027, with sales of ELPs and TEL products forecast to trend higher, and CMS revenue to hold steady year-on-year. Gross profit margin is projected to decline because of surging material costs.

ELPs revenue for the financial year 2027 is projected to increase, driven by solid anticipated performance across both standalone and platform products. The Group boasts a robust product line-up for the calendar year 2026 that has already garnered good support from retailers.

Sales of standalone products are expected to rebound, fuelled by an expanded range of infant, toddler and preschool offerings. Revenue will be further bolstered by two new additions to the popular Kidi Star™ musical toy line, Rockstar Guitar™ and DJ Mixer Pro™. These will launch alongside a growing portfolio of licensed products featuring popular characters such as *Toy Story, Bluey, PAW Patrol,* and *Spidey and his Amazing Friends*. Notably, the highly anticipated global launch of LeapFrog's *Toy Story 5* Explore & Learn Lilypad is expected to deliver good results. Regionally, China will introduce strong line-ups led by a brand-new range featuring the iconic Japanese character *Anpanman*, which is launching alongside three additions to the popular *Peppa Pig* offering. For platform products, sustained growth will be driven by higher sales of the award-winning LeapMove, as it gains broader retailer support and expands its software library, which will feature licensed content and a new two-player module.

TEL product sales are forecast to increase in the financial year 2027, supported by a solid pipeline of new releases. Residential phone sales will benefit from new LTE (long-term evolution) home devices in the US and Europe, while a strengthened Gigaset portfolio is expected to secure further market share gains.

Commercial phones and smartphones will also grow through expanded ranges and product innovation. Key launches include the CrewPTT push-to-talk solution for the multi-cell DECT system, new Wi-Fi phones for the Gigaset Pro range and new Snom SIP desktop models. The next generation of Gigaset smartphones, GX30 and GX50, will add to the momentum. Both models feature rugged designs and replaceable batteries, making them ideal for outdoor and industrial use. Growth will be further supported by the ongoing transfer of the customer's IP phone production to Gigaset's German facilities, alongside upcoming Gigaset headsets currently under development.

Rounding out the TEL products portfolio, innovation continues across the other telecommunication product category, highlighted by the rollout of a new AI-enabled baby monitor in Australia in May 2026 that will reach markets globally over the course of the calendar year 2026.

CMS revenue is projected to remain steady in the financial year 2027, despite ongoing geopolitical uncertainty. Although customers continue to manage operations with lean inventory levels, overall business confidence has shown signs of improvement. Consequently, sales across key product categories, including professional audio equipment and hearables, are expected to remain broadly stable. Alongside this solid foundation, CMS will continue to develop its ODM business.

To meet future demand, the facility expansion in Muar, Malaysia, remains on track for completion by mid-2027. This will double the Group's existing production capacity in the country. Complementing this, the facility in Tecate, Mexico, is now fully operational. Providing comprehensive turnkey EMS to US customers, it further enhances VTech's geographical diversification.

I would like to take this opportunity to thank my fellow directors for their keen insights over the past year, and our colleagues for their dedication to our shared goals. I also extend my gratitude to our customers, suppliers, shareholders and business partners for their continued support. While the global landscape remains uncertain, VTech's core strengths continue to provide stability. Our solid balance sheet, diversified manufacturing capabilities, strong brand portfolio and innovative global product offerings form an enduring foundation for long-term success.

Allan Wong Chi Yun
Chairman

Hong Kong, 21 May 2026

Management Discussion and Analysis – Financial Review

Financial Overview

For the year ended 31 March 2026

	2026 US$ million	2025 US$ million	Change US$ million
Revenue	**2,027.5**	2,177.2	(149.7)
Gross profit	**663.4**	686.8	(23.4)
Gross profit margin	**32.7%**	31.5%	
Other net (expenses) / income	**(1.7)**	2.5	(4.2)
Total operating expenses	**(490.7)**	(500.6)	9.9
Total operating expenses as a percentage of revenue	**24.2%**	23.0%	
Operating profit	**171.0**	188.7	(17.7)
Operating profit margin	**8.4%**	8.7%	
Net finance expense	**(4.0)**	(3.2)	(0.8)
Share of results of an associate	**(0.2)**	(0.1)	(0.1)
Profit before taxation	**166.8**	185.4	(18.6)
Taxation	**(32.7)**	(28.6)	(4.1)
Effective tax rate	**19.6%**	15.4%	
Profit for the year and attributable to shareholders of the Company	**134.1**	156.8	(22.7)
Net profit margin	**6.6%**	7.2%	

Revenue

Group revenue for the year ended 31 March 2026 decreased by 6.9% to US$2,027.5 million compared with the previous financial year. The decrease in revenue was driven by the decrease in revenue in all regions.

	2026		2025		Increase / (decrease)	
	US$ million	**%**	US$ million	%	US$ million	%
North America	**811.6**	**40.0%**	893.1	41.0%	(81.5)	(9.1%)
Europe	**899.9**	**44.4%**	960.7	44.1%	(60.8)	(6.3%)
Asia Pacific	**294.7**	**14.5%**	300.9	13.8%	(6.2)	(2.1%)
Other Regions	**21.3**	**1.1%**	22.5	1.1%	(1.2)	(5.3%)
	2,027.5	**100.0%**	2,177.2	100.0%	(149.7)	(6.9%)

Gross Profit / Margin

Gross profit for the financial year 2026 was US$663.4 million, a decrease of US$23.4 million or 3.4% compared to the US$686.8 million recorded in the previous financial year. Gross profit margin for the year, however, increased from 31.5% to 32.7%.

The increase in gross profit margin was mainly attributable to the lower cost of materials arising from the decline in material prices and change in product mix, increase in selling prices and stronger European currencies against US Dollar, as well as the lower freight charges compared with the same period last year. These offset the additional tariffs imposed on the goods imported into the United States, and the increase in direct labour costs largely driven by the increase in minimum wages in China and Malaysia during the year.

Operating Profit / Margin

Operating profit for the year ended 31 March 2026 was US$171.0 million, a decrease of US$17.7 million or 9.4% compared with the previous financial year. Operating profit margin also decreased from 8.7% to 8.4%. These were mainly due to the lower gross profit, as well as the higher operating expenses as a percentage of Group revenue compared with the same period last year.

Total operating expenses for the year ended 31 March 2026 decreased from US$500.6 million to US$490.7 million as compared with the last financial year. Total operating expenses as a percentage of Group revenue increased from 23.0% to 24.2%.

Selling and distribution costs increased from US$317.8 million to US$319.6 million compared with the same period last year. As a percentage of Group revenue, selling and distribution costs increased from 14.6% to 15.8%. It was mainly attributable to the lower Group revenue and the increased spending on advertising and promotional activities as a percentage of Group revenue.

Administrative and other operating expenses decreased from US$90.9 million to US$88.2 million compared with the same period last year. The net exchange loss arising from the Group's global operations in the ordinary course of business was US$2.6 million, as compared with a net exchange loss of US$1.1 million in the last financial year. Administrative and other operating expenses as a percentage of Group revenue increased from 4.2% to 4.3%.

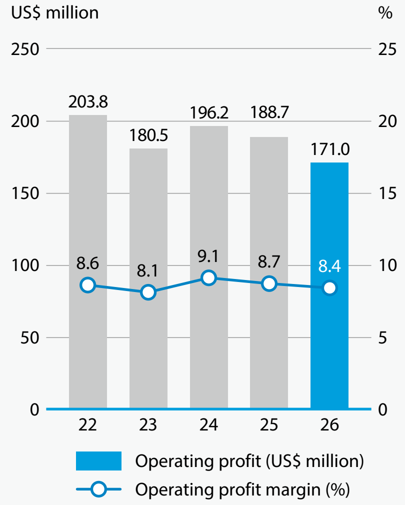
During the financial year 2026, the research and development expenses were US$82.9 million, a decrease of 9.8% compared with the previous financial year of US$91.9 million. It was mainly attributable to the lower employment related costs. Research and development expenses as a percentage of Group revenue decreased from 4.2% to 4.1%.

Effective Tax Rate

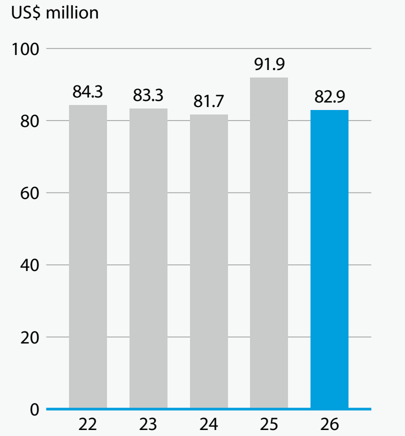
The Organisation for Economic Co-operation and Development ("OECD")/G20 Inclusive Framework on Base Erosion and Profit Shifting ("BEPS") aims to address tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment. Global Anti-Base Erosion ("GloBE") rules set forth the mechanisms to ensure multinational enterprises would pay a minimum level of tax with the rate of 15% on the income arising in each of the jurisdictions where they operate.

The increase in effective tax rate from 15.4% to 19.6% as compared with the last financial year was mainly due to the implementation of the global minimum tax in Hong Kong with the domestic minimum top-up tax in accordance with the BEPS 2.0 framework.

Operating Profit and Operating Profit Margin in Last 5 Years



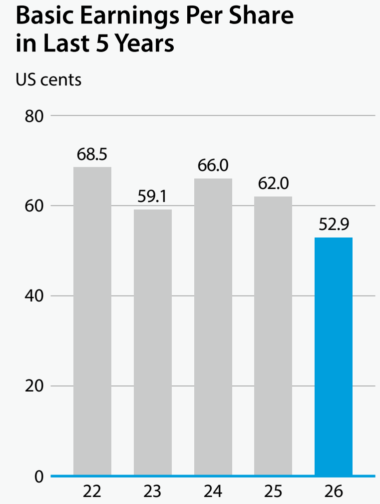
Group R&D Expenditure in Last 5 Years



Profit Attributable to Shareholders and Earnings Per Share

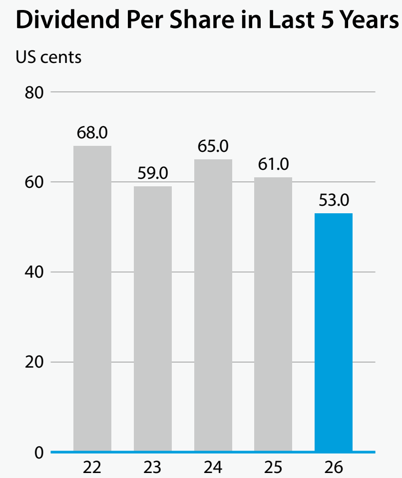
Profit attributable to shareholders of the Company for the year ended 31 March 2026 was US$134.1 million, a decrease of US$22.7 million or 14.5% as compared to the last financial year. Net profit margin also decreased from 7.2% to 6.6%. The lower net profit and net profit margin was mainly attributable to the lower operating profit and operating profit margin, as well as the higher Group effective tax rate arising from the implementation of BEPS 2.0 with minimum level of tax rate at 15% in each of the jurisdictions where the Group operates.

Basic earnings per share for the year ended 31 March 2026 were US52.9 cents as compared to US62.0 cents in the previous financial year.



Dividends

During the financial year 2026, the Group declared and paid an interim dividend of US17.0 cents per share, which aggregated to US$43.0 million. The directors of the Company (the "Directors") have proposed a final dividend of US36.0 cents per share, which is estimated to be US$91.3 million.

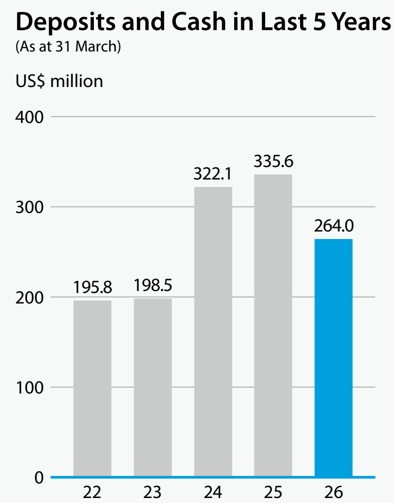


Liquidity and Financial Resources

Shareholders' funds as at 31 March 2026 were US$647.3 million, a increase of 0.5% from US$644.4 million in the last financial year. Shareholders' funds per share as at 31 March 2026 remained at US$2.55.

The Group had no borrowings as at 31 March 2026 and 31 March 2025.

The Group's financial position remained strong and was debt-free. As at 31 March 2026, the Group had deposits and cash of US$264.0 million, a decrease of 21.3% as compared to US$335.6 million as of 31 March 2025. The Group's deposits and cash are predominately denominated in US dollars. The decrease in net cash balance was mainly due to the decrease in net cash generated from operating activities compared with the last financial year. These offset the higher opening cash balance and lower dividend payment compared with the last financial year, as well as the favourable foreign currency exchange movements on the Group's net assets arising from the appreciation of foreign currencies against United States Dollar during the period. The Group has adequate liquidity to meet its current and future working capital requirements.



Analysis of Cash Flow from Operations

	2026 US$ million	2025 US$ million	Change US$ million
Operating profit	**171.0**	188.7	(17.7)
Depreciation and amortisation	**54.9**	55.2	(0.3)
EBITDA	**225.9**	243.9	(18.0)
Fair value loss / (gain) on investment	**0.2**	(0.9)	1.1
Share-based payment expenses: Share Award Scheme	**3.8**	3.7	0.1
Share-based payment expenses: Share Option Scheme	**0.3**	0.4	(0.1)
Impairment of interest in an associate	**2.1**	–	2.1
Working capital change	**(79.4)**	8.4	(87.8)
Cash generated from operations	**152.9**	255.5	(102.6)

The Group's cash generated from operations for the year ended 31 March 2026 was US$152.9 million, a decrease of US$102.6 million or 40.2% as compared to US$255.5 million in the previous financial year. The decrease was mainly attributable to the lower working capital inflow and reduction in EBITDA compared with the previous financial year.

Working Capital Change

	Balance as at 31 March 2025 US$ million	Hedging and others US$ million	Working capital change per cash flow US$ million	**Balance as at 31 March 2026 US$ million**
Stocks	360.8	–	42.1	**402.9**
Trade debtors	267.8	–	(10.1)	**257.7**
Other debtors, deposits and prepayments	63.4	1.3	29.4	**94.1**
Trade creditors	(251.8)	–	21.1	**(230.7)**
Other creditors and accruals	(234.3)	0.2	(2.0)	**(236.1)**
Provisions for defective goods returns and other liabilities	(27.1)	–	(1.2)	**(28.3)**
Long service payment liabilities	(0.6)	(0.1)	(0.1)	**(0.8)**
Net assets on defined benefit scheme	6.2	1.0	0.2	**7.4**
Total working capital	**184.4**	**2.4**	**79.4**	**266.2**

Stocks as of 31 March 2026 were US$402.9 million, increased from US$360.8 million as of 31 March 2025. The turnover days also increased from 106 days to 128 days. The higher stock level was mainly attributable to the early production of the Group's products to cater for the increased demand in the first half of the financial year 2027, as well as the inclusion of the US tariffs in the inventory of finished goods as at 31 March 2026.

As at 31 March All figures are in US$ million unless stated otherwise	**2026**	2025
Stocks	**402.9**	360.8
Average stocks as a percentage of Group revenue	**18.8%**	16.3%
Turnover days	**128 days**	106 days

Trade debtors as of 31 March 2026 were US$257.7 million, decreased from US$267.8 million as of 31 March 2025. Debtor turnover days, however, increased from 56 days to 60 days. The lower trade debtor balance as at 31 March 2026 was mainly due to the decrease in revenue in the fourth quarter of the financial year 2026 compared with the corresponding period of the previous financial year. The overdue balances greater than 30 days accounted for 2.7% of the gross trade debtors as of 31 March 2026.

As at 31 March All figures are in US$ million unless stated otherwise	2026	2025
Trade debtors	**257.7**	267.8
Average trade debtors as a percentage of Group revenue	**13.0%**	11.3%
Turnover days	**60 days**	56 days

Other debtors, deposits and prepayments as of 31 March 2026 were US$94.1 million, increased from US$63.4 million as of 31 March 2025. It was mainly attributable to the purchase of tax reserve certificates amounts of US$14.6 million.

Trade creditors as of 31 March 2026 were US$230.7 million, as compared to US$251.8 million as of 31 March 2025. Creditor turnover days decreased from 97 days to 90 days.

As at 31 March All figures are in US$ million unless stated otherwise	2026	2025
Trade creditors	**230.7**	251.8
Turnover days	**90 days**	97 days

Other creditors and accruals as of 31 March 2026 were US$236.1 million, increased from US$234.3 million as of 31 March 2025.

Provisions for defective goods returns and other liabilities as of 31 March 2026 were US$28.3 million, as compared to US$27.1 million as of 31 March 2025.

Net assets on defined benefit retirement scheme as of 31 March 2026 were US$7.4 million, as compared to US$6.2 million as of 31 March 2025.

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 2026, the Group invested US$31.3 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.

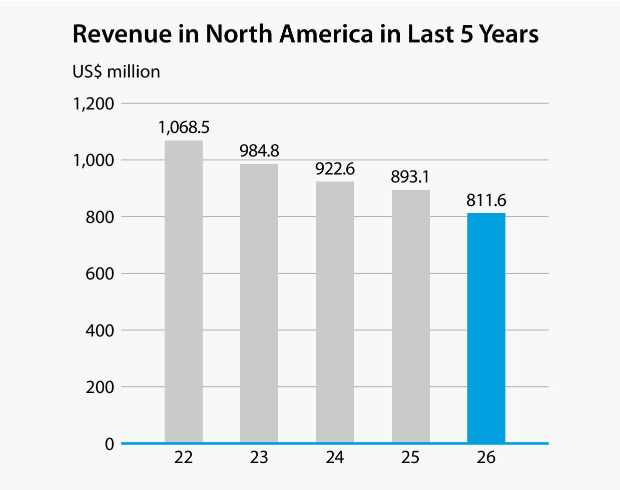
Capital Commitments and Contingencies

Capital commitments in the financial year 2027 for ongoing business operations are expected to be US$46.7 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 decreased by 9.1% to US$811.6 million in the financial year 2026, as sales of ELPs, TEL products and CMS all declined. North America was VTech's second largest market, accounting for 40.0% of Group revenue.

ELPs revenue in North America fell by 12.7% to US$388.5 million. This was mainly driven by sales declines in the US following the change in US tariff policy. The new tariffs caused a temporary suspension of shipment to the US for several weeks and induced the Group to raise prices for most of its US-bound products, while retailers delayed store sets for the Autumn season. These developments negatively affected orders and in-store sales in the first half of the financial year 2026. Matters improved in the second half, however, with US sales essentially flat as compared with the comparable six-month period of the previous financial year. In the calendar year 2025, the Group – comprising the VTech and LeapFrog brands – retained its leadership in electronic learning toys from infancy through toddler to preschool in the US[7]. In Canada, despite a sales decline in the financial year 2026, the Group maintained its position as the largest manufacturer of infant, toddler and preschool toys[8].

Standalone products saw sales decrease, with declines across all key product categories. This was mainly due to the lower shipment to the US in the first half of the financial year 2026 following the change in US tariff policy. Core learning products and key product lines all posted sales decreases, for both the VTech and LeapFrog brands. Despite this, seven VTech and LeapFrog products ranked among the top 20 best-selling infant and toddler toys in the US during the calendar year 2025. Notably, VTech's First Steps® Baby Walker and LeapFrog's Learning Friends 100 Words Book™ claimed the second and the fifth position respectively.

Platform products sales grew, driven by new product launches. The LeapFrog brand was boosted by the launch of the exciting new motion-based learning system LeapMove™, which performed well during the holiday seasons. This offset lower sales of children's educational tablets. Sales of Magic Adventures® Globe and the interactive reading system, meanwhile, held steady. By contrast, VTech branded platform products reported a sales decline, mainly because of lower sales of KidiZoom® Smartwatch and Touch & Learn Activity Desk™. Subscriptions to LeapFrog Academy™ were stable.

The Group gained eight awards from trusted parenting websites, toy industry experts, toy advisory boards and major retailers in North America during the financial year 2026. In the US, LeapMove made both Walmart's "2025 Top Toys List" and Target's "2025 Bullseye's Top Toys List". VTech's Bluey Road Trip Playset and Get Growing Tractor & Mower Ride-On™ were named TOTY finalists by The Toy Association, and there were awards from Good Housekeeping for Get Growing Tractor & Mower Ride-On and VTech Baby® 4-in-1 Steps & Stages Activity Center™. In Canada, VTech Baby 4-in-1 Steps & Stages Activity Center and VTech Baby Explore & Move With Puppy™ were included in the Walmart and Toys"R"Us "2025 Top Toys" lists, respectively.

[7] Circana, LLC, 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 2025

[8] Circana, LLC, Retail Tracking Service, January – December 2025

TEL products revenue in North America fell by 9.7% to US$161.5 million in the financial year 2026. Sales of all three categories declined.

Sales of residential phones fell amid the ongoing contraction of the US market. Despite these headwinds, the Group continued to introduce new products and retain its popularity with consumers. The AT&T DLP73290 residential phone saw particularly strong sales throughout the financial year 2026, complemented by a good reception for the new AT&T BL108 cordless phone, which hit US shelves in March 2026. Consequently, the Group – comprising the AT&T and VTech brands – remained the number one cordless phone brand in the US in the financial year 2026.

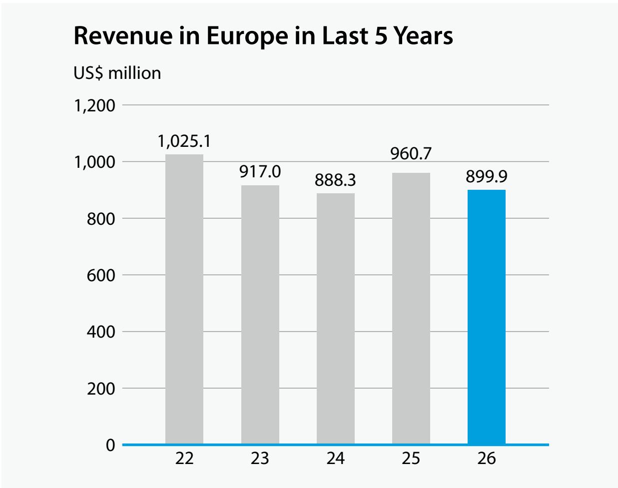
Commercial phone revenue also experienced a decline, as higher sales of hotel phones were insufficient to offset weakness in SIP (Session Initiation Protocol) phones, multi-line analogue phones and headsets. Growth in the hotel phone category was driven by increasing sales of the "Next Gen" product line. SIP phones, however, recorded fewer sales owing to decreased orders from a customer, though the new Snom D8 series of SIP desktop phones launched successfully in the US and was well received by the market. Multi-line analogue phones posted a decline as the products reached the end of their life cycle, while headset sales were lower due to reduced orders from a customer.

Other telecommunication products reported a sales decrease, as higher sales of IoT products were offset by lower sales of baby monitors and CareLine® residential phones. IoT products posted higher sales of thermostats for hotel channels. However, this was offset by lower sales of baby monitors due to increasing competition. In addition, CareLine residential phones experienced lower orders owing to weak end-user demand. During the financial year 2026, VTech maintained its position as the number one baby monitor brand in the US and Canada[9]. In the US, VTech was accorded a "Women's Choice Award 2025 – 9 out of 10 Customer Recommended Baby Monitors".

CMS revenue in North America decreased by 2.9% to US$261.6 million in the financial year 2026, as lower sales of professional audio equipment and industrial products offset higher sales of IoT products. Professional audio equipment recorded a slight sales decline as orders of audio mixers from a major customer fell. Sales of industrial products also decreased, as there were fewer orders for smart water leakage detectors. This offset higher orders for PCBA (printed circuit board assembly) for vending machines as more employees returned to office-based working.
In contrast, IoT products saw sales grow, driven by rising orders for smart basketball hoop game consoles, which have been well received by consumers and are now being sold by major US retailers. Sales of solid-state lighting remained stable.

Orders at the Group's facility in Tecate in Mexico grew significantly, as more US customers moved their production from China to Mexico. During the financial year 2026, VTech CMS earned three prestigious awards from its US customers in recognition of its outstanding service. These accolades were a "2025 Supplier of the Year" and a "Best Partner Award – Electronics Category" from customers in the professional audio equipment sector, as well as a "2025 Great Operations Partner" award from a solid-state lighting customer.

Europe



[9] Circana, LLC, Retail Tracking Service, US & CA, Baby Monitors, Units, April 2025 – March 2026

Group revenue in Europe decreased by 6.3% to US$899.9 million in the financial year 2026, as higher sales of ELPs and TEL products were offset by declines for CMS. Europe was VTech's largest market, accounting for 44.4% of Group revenue.

ELPs revenue in Europe grew by 1.5% to US$311.7 million, as higher sales of platform products offset lower sales of standalone products. Geographically, sales rose in France, Spain, the Netherlands and Italy, offsetting declines in the UK and Germany. In the calendar year 2025, the Group retained its position as the largest infant and toddler toys manufacturer in France, the UK, Germany, Spain, the Netherlands and Belgium[10].

In the standalone category, sales of LeapFrog were higher, led by infant products, the Magic Adventures line and eco-friendly toys. VTech saw lower sales, as an increase in preschool products, electronic learning aids and the Kidi® line failed to offset declines in infant and toddler products, KidiZoom cameras, Switch & Go Dinos®, Marble Rush® and eco-friendly toys.

Platform products saw higher sales, with growth in LeapFrog products offsetting a decline for VTech. The increase at LeapFrog was driven by the launch of LeapMove, higher sales of the interactive reading system and Magic Adventures Globe. For VTech, sales of KidiZoom Smartwatch, children's educational tablets, Touch & Learn Activity Desk and KidiCom™ all declined.

The Group continued to win accolades across the continent during the financial year 2026. LeapMove and Story'Clock – Ma conteuse-réveil (Sleep & Wake Storyteller™) were both named in France's "Grands Prix du Jouet 2025", with LeapMove also bagging an "Approuvé par les Familles 2026" (Approved by Families Award 2026). Music'Kid dello Zecchino d'Oro (Let's Record! Music Player™) won "Best Toy – Infant" at the "Gioco per Sempre AWARDs 2025" (Play Forever Toys Award 2025) in Italy, while 3-in-1 Mow & Grow Tractor was named "Best Toy of the Year 2025" by the Spanish Association of Toy Manufacturers. In the UK, LeapMove and LeapStart® Reading Buddies Starter Set were award winners in the "Independent Toy Awards", while 3-in-1 Mow & Grow Tractor and LeapStart Reading Buddies were both a "Gold Winner" in the "MadeForMums Toy Awards 2025".

Revenue from TEL products in Europe increased by 6.0% to US$224.1 million in the financial year 2026. Sales of residential phones, commercial phones and smartphones increased, while those of other telecommunication products posted a decline.

In residential phones, growth was mainly driven by increasing sales of the Gigaset product lines. The launch of new Gigaset models, including entry-level products such as the AD100, Basic 100 and Essential 300 series boosted growth. These were joined by the Comfort 600 SIM which offers consumers the convenience of a home phone without the need for a landline. Sales performed especially well in Germany, France, Italy and Spain. As a result, Gigaset increased its market share and retained its leadership position in the DECT phone market in Europe[11].

Sales of commercial phones and smartphones also increased. This resulted from higher orders from a customer, as well as rising sales of Snom branded SIP phones and Gigaset smartphones. An existing customer has relocated its IP (Internet Protocol) phone production to Gigaset's facilities in Germany to capitalise on the Group's highly automated manufacturing and bolster supply chain resilience. This helped drive Gigaset commercial phone sales higher. It was augmented by the launch of Gigaset's single cell DECT systems and Comfort 500HX for the home and small office market. Snom branded SIP phones also reported growth, driven by the expansion of the single-cell DECT portfolio, catering to small and medium sized enterprises and start-ups. Meanwhile, Gigaset smartphones saw the introduction of several new models. These included the GS6 series that is designed for institutions with strong security and privacy requirements, alongside the GL695 and GL795 models that are specially designed for the elderly. During the financial year 2026, the Gigaset R700H protect PRO business phone was named "Product of the Year" (Category: IP Phones and Conference Solutions) in the *connect professional* "Readers' Choice 2025" awards.

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[10] Circana, LLC, Retail Tracking Service, January – December 2025

[11] GfK Retail and Technology UK Limited, EU7, April 2025 – March 2026

Sales of other telecommunication products in Europe decreased in the financial year 2026. Both baby monitors and CAT-iq handsets posted sales decreases. Sales of baby monitors fell mainly because of lower sales in the UK market. The decline in CAT-iq handsets resulted from lower orders from customers. During the financial year 2026, the Group's baby monitors and soothers won a large number of awards in the UK, collectively receiving nine awards in the "MadeForMums Tech Awards 2025" and "Dadsnet Awards 2025".

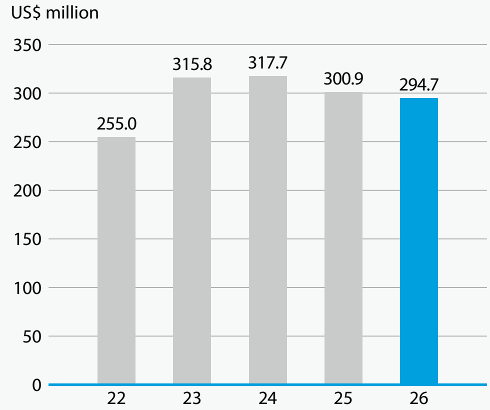
CMS revenue in Europe decreased by 17.7% to US$364.1 million as lower sales of hearables, home appliances, IoT products, automotive products and smart energy storage systems offset increases for professional audio equipment and communication products, while sales of medical and health products were stable. Sales of hearables decreased significantly. Market demand has fallen since the end of the COVID pandemic and in addition to facing keen competition, the customer's outsourcing strategy has become more focused on ODM services, negatively impacting CMS revenue. Fewer orders for PCBA for washing machines resulted in lower sales of home appliances.

Despite stable demand for smart meters, sales of IoT products declined as orders for internet connected thermostat and air-conditioning controls were affected by a customer's over-inventory as it faced more competition. Automotive products sales trended lower, as orders for electric vehicle chargers declined. Sales of smart energy storage systems were negatively affected by the removal of subsidies by the Swedish government. By contrast, new product launches and market share gains by customers drove professional audio equipment sales higher, while communication products benefitted from higher orders for Wi-Fi routers following new product launches and a reduction in customer inventory. Medical and health products sales were stable, as lower orders for hair removal products were balanced by rising orders for hearing aids.

During the financial year 2026, VTech CMS won four supplier awards in Europe. The professional audio equipment category saw an "Excellence in Manufacturing & Quality 2025" award, a "Strategic Partner Award 2025" and a "Golden Slider 2025" award, while the Group also earned a "25 Years Partnership Award 2025" from a hearables customer.

Asia Pacific

Revenue in Asia Pacific in Last 5 Years



Group revenue in Asia Pacific fell by 2.1% to US$294.7 million in the financial year 2026, as declines for TEL products and CMS offset growth in ELPs. The region accounted for 14.5% of Group revenue.

Revenue from ELPs in Asia Pacific rose by 4.9% to US$72.2 million, with increases in Australia and China. In Australia, the launch of LeapMove and increased marketing efforts drove LeapFrog and VTech sales higher. In the calendar year 2025, VTech maintained its position as the largest manufacturer of electronic learning toys from infancy through toddler to preschool in the country[12]. In China, the Go! Go! Smart Wheels® line, eco-friendly toys and role-playing toys sold especially well.

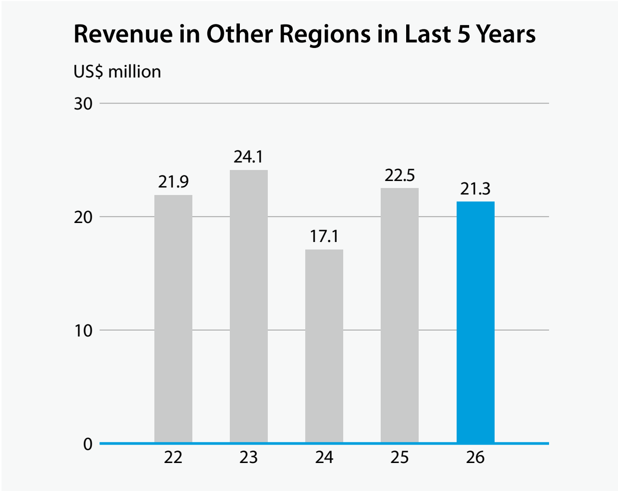
[12] Circana, LLC, Retail Tracking Service. Ranking based on total retail sales of VTech and LeapFrog products in the combined toy categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets) and Walkers for the 12 months ended December 2025

In Australia, the Group's ELPs gained 10 awards in total, with LeapMove winning both "Overall Product of the Year" and "Electronic Product of the Year" from the Australian Toy Association, alongside awards for Peek & Play Learning House, Toot-Toot Drivers Bluey Road Trip Set, Toot-Toot Drivers Learn & Go Train Set and Create & Explore Musical Activity Desk. LeapMove also made the K-Zone and Total Girl Magazines "2025 Toy Awards" together with three other VTech ELPs. In China, VTech won a "25th Anniversary Enterprise Award" given by CBME (Children Baby and Maternity Products Industry Expo), while two VTech products, Tap-a-Peg Wooden Truck™ and My First Motorized Train Set™ won awards from the China Toy & Juvenile Products Association.

TEL products revenue in Asia Pacific decreased by 7.0% to US$17.4 million owing to lower sales in Australia and Japan. In Australia, sales declined because of lower sales of baby monitors. In Japan, sales were affected by reduced orders for residential phones from an ODM customer.

CMS revenue in Asia Pacific decreased by 3.9% to US$205.1 million, with lower sales of professional audio equipment, medical and health products and communication products. Although sales of DJ equipment were stable, professional audio equipment sales were down as orders for microphones for KOLs (key opinion leaders) decreased. In medical and health products, sales of diagnostic ultrasound systems fell as the customer lost market share. Communication products sales were affected by lower orders for marine radios as the customer moved further production back in-house as the Japanese yen continued to depreciate. During the financial year 2026, VTech CMS expanded its customer base in China, leveraging the NPI (New Product Introduction) centre in Shenzhen to attract start-ups and other companies in the Greater Bay Areas.

Other Regions



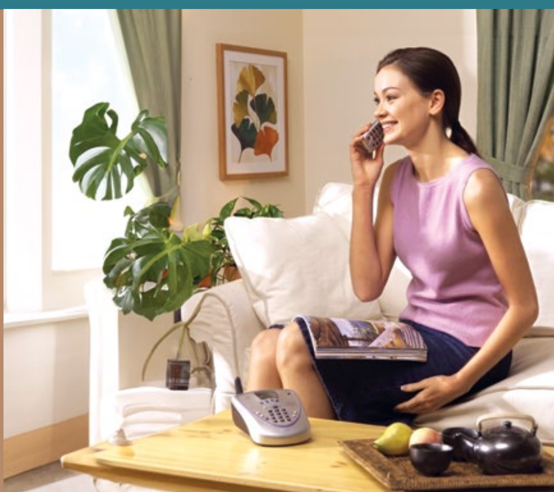
Group revenue in Other Regions, comprising Latin America, the Middle East and Africa, decreased by 5.3% to US$21.3 million in the financial year 2026. This was mainly due to lower sales of TEL products, which offset an increase for ELPs. Other Regions accounted for 1.1% of Group revenue.

ELPs revenue in Other Regions increased by 8.6% to US$10.1 million, as growth in the Middle East and Africa offset a decline in Latin America.

TEL products revenue in Other Regions fell by 15.2% to US$11.2 million as sales decreased in Latin America, the Middle East and Africa.

CMS revenue in Other Regions was immaterial in the financial year 2026.


LITTLE SMART DRIVER



Celebrating 50 Years

From Local Roots to Global Impact

This year, VTech celebrates a milestone half a century in the making. Since our founding in 1976 as a small start-up in Hong Kong, we have grown into a global leader in electronic learning products and residential phones, as well as a world top 50 EMS/ODM provider. Guided by a relentless spirit of innovation and a passion for electronics, we consistently deliver products that enrich lives, connect people and support our partners worldwide. This golden anniversary is a proud celebration of our achievements and a testament to the resilience, dedication and vision that have shaped our 50-year journey.

Seizing the Microchip Revolution

The Birth of VTech

From its very beginnings in 1976, VTech has been driven by a passion for electronics. Our founders quickly seized upon the opportunities offered by the microchip revolution, just a year later launching VTech's first product, a home TV game console called Pong. But it was in 1980 that the real breakthrough came. Lesson One marked the creation of a category that VTech has led ever since – electronic learning products.

With demand for our products soaring, we established our first US subsidiary in 1982, becoming the first Hong Kong electronics company to market its own branded products overseas. Leveraging our engineering expertise into the computing market, VTech utilised custom in-house designed integrated circuits and introduced its first Laser PC range in 1983. A year later, we expanded our horizons by offering contract manufacturing services, helping other companies bring their ambitions to life. By 1988, with new manufacturing facilities in China and an R&D centre in Canada, we had laid a solid foundation for global leadership.

1976

Allan Wong and Stephen Leung established Video Technology Limited.

1977

Developed our first product, a home TV game console.

In our first year of business, we recorded a turnover of less than US$1 million.

1978

Launched our first portable LED game based on a single-chip microprocessor.

1979

Launched our first portable LCD game.

1980

Launched our first electronic learning product, the Lesson One (book type version).

1981

Introduced a tabletop version of the Lesson One, a highly successful first-generation ELP.

Launched our first hybrid computer, the CreatiVision, featuring an integrated PC and video game console.

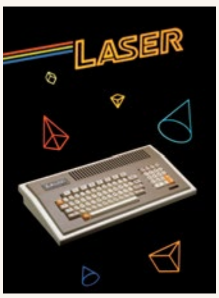
1982

Established our first overseas sales subsidiary in the US.

1983

Introduced our first PC range, the Laser 100, based on custom integrated circuit (ASIC) chips designed in-house.

Launched our first Apple II compatible computer, the Laser 3000.



1984

Began to manufacture satellite receivers on a contract manufacturing basis for the US market.

1985

Introduced one of our PCs, the Laser 310, to China for the first time.

1986

Listed in Hong Kong in June under the name "Video Technology International (Holdings) Limited" by way of introduction.

Became the largest manufacturer of electronic learning aids sold in the US.

1987

Introduced our first electronic learning aid using a laptop design, the Talking Whiz Kid.

Established our first European sales subsidiary in the UK.

1988

Opened our first manufacturing facilities in China, in Houjie town, Dongguan city, Guangdong province.

Established an R&D centre in Vancouver, Canada.

Launched the Socrates, our first educational video system with wireless remote control.

The 1990s

A Decade of Innovation and Global Expansion

The 1990s represented an era of global expansion achieved through technological innovation and forward thinking. In 1991, VTech revolutionised the home phone market by introducing the world's first fully digital 900MHz cordless phone in the US. By using a custom ASIC (Application Specific Integrated Circuit) to make the new frequency band viable, the phone delivered unprecedented range and performance advantages over low-frequency alternatives.

Meanwhile, our electronic learning aids dominated best-seller lists, achieving market leadership in both North America and Europe. To support our rapid growth, we expanded our manufacturing footprint with a second facility in China in 1997.

Culminating in 2000, the era of growth was marked by the acquisition of Lucent Technologies' consumer phone business. Securing the right to use the AT&T brand in connection with the manufacture and sale of wireline telephones and accessories, the transaction further strengthened VTech's position in the US residential phone market.

1989

Entered the preschool market with two very successful products, Small Talk and Little Smart Driver.

1991

Changed our name to "VTech Holdings Limited" and listed on the London Stock Exchange.

Introduced the world's first fully digital 900MHz cordless telephone in the US.

1992

Re-listed on the Hong Kong Stock Exchange, establishing a dual primary listing with London.

1990

Privatised "Video Technology International (Holdings) Limited" in October.

Expanded distribution of our Laser PCs to the US.

1993

Established an American Depositary Receipt programme.

Acquired the Capsela brand of scientific and construction toys.

Established VTech Communications Limited as a dedicated subsidiary to manage the rapid expansion of our CMS.

1994

Launched our first electronic dictionary organiser, the CV6880.

1995

The LT84X Series Subnotebook won the grand prize in the Machinery and Equipment Design category at the Hong Kong Awards for Industry.

1996

Became the first in the industry to introduce 900MHz cordless phones at a retail price below US$100 in the US.

Launched our first 1.8GHz DECT cordless phone in Europe.

1997

Opened our second manufacturing site in China, in Liaobu town, Dongguan city, Guangdong province.

Divested our PC manufacturing business in Hong Kong and PC distribution network in Europe.

1998

Established an R&D centre in Calgary, Canada.

Became the market leader in North America and Europe for ELPs. The ten best-selling electronic learning aids in the UK and the five best-selling ELPs in the US were all VTech products.

1999

Completed the development of a 2.4GHz global cordless phone platform.

2000

Acquired Lucent Technologies' consumer phone business, with the right to use the AT&T brand in connection with the manufacture and sale of wireline telephones and accessories.

The New Millennium

An Era of Innovation and Market Leadership

The turn of the millennium marked an era of growth, operational excellence and market leadership for VTech. We continued our commitment to innovation by launching the world's first 5.8GHz cordless phone in 2002. In the ELPs business, we achieved historic success with the launch of the V.Smile TV Learning System in 2004, followed in 2011 by our first educational tablet, InnoTab.

To meet soaring demand, a third manufacturing facility was opened in China in 2005. VTech also branched out into commercial phones designed for small to medium-sized enterprises in 2009. To boost productivity further, the Group turned increasingly to automation, process improvement and product optimisation, combining commercial machinery with custom-designed, in-house solutions.

The Group's success earned international acclaim, with *BusinessWeek* repeatedly naming VTech to its "InfoTech 100" list, ranking it first among all Hong Kong companies in 2009. By 2010, we had become the world's largest manufacturer of cordless telephones, with a well-recognised reputation for quality and performance.

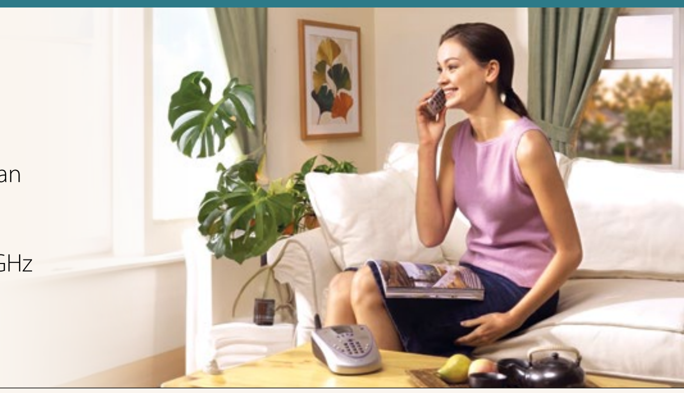
2001

Following a successful restructuring, we achieved a turnaround in profitability within months.

2002

Launched a new corporate identity as part of a strategic plan to strengthen our marketing.

Introduced the world's first 5.8GHz cordless phone in the US.



2003

Launched the world's most advanced 5.8GHz cordless phone handset with full colour LCD display.

2004

Launched the V.Smile TV Learning System, one of the most successful ELPs in our history, which subsequently expanded into a highly popular family of learning consoles.

2005

Opened our third manufacturing facilities in China, in Qingyuan city, Guangdong province.

2006

BusinessWeek named VTech in the InfoTech 100.

2007

For the second consecutive year, *BusinessWeek* named VTech among the top 100 information technology companies worldwide.

2008

Reported our third consecutive year of record revenue and profit.

2009

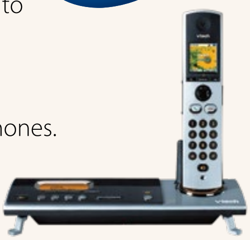
BusinessWeek ranked VTech 54th globally, and first among Hong Kong companies, in its InfoTech 100 list.

Introduced enterprise phones for small and medium sized businesses in the US.

2010

February marked the 30th anniversary of our ELPs. We introduced a new logo for ELPs to strengthen our brand.

Became the world's largest manufacturer of cordless telephones.



2011

Launched our first educational tablet for children, the InnoTab.

Introduced the world's first CAT-iq 2.0 certified handset, the Avant 5000.

2012

Expanded into the hospitality industry and completed installation of SIP phones in the Octavius Tower at Caesars Palace in Las Vegas in March.

2013

Became the number one player in the overall Infant Toys category in France, the UK and Germany.

Expanded to the playset category with the introduction of the Go! Go! Smart Wheels.

2014

Became the number one manufacturer in the Infant and Preschool Electronic Learning category in the US.

Introduced the ErisStation, our first conference phone, with four wireless microphones.

2015

Added as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index and FTSE4Good Global Index.

The Go! Go! Smart Animals Zoo Explorers Playset won the "2015 Infant/Toddler Toy of the Year Award" in the US.

A new factory building built for CMS commenced operations in July, adding 25% to manufacturing capacity.

Broadening Our Horizons

Strategic Expansion

Approaching its 50th anniversary in 2026, VTech has broadened its horizons through strategic expansion. Building on our milestone of becoming the number one manufacturer in the infant and preschool electronic learning category in the US in 2014, our ELPs business added a powerful new brand in 2016 with the acquisition of LeapFrog, a US-based developer of educational entertainment for children.

For the TEL products business, we further strengthened our R&D expertise through two German acquisitions – Snom in 2016, enhancing our strength in enterprise VoIP (Voice over Internet Protocol) phones, and the assets of Gigaset in 2024, which added multi-cell DECT systems and smartphones to our expanding product portfolio.

As a global top 50 EMS/ODM provider, our CMS business expanded its manufacturing footprint to Malaysia and Mexico in 2018 and 2021 respectively, while beginning our march towards Industry 4.0 to deliver high-quality products and services to meet and even exceed customer expectations.

2016

Acquired LeapFrog Enterprises, Inc., a leading developer of educational entertainment for children.

Acquired Snom Technology GmbH, a pioneer and a leading brand of professional and enterprise VoIP telephones.

2017

Achieved record revenue, surpassing the US$2 billion mark.

CMS established its own facilities in China, in Liaobu town, Dongguan city for manufacturing high precision metal tooling and parts.

2018

The KidiZoom Smartwatch DX assortment was the Top Selling Toy of the Year (Youth Electronics) in the US and the Kidi line of products was the Top Selling Youth Electronics Property in Europe (EU7).

VTech became the No. 1 baby monitor brand by dollar sales in the US.

Acquired our first manufacturing facilities in Malaysia, in Muar.

2019

Received a rating of AA in the MSCI ESG Ratings assessment.

Received "Vendor of the Year 2018" and "Toy Supplier of the Year" awards from Target and Walmart respectively in the US.

2020

The animated series Go! Go! Cory Carson premiered on Netflix globally in January, followed by the launch of playsets and vehicles featuring the characters.

Acquired our second manufacturing facilities in Malaysia, in Penang.

A New Product Introduction (NPI) centre for CMS is opened in our R&D centre in China, in Shenzhen.

2021

Introduced our first range of eco-friendly ELPs.

Launched our first LeapFrog branded baby monitor line.

Acquired our first manufacturing facilities in Mexico, in Tecate.

2022

Reported record revenue for ELPs business, surpassing US$1 billion in sales.

Won "Top E-commerce US Market Share Gain (Category of Baby Monitors)" given by the NPD Group, Inc.

Named as the world's number one contract manufacturer of professional audio equipment in 2021.

2023

Opened a new sales office for ELPs in Italy.

Introduced Snom M500 Pro, an industry first, cloud-accessible and provision-capable SIP based key system unit.

Opened an i4 (Industry 4.0) laboratory in our CMS manufacturing facilities in China.

2024

Gigaset

Acquired the assets of Gigaset Communications GmbH, a global leader in communication technology.

2025

Introduced LeapMove, an innovative motion-based learning system.

2026

Celebrate our 50th anniversary.

50 YEARS vtech


vtech

Shaping the Future

Our Commitment to Global Well-Being

Looking to the future, we remain committed to contributing to the well-being of people globally. Our ELPs make learning fun and engaging, inspiring children worldwide to become tomorrow's leaders. Our TEL products seamlessly connect people and businesses at home and at work. Additionally, VTech CMS leverages its manufacturing expertise and commitment to service excellence to deliver high-quality manufacturing services to partners across industries.

Products and Services Overview

ELECTRONIC LEARNING PRODUCTS

Revenue by Region (US$)

North America

388.5 million

▼ 12.7% (year-on-year)

Europe

311.7 million

▲ 1.5% (year-on-year)

Asia Pacific

72.2 million

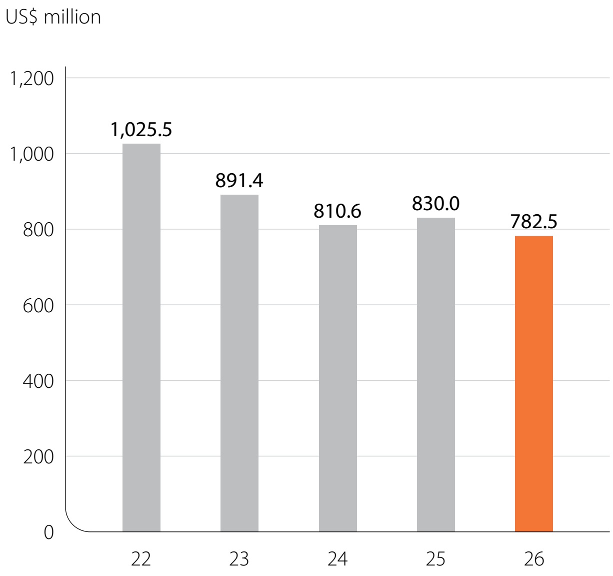
▲ 4.9% (year-on-year)

Other Regions

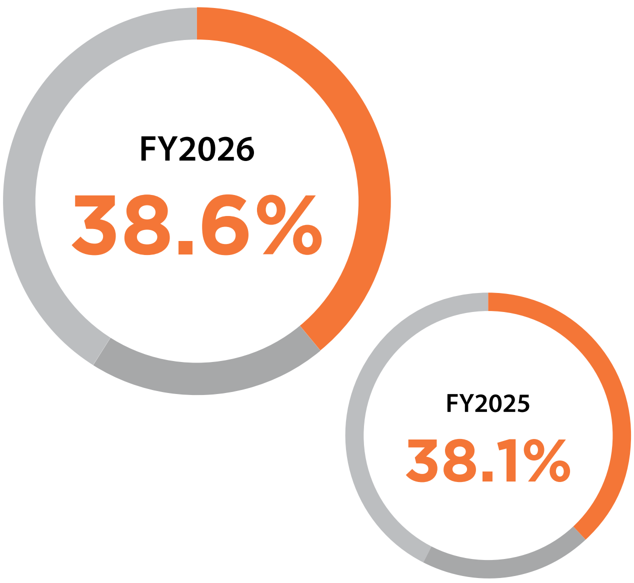
10.1 million

▲ 8.6% (year-on-year)

Revenue in Last 5 Years



As % of Group Revenue



No.1
supplier of electronic learning toys from infancy through toddler and preschool globally

45.4
million products shipped in FY2026

74
countries and regions selling the Group's ELPs in 26 languages

Product Categories

Hardware

Standalone Products

A broad range of age-appropriate and developmental stage-based toys that help children learn and develop through fun and smart play

Platform Products

Various devices for children at different ages and learning levels, including a motion-based learning system, smartwatches, interactive reading systems, a learning globe, educational tablets, an activity desk and a Wi-Fi enabled smart device

Content

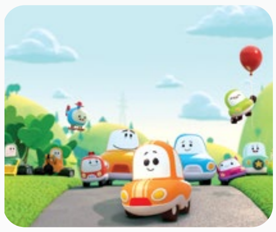
Engaging content on multiple platforms, including app stores providing educational and fun apps and games, the subscription-based interactive learning platform LeapFrog Academy and the award-winning Go! Go! Cory Carson animated series

LeapFrog Academy

LeapFrog App Centre

VTech Learning Lodge

Go! Go! Cory Carson Animated Series



TELECOMMUNICATION PRODUCTS

(Licensed Brand)

Revenue by Region (US$)

North America

161.5 million

▼ 9.7% (year-on-year)

Europe

224.1 million

▲ 6.0% (year-on-year)

Asia Pacific

17.4 million

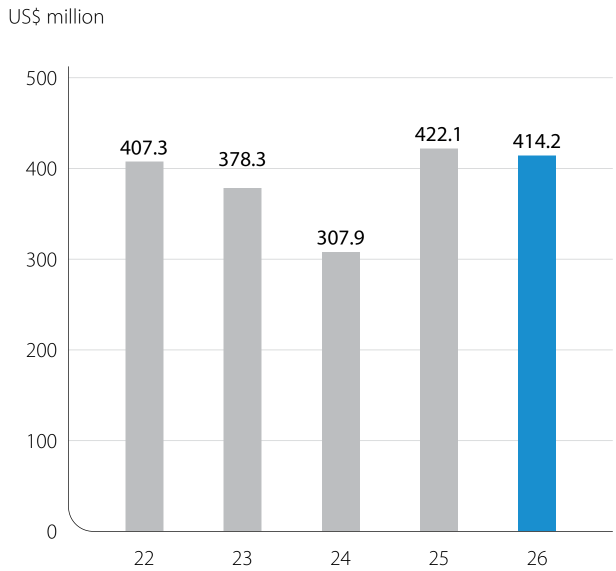
▼ 7.0% (year-on-year)

Other Regions

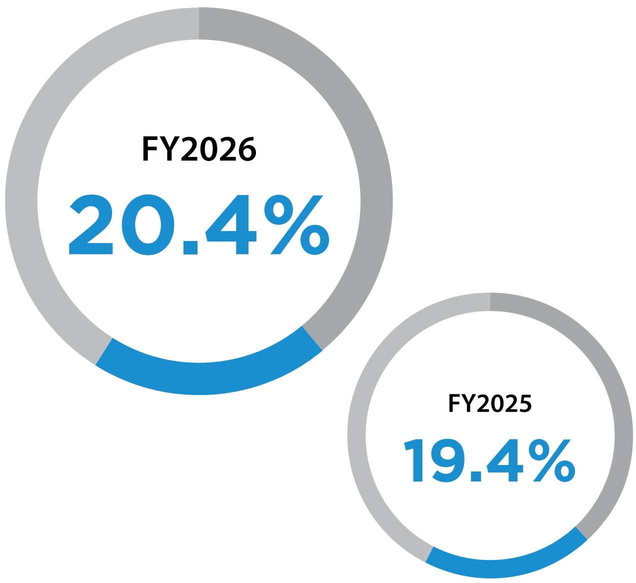
11.2 million

▼ 15.2% (year-on-year)

Revenue in Last 5 Years



As % of Group Revenue

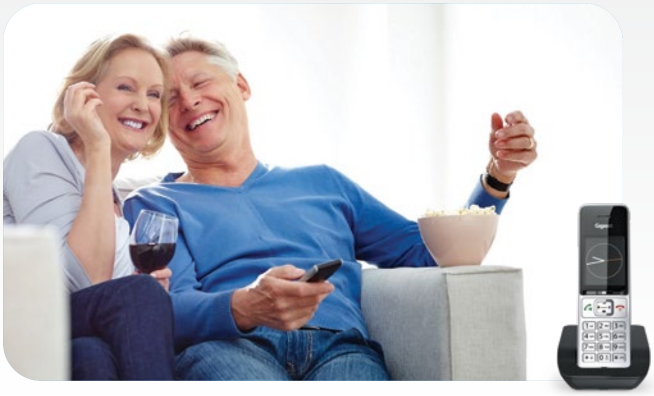


No.1	No.1	10.2	78
residential phones supplier globally	baby monitor brand in the US, Canada and the UK	million handsets shipped in FY2026	countries and regions selling the Group's TEL products

Product Categories

Residential Phones

A perfect blend of design and functionality to bring connectivity and productivity to the home



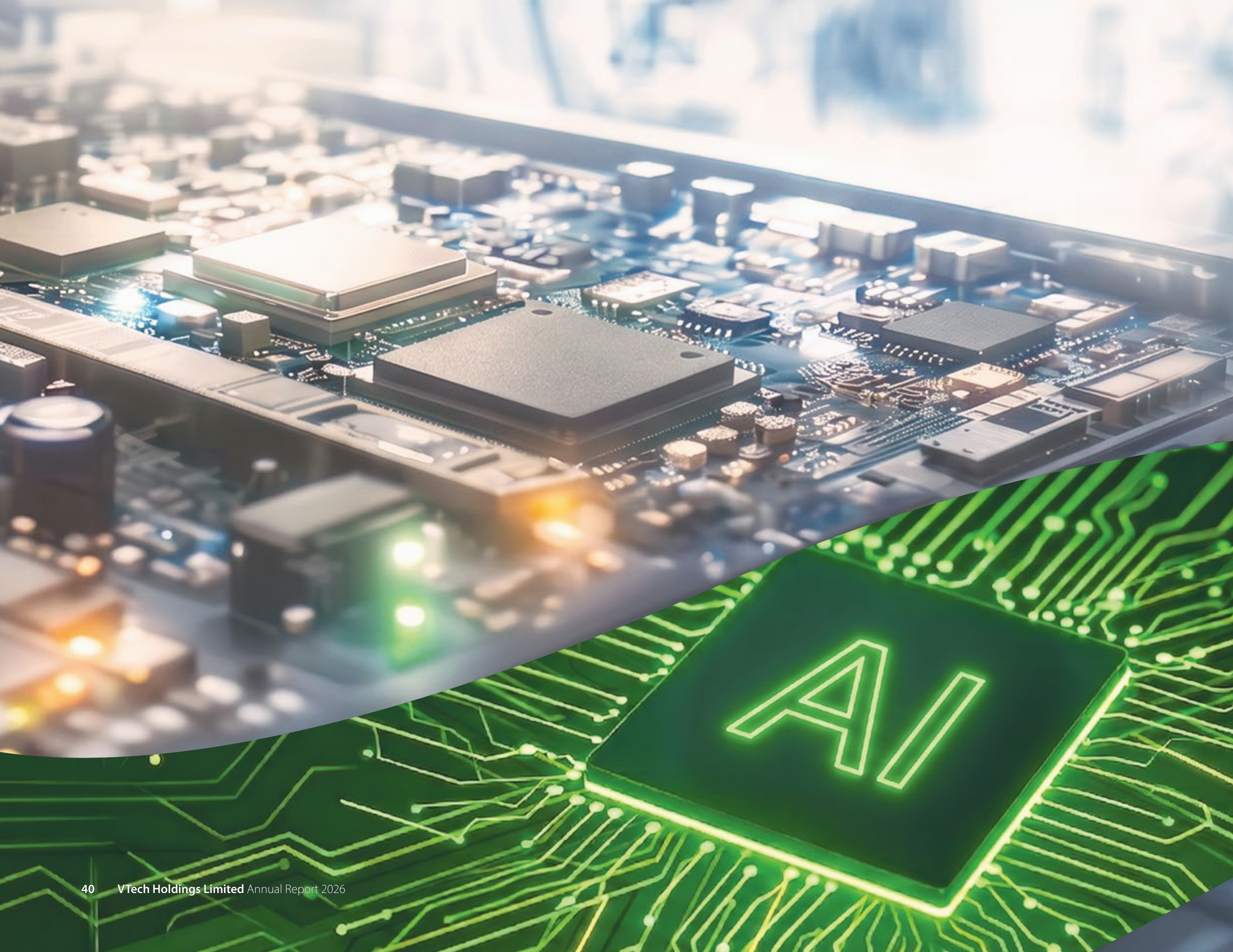
Commercial Phones and Smartphones

Scalable communication solutions for small to medium sized businesses, enterprise-level corporations and hotels

Other Telecommunication Products

Baby monitors and a wide range of products which cater to various needs of home users, making life more comfortable and enjoyable

CONTRACT MANUFACTURING SERVICES




vtech

Revenue by Region (US$)

North America

261.6 million

▼ 2.9% (year-on-year)

Europe

364.1 million

▼ 17.7% (year-on-year)

Asia Pacific

205.1 million

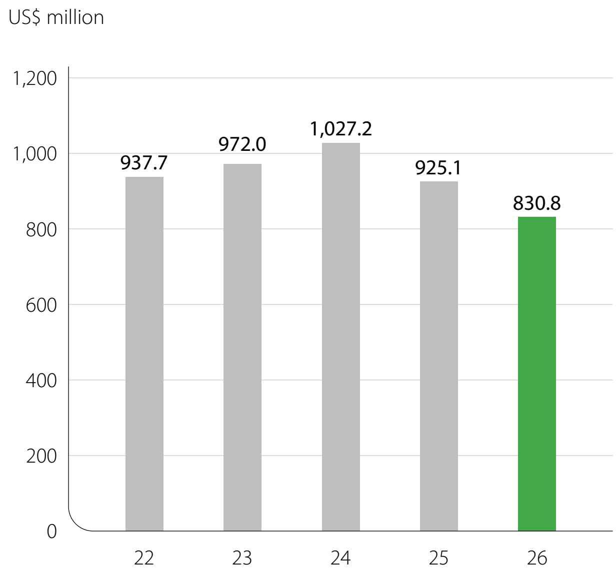
▼ 3.9% (year-on-year)

Other Regions

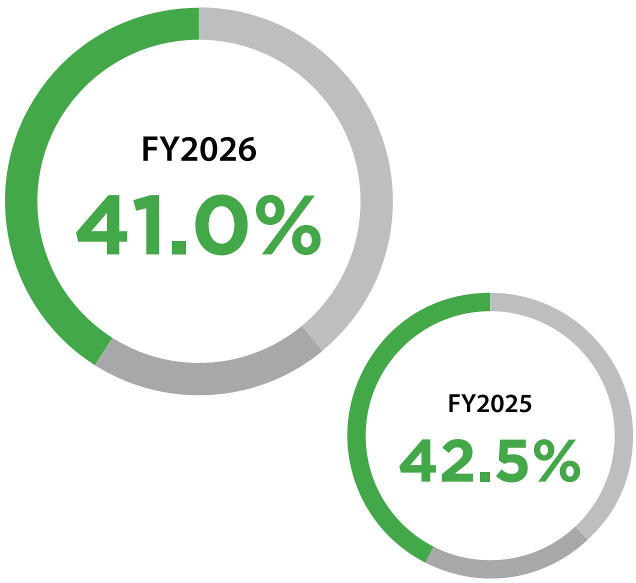
– *

* Represents revenue less than US$0.1 million

Revenue in Last 5 Years



As % of Group Revenue



No.1
EMS/ODM provider in Hong Kong

No.1
contract manufacturer of professional audio equipment worldwide

Top 50
among the world's EMS/ODM providers

7
awards received from customers

Key Product Categories

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

Professional Audio Equipment

Medical & Health Products

Hearables

IoT Products

Corporate

Sustainability Awards and Recognition

VTech's contributions to sustainability have received local and international recognition. VTech Holdings Limited has been a constituent member of the Hang Seng Corporate Sustainability Benchmark Index with a rating of AA+, and the FTSE4Good Global Index for 11 consecutive years. VTech has also achieved a rating of AA in the MSCI (Morgan Stanley Capital International) ESG Ratings assessment[13] for six years.

Hang Seng Corporate Sustainability Index Series Member 2025-2026

FTSE4Good

MSCI ESG RATINGS AA

INDUSTRY CARES 工業獻愛心 10+

VTech Holdings Limited won various ESG Awards. These included the "Best Environmental, Social and Governance Reporting Award" and "Citation for Online Environmental, Social and Governance Reporting" at the Best Annual Report Awards organised by the Hong Kong Management Association, the "ESG Leading Enterprises", "Sustainable Supply Chain" Awards presented by Bloomberg Businessweek/Chinese Edition, the "CG Awards Special Mention" at the Best Corporate Governance and ESG Awards presented by the Hong Kong Institute of Certified Public Accountants, the "Best in ESG Practices" Award in the TVB ESG Awards, the "ESG Grand Award" in the Master Insight x Hang Seng University ESG Award, and the "Sustainable Value Award" in the InnoESG Prize.




In addition, VTech's commitment to corporate social responsibility received recognition from the Federation of Hong Kong Industries for ten consecutive years, with an "Outstanding Caring Award (Enterprise Group)" presented in FY2026 under the Industry Cares Recognition Scheme. It has also been awarded the "Caring Company" logo by the Hong Kong Council of Social Service for 17 consecutive years.

Community Involvement

VTech has been collaborating with Save the Children, an international charitable organisation supporting marginalised and vulnerable children, to organise various fundraising and toy donation events across multiple countries for six consecutive years. VTech volunteers also partnered with The Hong Kong Federation of Youth Groups and the Patient Resource Centre of Hong Kong Children's Hospital to engage paediatric patients in playful sessions with our toys, and donated 300 toys to three hospitals in Hong Kong.

VTech's scholarship programme has entered into its ninth consecutive year. In FY2026, VTech granted scholarships to 12 students from the top five universities in Hong Kong, and continued to partner with the City University of Hong Kong and The Chinese University of Hong Kong to organise the "VTech Innovation & Sustainability Award".

To enhance well-being and fitness across the Group, VTech sponsored employees to participate in various sport events. These included the Standard Chartered Hong Kong Marathon, the Hong Kong Streetathon, the Sowers Action Challenging 12 Hours Charity Marathon, Ultra Trail Du Mont-Blanc Traces des Ducs de Savoie, and the Shatin Dragon Boat Race. VTech also continued to organise the "Global Green Day" to encourage a green lifestyle at its Hong Kong headquarters and overseas offices. The activities included tree planting events, a green and healthy food conference, bee hotels crafting and community clean-up.

Award-winning Annual Report

The VTech Annual Report 2025 received two "Silver Awards" at the 2025 International ARC Awards in the categories of Interior Design: Manufacturing & Distributing and Traditional Annual Report: Manufacturing & Distributing.

[13] 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

Global Leadership

In the calendar year 2025, VTech maintained its global leadership in electronic learning toys from infancy through toddler to preschool[14].

Successful Launch of LeapMove

The calendar year 2025 saw the successful launch of LeapMove, a motion-based learning system for children. It was the best-selling electronic preschool toy in the US.

A Raft of Awards for LeapMove

LeapMove picked up nine awards from respected toy and parenting industry experts, toy councils and retailers around the world. In the US it made Walmart's "2025 Top Toys List" and Target's "2025 Bullseye's Top Toys List". In the UK it was an Independent Toy Awards winner. In France, LeapMove was the Grands Prix du Jouet 2025 "Toy of the Year" and "Best Educational Console", and an Approuvé par les Familles 2026 (Approved by Families Award 2026) winner. It was also an Australian Toy Association "Overall Product of the Year" and "Electronic Product of the Year", as well as a "*K-Zone* and *Total Girl* Magazines 2025 Toy Awards" winner in Australia.

Best-selling Toys in the US

Seven VTech and LeapFrog products ranked among the top 20 best-selling infant and toddler toys in the US during the calendar year 2025. Notably, VTech's First Steps Baby Walker and LeapFrog's Learning Friends 100 Words Book claimed the second and the fifth positions respectively.

VTech & LeapFrog Top Australian Toy Fair

VTech and LeapFrog products won a record six awards at the Australian Toy Fair in March 2026. These included the prestigious "Overall Product of the Year" and "Electronic Product of the Year" for LeapMove, "Infant/Preschool Product of the Year" for the Toot-Toot Drivers Bluey Road Trip Set, and "Hobby Product of the Year" for the Toot-Toot Drivers Learn & Go Train Set.

Other Recognition

The Group's ELPs received more than 30 accolades from respected toy and parenting industry experts, toy councils and retailers around the world.

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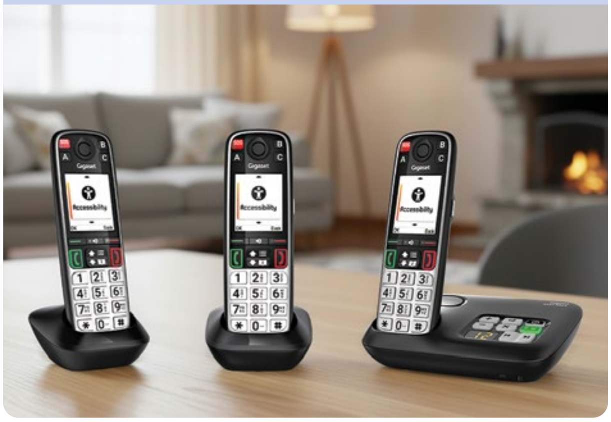
[14] Ranking based on Circana, LLC, Retail Tracking Service for Projected US Dollar Sales in G12 (the US, Canada, France, Germany, the UK, Belgium, Netherlands, Italy, Australia, Spain, Brazil and Mexico) in the combined categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets), and Walkers for January – December 2025

Global Market Share Estimates Ranking based on total retail sales 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 2025

Telecommunication Products

World Leader in Residential Phones

VTech remained the world's leader in residential phones in the financial year 2026.



No. 1 Baby Monitor Brand

VTech baby monitors maintained their position as the number one brand in the US, Canada[15] and the UK[16].

No. 1 in DECT Phones in Europe

Gigaset increased its market share and retained its number one position in the DECT (Digital Enhanced Cordless Telecommunications) phone market in Europe[17].

Gigaset Expands its Range and Reach

During the financial year 2026, the Group started selling Gigaset residential phones in Eastern Europe, opening a new avenue of growth. To broaden the brand's residential phone portfolio, the Group has developed new entry-level models, which began hitting the shelves in the major European countries in September 2025.

Gigaset Product Award

The Gigaset R700H protect PRO business phone was named "Product of the Year (Category: IP Phones and Conference Solutions)" in the *connect professional* Readers' Choice 2025 awards.

Award-winning Baby Care Products

The VTech and LeapFrog baby care products gained numerous awards in both the US and the UK.
In the US, VTech baby monitors were accorded a "Women's Choice Award 2025 – 9 out of 10 Customer Recommended Baby Monitors". In the UK, the Group's baby monitors and soothers collectively received nine awards in the "MadeForMums Tech Awards 2025" and "Dadsnet Awards 2025".

[15] Circana, LLC, Retail Tracking Service, US & CA, Baby Monitors, Units, April 2025 – March 2026
[16] GfK Retail and Technology UK Limited, April 2025 – March 2026
[17] GfK Retail and Technology UK Limited, EU7, April 2025 – March 2026

Contract Manufacturing Services

A Global Top 50 EMS Provider and No. 1 in Hong Kong

VTech CMS was ranked one of the world's top 50 EMS/ODM providers, and number one in Hong Kong in the calendar year 2025, according to *EMSNOW*[18].

World's No. 1 Contract Manufacturer of Professional Audio Equipment

According to *Music Trades* magazine, VTech CMS was the world's number one contract manufacturer of professional audio equipment in the calendar year 2024[19].

Strategic Partnership with Hony Capital and Vengine

In July 2025, Hony Capital, Vengine and VTech announced a strategic partnership to develop an ecosystem for embodied intelligence and robotic hardware innovation. It marks an important step forward for VTech CMS in exploring a potential new product category.

Service Excellence

VTech CMS received seven awards from customers in recognition of its outstanding service in the financial year 2026.

From professional audio equipment customers

- Best Partner Award – Electronics Category
- Golden Slider 2025
- Excellence in Manufacturing and Quality 2025
- Strategic Partner Award 2025
- 2025 Supplier of the Year

From hearables customers

- 25 Years Partnership Award 2025

From solid-state lighting customer

- 2025 Great Operations Partner

[18] *EMSNOW*, March 2026

[19] *Music Trades* magazine, September 2025 edition, based on estimated revenue for the calendar year 2024

Sustainability

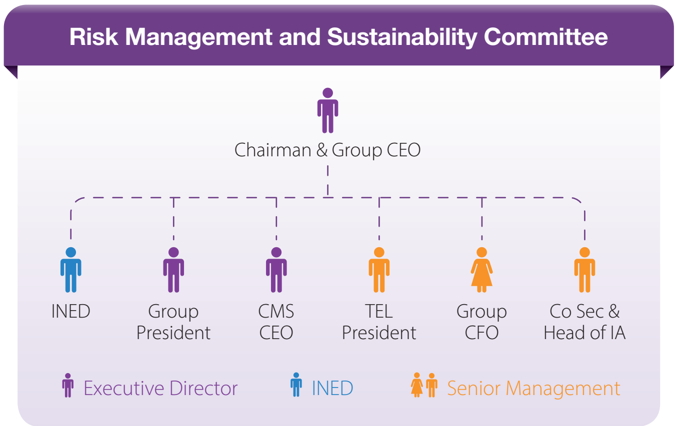
"VTech's sustainability vision is to create sustainable value to improve the lives of people and protect the planet for future generations."

In the financial year (FY) 2026, the global business environment has continued to be shaped by persistent economic uncertainty. Intensified geopolitical tensions, volatile trade dynamics, and disruptions in global supply chain exacerbated by surging demand for emerging technologies, have posed significant challenges across all industries. As a global leader in electronic learning products (ELPs), the world's largest supplier of residential phones, and a world-leading contract manufacturing services provider, VTech is leveraging its strategic strengths to navigate this evolving landscape. With a robust sustainability foundation augmented by its vertically integrated production capabilities, a resilient global manufacturing footprint, and a long-standing culture of innovation, VTech has taken deliberate steps to convert these unprecedented challenges into its competitive advantages. In calendar year 2026, we are also proud to achieve a major milestone: our 50th anniversary. This landmark celebrates VTech's five decades of dedication, innovation, and partnership with our stakeholders and the communities.

With the sustainability strategic direction provided by the Group's Risk Management and Sustainability Committee, as well as a strong sustainability management structure and dedicated commitments of its management teams, VTech has continued to make progress in achieving its sustainability performance targets as set out under the Group's 5-year Sustainability Plan 2030. 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 Sustainable 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.



RMSC is delegated with the authority from the Board of Directors (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. In FY2026, VTech has introduced non-financial KPIs related to sustainability in the remuneration package of its Executive Directors, aiming to reinforce VTech's commitment to sustainability, and align the Group's long-term sustainable goals with the interests of its top management and the entire group of companies.

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

5-year Sustainability Plan

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 (CSR) 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 GHG 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 supportive, 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 2030

VTech has established a strong foundation for its sustainable growth. 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 third 5-year Sustainability Plan 2030 with measurable objectives and targets to be achieved by financial year 2030. These commitments include introducing more products made from sustainable materials, increasing the use of materials with recyclable or recycled content in our packaging while continuing to reduce plastics in our packaging materials, expanding the use of renewable energy and reducing the consumption of natural resources in its production process.

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 2026 are available on sustainability.vtech.com/reports_policies.

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.

The Sustainability Report was prepared in accordance with the ESG Reporting Code set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the GRI Standards 2021. The report was also prepared with reference to the IFRS S2 Climate-related Disclosure published by the International Sustainability Standards Board (ISSB).

Awards and Recognitions

VTech's contributions to sustainability continue to receive local and international recognition. VTech Holdings Limited has been a constituent member of the Hang Seng Corporate Sustainability Benchmark Index, with a rating of AA+, and the FTSE4Good Global Index for eleven consecutive years. It also achieved a rating of AA in the MSCI (Morgan Stanley Capital International) ESG Ratings for six years, and were assessed by Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors. It won several ESG Awards. These included the "Best Environmental, Social and Governance Reporting Award" and "Citation for Online Environmental, Social and Governance Reporting" at the Best Annual Report Awards organised by the Hong Kong Management Association, the "ESG Leading Enterprises", "Sustainable Supply Chain" Awards presented by Bloomberg Businessweek/Chinese Edition, the "CG Awards Special Mention" at the Best Corporate Governance and ESG Awards presented by the Hong Kong Institute of Certified Public Accountants, the "Best in ESG Practices" Award from TVB ESG Awards, "ESG Grand Award" in Master Insight x Hang Seng University ESG Award, and "Sustainable Value Award" in InnoESG Prize. VTech's commitment to corporate social responsibility has received recognition from the Federation of Hong Kong Industries for ten consecutive years, with an "Outstanding Caring Award (Enterprise Group)" presented in FY2026 under the Industry Cares Recognition Scheme. It has also been awarded the "Caring Company" logo by the Hong Kong Council of Social Service for seventeen consecutive years.

Hang Seng Corporate Sustainability Index Series Member 2025-2026

FTSE4Good

MSCI ESG RATINGS AA

Rated MORNINGSTAR SUSTAINALYTICS

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

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 the Group meets the requirements of the applicable laws and regulations, industry best practices, global trends, and market expectations. This Corporate Governance Report will explain how the Group applies the principles of good corporate governance as set out in the Corporate Governance Code (the "CG Code"), so as to enable the shareholders of the Company to evaluate such application.

Corporate Governance Practices

VTech is incorporated in Bermuda and has its shares listed on the Stock Exchange. The corporate governance rules applicable to the Company are the CG Code set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Throughout the financial year ended 31 March 2026 ("FY2026"), the Company had complied with all the code provisions of the CG Code, except for the deviation from code provision C.2.1 of Part 2 of the CG Code as described below.

Under code provision C.2.1 of Part 2 of the CG 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 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 regarding securities transactions throughout FY2026.

VTech is also committed to following the ESG Reporting Code set out in Appendix C2 to the Listing Rules. A summary of the 2026 Sustainability Report is set out on pages 48 to 50 and pages 91 to 101 of this Annual Report and details of VTech's ESG performance and reporting are set out in the 2026 Sustainability Report. VTech's Sustainability Report is made available for the public on sustainability.vtech.com/reports_policies and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

VTech Code: Compliance and More

During FY2026, VTech had certain corporate governance practices exceeding the compliance requirements in the following areas:

Our Board

- Our Board comprises nine Directors, of which five are Independent Non-executive Directors, exceeding the requirements of the Listing Rules that at least one-third of the Board (and not less than three Directors) shall be Independent Non-executive Directors.
- All members (instead of just majority of members) of the Audit Committee and the Remuneration Committee are Independent Non-executive Directors.
- VTech conducts regular evaluation on the performance of the Board and its Committees. A summary of the evaluation results is presented to the Board for review and discussion, and presented to the respective Board Committees for follow-up.

Our Disclosures

- VTech announces its interim financial results within 1.5 months after the end of the six-month financial period, and its annual financial results within two months after the end of the financial year. It also publishes its Annual Report and Sustainability Report on its website and sends its Annual Report to the shareholders within three 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's Continuous Disclosure Policy has been established since 2013 and is published on its website. The policy guides the Group in monitoring and disclosing potential inside information.

Our Other Practices in Corporate Governance

- In addition to the Directors, the Model Code adopted by VTech is extended to apply to specified employees including the senior management of the Group. 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 twice a year.
- 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 the Directors to issue new shares of the Company of 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 not proposed to extend the relevant Issue Mandate granted to the 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 benefit 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.

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 an 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 the "Sustainability Pillars" – "Our People" and "Governance and Business Ethics" sections of the 2026 Sustainability Report.
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, and to each individual employee throughout the Group. With clear objectives and goals in the annual budgets, three-year business plan and five-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 the "Leadership" section of this Corporate Governance Report.
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 benefit 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 and Value Chain Management" and "Environment" sections of the 2026 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 | Stakeholder Engagement

During FY2026, the Board examined and discussed the following items in respect of the five areas of focus:

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 three-year business plan and budget review process, the Board considered and approved the Group's three-year business plan for the financial years ending 31 March 2027 to 31 March 2029 and budget for the financial year ending 31 March 2027.

Risk Management and Internal Control

The Board acknowledges that it is responsible for reviewing the risk management and internal control systems. As such, the Board, through the Audit Committee and the Risk Management and Sustainability Committee, reviews the overall appropriateness and effectiveness of the Group's material controls including financial, operational and compliance controls, risk management process, information systems security and effectiveness of financial reporting and compliance with the Listing Rules.

Leadership and People

Human resources management, including a leadership succession plan, is crucial to the Company's long-term success. The Board continuously reviews the Group's human resources management strategy to attract, develop, retain and motivate key talents across the whole organisation. It also encourages management to train the younger 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 FY2026 and the Group's Interim Report for the six months ended 30 September 2025. 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.

Stakeholder 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. The Company actively engages with its shareholders and investors through various communication channels and takes any areas of concern into consideration when formulating its business strategies. In order to strengthen the Company's market leadership in those businesses requiring technological advances, the Board members and management exchanged opinions and agreed a strategy to engage the younger generation in product innovation 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 three-year business plans, risk management and internal control, sustainability strategies, activities and performance progress against the sustainability targets;

– 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.

Board Composition

The Board currently comprises three Executive Directors, one Non-executive Director and five Independent Non-executive Directors. The Board considers that the composition is well balanced in terms of experience, competencies, expertise, diversity and skills, with a strong independent element ensuring the impartiality of the Board's decision-making process and oversight of the management. 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 the Board meetings.

Commitment to Good Corporate Governance (Continued)

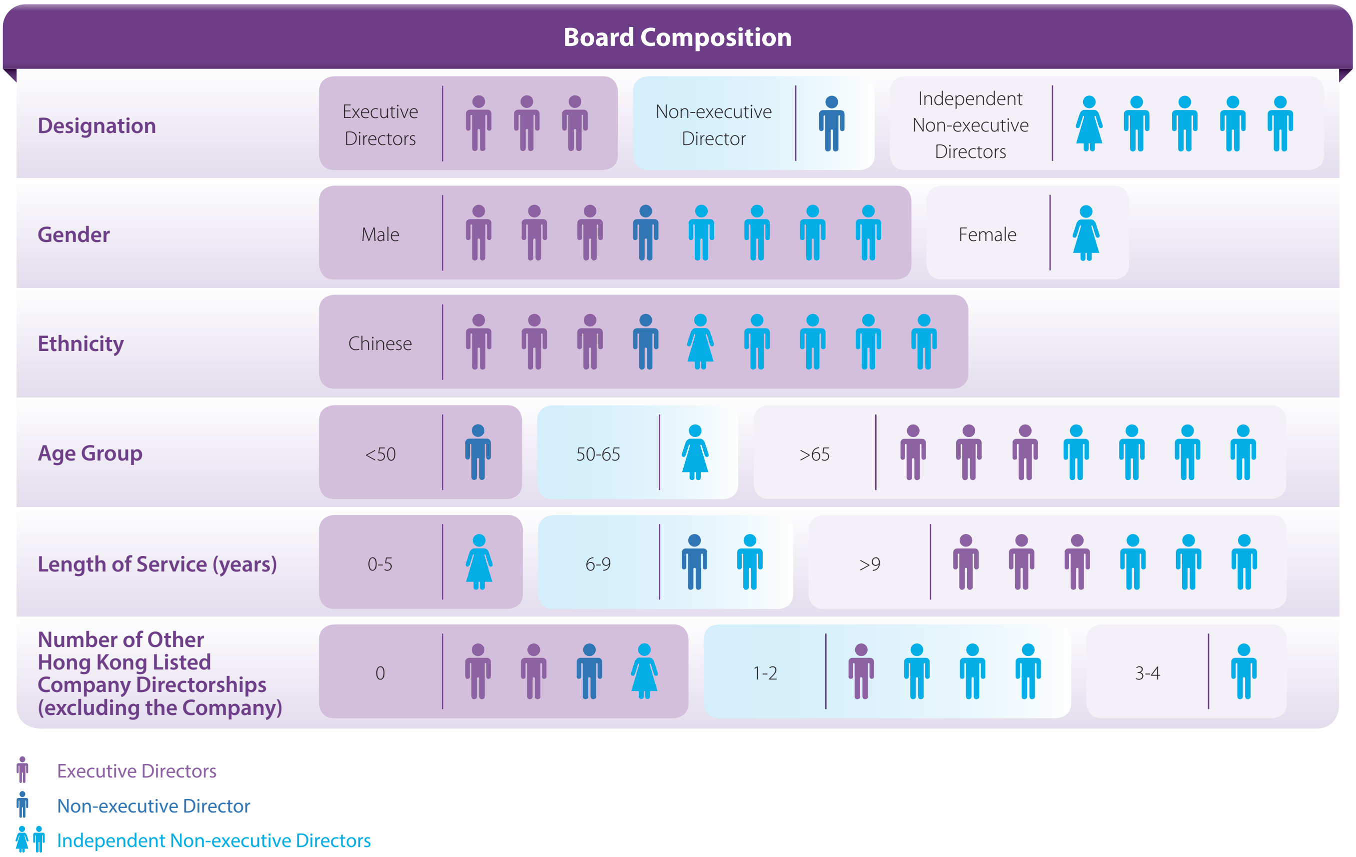
(1) Leadership (Continued)

Board Composition (Continued)

Details of all Directors and their biographies, including relationship between the Board members, are set out on pages 105 to 108 of this Annual Report.

The Board has an appropriate mix of skills, experience and diversity that are relevant to VTech's strategies, governance and businesses, and strong independent leadership, which underpins its effectiveness and efficiency, enabling the Board to effectively discharge its duties and responsibilities.

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



Commitment to Good Corporate Governance (Continued)

(1) Leadership (Continued)

Board Composition (Continued)

Taking into account the existing strategic needs of the Company, the composition of the Board brings about the necessary balance of skills and experience appropriate for the requirements of the business development of the Company. The skills matrix below sets out the skills and expertise of the Board, particularly in terms of:

(i) **Promoting robust sustainability and corporate social responsibility practices into our business strategies:** Integrating these practices into our business strategies to design, manufacture and supply innovative and high-quality products that ensure the Company's long term sustainable performance;

(ii) **Overseeing implementation of a robust risk management framework and internal controls:** Ensuring our corporate governance structure complies with applicable laws, regulations, industry best practices and global trends; and

(iii) **Leveraging technology:** Enhancing resource efficiency to strengthen operational management, and to improve production efficiency and productivity.

Board Skills and Experience

		Executive Leadership & Strategy	Industry and Manufacturing	Mainland China	Global Business	Technology	Logistics/ Supply Chain	Environmental, Social & Governance	Accounting/Finance/ Legal & Compliance/ Risk Management and Internal Controls
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	✓	✓	✓	✓	✓	✓	✓	✓
	GAN Jie	✓	✓	✓	✓	✓		✓	✓
	KO Ping Keung	✓	✓	✓	✓	✓		✓	
	Patrick WANG Shui Chung	✓	✓	✓	✓	✓	✓	✓	✓
	WONG Kai Man	✓	✓	✓	✓	✓		✓	✓
	Total (in number):	9	9	9	9	9	6	9	7
	Total (in percentage):	100%	100%	100%	100%	100%	67%	100%	78%

Commitment to Good Corporate Governance (Continued)

(1) Leadership (Continued)

Board Composition (Continued)

Notes:

Board Skills and Experience	Description
Executive Leadership & Strategy	• Expertise and experience in identifying strategic opportunities and threats, whilst developing and implementing plans to achieve corporate objectives, and leading management teams and implementing plans and policies
Industry and Manufacturing	• Expertise and experience in various manufacturing industries such as consumer electronic products, commercial and industrial products, etc.
Mainland China	• Expertise and experience with different areas of China market
Global Business	• Expertise and experience in dealing with international business operations
Technology	• Expertise and experience in the technology industry
Logistics/Supply Chain	• Expertise and experience in logistics or supply chain operations
Environmental, Social & Governance	• Experience in developing, promoting or ensuring the effective delivery of an organisation's ESG strategies, policies and objectives
Accounting/Finance/Legal & Compliance/Risk Management and Internal Controls	• Expertise and experience in financial market, financial reporting and auditing, and/or in the areas of regulatory and compliance, and risk management

Having reviewed the Board skills and experience matrix with reference to the Group's strategies, business model and risk profile, the Board and the Nomination Committee consider that the overall mix of skills and experience of the Directors is appropriate to the Group's needs.

Directors' Time and Directorship Commitments

The Directors disclose to the Company the number and nature of offices held in public companies or organisations and other significant external time commitments with an indication of the time involved twice a year. The Directors are also reminded to notify the Company in a timely manner of any changes to such information.

The Directors have also confirmed that they have given sufficient time and attention to the affairs of the Company during the year ended 31 March 2026.

As at 31 March 2026, none of our Directors, individually, held directorships in more than five public companies listed in Hong Kong (including the Company).

Commitment to Good Corporate Governance

(Continued)

(1) Leadership (Continued)

Board Committees

The Board has four Board Committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the 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 applicable provisions of the CG 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

The Executive Board consists of three Executive Directors, the President of Telecommunication Products and the Group Chief Financial Officer. 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

The Executive Committees' 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
- Stakeholder Engagement

Board Committees

Audit Committee

WONG Kai Man*
(Chairman)
William FUNG Kwok Lun*
GAN Jie*
KO Ping Keung*
Patrick WANG Shui Chung*

Roles and Responsibilities

- oversees and reviews financial and internal audit reporting;
- reviews the effectiveness of the Group's risk management and internal control systems, corporate governance functions, and internal auditing processes;
- ensures that the Group complies with all applicable laws and regulations;
- approves the Sustainability Report;
- reviews the the major findings related to the investigations made under Whistleblowing Policy; and
- monitors the appointment, function and remuneration of the Group's external auditors.

Nomination Committee

William FUNG Kwok Lun*
(Chairman)
GAN Jie*
KO Ping Keung*
Patrick WANG Shui Chung*
WONG Kai Man*
Allan WONG Chi Yun+

Roles and Responsibilities

- reviews and recommends Board appointments or re-appointments and succession planning;
- reviews the structure, size and composition of the Board as well as Nomination Policy and Board Diversity Policy;
- assists the Board in maintaining a board skills matrix;
- reviews regularly the assessment of each Director's time commitment and contribution to the Board as well as the Directors' ability to discharge his or her responsibilities effectively under the Listing Rules;
- assesses the independence of the Independent Non-executive Directors under the Listing Rules;
- reviews the implementation and effectiveness of the independence mechanism; and
- supports the Company's regular evaluation of the Board's performance.

Remuneration Committee

Patrick WANG Shui Chung*
(Chairman)
William FUNG Kwok Lun*
KO Ping Keung*
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 and approves matters relating to share schemes (including granting of share options or share awards) under Chapter 17 of the Listing Rules.

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#

Roles and Responsibilities

- advises the Board on the Group's risk profile and tolerance, and satisfy itself that the Company's strategy reflects an appropriate consideration of risk appetite;
- provides vision and strategic direction for the Group's sustainability activities;
- reviews and assesses the Group's sustainability policies, performance progress and activities against goals and targets; and
- reviews the effectiveness of the Group's risk management and control procedures in identifying and monitoring major risks (including ESG risks) and reports any significant findings to the Audit Committee.

Executive Board

- comprises three Executive Directors, the President of Telecommunication Products and the Group Chief Financial Officer;
- oversees the daily operations of the Group under the Board's delegation; and
- 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; and
- 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 evaluations 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. In March 2025, the Nomination Committee was also delegated the responsibility to support the Company's regular evaluation of the Board's performance.

During FY2026, the Board evaluation was conducted internally in the form of a questionnaire completed by all members of the Board and the Board Committees with the aim of improving the effectiveness of the Board and the Board Committees. The evaluation focused on the composition and diversity, roles and responsibilities, structure, processes and information flows of the Board and the Board Committees, as well as the effectiveness of their performance. The evaluation questionnaire consisted of both quantitative elements based on the ratings to each question, as well as qualitative recommendations on any areas of improvement.

The scope of evaluation on the Board and the Board Committees' effectiveness is set out below:

– roles and responsibilities of the Board and the Board Committees;

– compositions and structures of the Board and the Board Committees;

– processes and information flows of the Board and the Board Committees;

– contributions of the Board and the Board Committees; and

– effectiveness of the performance of the Board and the Board Committees.

Commitment to Good Corporate Governance (Continued)

(2) Effectiveness (Continued)

Evaluation process

The evaluation process involves the following three stages:

Stage 1

Determine the approach

- Conduct the evaluation by completing a comprehensive questionnaire which was anonymous and prepared the company secretary of the Company (the "Company Secretary").

Stage 2

Discuss and review the results

- Prepare the draft evaluation results.
- Review and discuss the evaluation results by Nomination Committee.
- Present the evaluation results to the Board after the review and discussion by Nomination Committee.
- Report to the Board in a manner that did not identify individuals' specific responses, ensuring that these responses could be as open, frank and informative as possible.

Stage 3

Action plan agreed

- Conclude and agree among Board members on the proposed implementation or action plan upon review of the evaluation results.

Monitor and follow-up

- Circulate the evaluation results with recommendations to the respective Board Committees for their follow-up actions of improvement.

A summary of the findings and evaluation results of the 2025 evaluation, which was anonymous and prepared by the Company Secretary, was presented to the Nomination Committee for review and discussion at the meeting of the Nomination Committee during FY2026 in accordance with the requirements of the new code provision of the CG Code. The evaluation results, after the review and recommendations by the Nomination Committee, were presented to the Board for review and discussion, and the recommendations were also presented to the respective Board Committees for their follow-up actions of improvement. The Board and the Nomination Committee agreed that the Board operated satisfactory, and they were satisfied, in general, with the composition and effectiveness of each Board Committee.

Appointment and Re-election of Directors

All Directors (including the Non-executive Director 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 Directors 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 the Director's appointment and responsibilities.

Commitment to Good Corporate Governance (Continued)

(2) Effectiveness (Continued)

Board Independence

Five out of nine Directors were Independent Non-executive Directors, exceeding the requirements of the Listing Rules that at least one-third of the Board (and not less than three Directors) shall be Independent Non-executive Directors. The fact that Independent Non-executive Directors constitute the majority of the Board ensures a robust independent element in our governance structure. This composition enables the Independent Non-executive Directors to exercise independent judgement effectively, as their views are given appropriate weight in Board deliberations.

(i) Mechanism to ensure Independent Views and Input

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;
- cross-directorships or significant links with other Directors;
- no involvement in the daily management of the Company nor in any relationships or circumstances which would affect the exercise of their independent judgement;
- further re-appointment of an Independent Non-executive Director (including a long-serving Independent Non-executive Director) is subject to a separate resolution to be approved by the shareholders; and an assessment on whether the Independent Non-executive Director is still independent and should be re-elected;
- the Chairman meets with the Independent Non-executive Directors regularly without the presence of the Executive Directors and Non-executive Director;
- access to independent professional advice, as and when required by the Directors; and
- an Independent Non-executive Director as the chairman of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

(ii) Conflict of Interest

Directors are requested to confirm their interests (whether direct or indirect interests) and those of their close associates, if any, in any proposals or transactions to be considered by the Board at Board meetings, and are required to abstain from voting (and not to be counted towards the quorum) on the resolution approving the proposals or transactions in which they or their close associates have a material interest.

None of the INEDs, nor any of their family members, holds more than 1% of the total number of the issued shares of the Company.

Commitment to Good Corporate Governance (Continued)

(2) Effectiveness (Continued)

Board Independence (Continued)

(iii) Independence

The Nomination Committee conducts assessments on the independence of each of our Independent Non-executive Directors. The Board has received from each Independent Non-executive Director a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that the five 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 confirmations from the Independent Non-executive Directors of their independence also covered their respective immediate family members (as defined under the Listing Rules).

The Nomination Committee and the Board have also taken into account the Independent Non-executive Directors' respective contributions to the Board 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 insights 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 GAN Jie has extensive experience in both technology innovation and finance. Her areas of expertise include corporate finance, asset management, the Chinese industrial economy, financial regulation, stock markets and entrepreneurship, which enable her to provide valuable and independent guidance to the Board and the Company.

Professor KO Ping Keung has vast knowledge and experience in a 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, continue to provide great benefits to the Board and the Company.

Dr. Patrick WANG Shui Chung has vast international experience with extensive knowledge of the manufacturing industry and global business management, and a deep understanding of the environment in which the Company operates, which enable him to provide valuable insights and independent 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.

All members of the Board (including Independent Non-executive Directors) have disclosed to the Company in a timely manner the number and nature of offices held by them in public companies or organisations and other significant commitments, as well as their identity and the time involved. There is no overboarding issue (i.e. holding of more than six Hong Kong listed company directorships).

The high caliber, extensive breadth of knowledge and diverse experience of the Independent Non-executive Directors render each of them an invaluable member of the Board. Their active participation in Board meetings, as well as in meetings of the relevant Board Committees, ensures that they make significant and meaningful contributions to the Board's deliberations and decision-making processes. Moreover, they do not hold any cross-directorships, nor do they have any significant connections with other Directors through involvement in other companies or organizations that could give rise to conflicts of interest in their capacity as Independent Non-executive Directors. They are not involved in the day-to-day management of the Company, nor are they engaged in any relationships or circumstances that might compromise the exercise of their independent judgement. They continue to demonstrate their ability to provide an independent, balanced and objective perspective on the affairs of the Company. The Board and the Nomination Committee believe that each of the Independent Non-executive Directors is able to perform their duties independently and without undue influence from our controlling shareholders or their close associates.

Commitment to Good Corporate Governance (Continued)

(2) Effectiveness (Continued)

Board Independence (Continued)

(iii) Independence (Continued)

The Nomination Committee has conducted a thorough evaluation and affirmed that each of the Independent Non-executive Directors possesses the requisite character, integrity, and experience essential for the position of an independent non-executive Director.

Notwithstanding that certain Independent Non-executive Directors, namely Dr. William FUNG Kwok Lun, Dr. Patrick WANG Shui Chung and Mr. WONG Kai Man, have each served on the Board for more than nine years, the Nomination Committee and the Board remain confident in their continued independence. Throughout their tenures, these Directors have consistently demonstrated objective judgement and provided independent perspectives to the Group, thereby reinforcing the view that the length of their service has not affected their ability to act independently. In addition, each of these Directors has devoted, and will continue to devote, the necessary time and attention to the Company's affairs. Their ongoing commitment and dedication to their roles as Independent Non-executive Directors are evident, and the Board is satisfied that they will continue to fulfil their duties with integrity and independence in mind.

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

Taking into account all the circumstances described above, the Board and the Nomination Committee believe that each of the Independent Non-executive Directors remains independent. Each Independent Non-executive Director continues to provide invaluable and objective advice to the Board, drawing upon his/her extensive knowledge and experience, which contributes to the Board's diversity and effectiveness. The Board and the Nomination Committee are confident that each Independent Non-executive Director will continue to uphold his/her commitment to the Company.

Board, Board Committees and Shareholders' Meetings

Four Board meetings at approximately quarterly intervals were scheduled during FY2026 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 dates of the meetings. Directors are advised to inform the Chairman of the Board and Board Committees before a 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 three 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 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 meetings 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 meetings are kept by 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.

Commitment to Good Corporate Governance (Continued)

(2) Effectiveness (Continued)

Board, Board Committees and Shareholders' Meetings (Continued)

The attendance of individual Directors at Board Meetings ("BM"), Audit Committee Meetings ("ACM"), Nomination Committee Meeting ("NCM"), Remuneration Committee Meeting ("RCM"), Risk Management and Sustainability Committee Meetings ("RMSCM") and Annual General Meeting ("AGM") during FY2026 is set out below:

		Meetings attended/Eligible to attend					
		BM	ACM	NCM	RCM	RMSCM	AGM
Executive Directors	Allan WONG Chi Yun *(Chairman and Group Chief Executive Officer)*	4/4	–	1/1	–	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	1/1	1/1	–	1/1
	GAN Jie	4/4	2/2	1/1	–	–	1/1
	KO Ping Keung	4/4	2/2	1/1	1/1	–	1/1
	Patrick WANG Shui Chung	4/4	2/2	1/1	1/1	–	1/1
	WONG Kai Man	4/4	2/2	1/1	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 FY2026 that provided an open agenda for the Independent Non-executive Directors to raise matters of interest to the Group with the Chairman.

Appointment and Induction of New Director

Each newly appointed Director has been given a comprehensive, formal, and tailored induction on appointment. Subsequently, the new Director receives briefings and professional development trainings necessary to ensure he/she has a proper understanding of the Company's operations and business, and full awareness of his/her responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements, and, in particular, the Company's business and governance policies.

Commitment to Good Corporate Governance (Continued)

(2) Effectiveness (Continued)

Directors' Continuous Professional Development

During FY2026, the Company organised a one-day annual in-house professional training as part of the continuous professional development conducted by external qualified professionals on corporate governance and Listing Rules requirements, financial reporting, taxation, and artificial intelligence regulations and developments for the Directors and relevant staff to develop and refresh their knowledge and skills. The Directors also received an annual training by external 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 and the materials on anti-corruption 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 trainings received during FY2026. The records are maintained by the Company Secretary for annual review by the Audit Committee.

A summary of Directors' training and continuous professional development completed by each Director for FY2026, including the total number of training hours completed, the format of training (such as internal training, external training, self-study and attending as speaker or panellist), the topics covered and description of the training topics is set out in the table below:

Directors' Training Topics and Hours (Notes 1 & 2)

	1 Board roles, functions, responsibilities and effectiveness			2 Legal and regulatory updates			3 Corporate governance and ESG			4 Risk management and internal controls			5 Industry and business updates				Total number of training hours
Executive Directors																	
Allan WONG Chi Yun *(Chairman and Group Chief Executive Officer)*	0.9	2.5		1.4	7.0		1.4	6.3		0.9	8.8		13.4	1.5		1.0	**45.1**
PANG King Fai	0.9	2.3		1.4	6.8		1.4	5.8		0.9	4.8		13.4	1.5			**39.2**
Andy LEUNG Hon Kwong	0.9	2.3		1.4	6.8		1.4	5.8		0.9	4.8		16.4	1.5	16.0		**58.2**
Non-executive Director																	
William WONG Yee Lai		3.2		0.5	7.7		0.5	6.7			5.7			2.4			**26.7**
Independent Non-executive Directors																	
William FUNG Kwok Lun		5.2	1.0	0.5	10.7	2.0	0.5	10.9	2.0		8.9	2.0		2.4	10.8	5.1	**62.0**
GAN Jie		3.2		0.5	7.7		0.5	6.7			5.7			2.4			**26.7**
KO Ping Keung		3.2		0.5	7.7		0.5	6.7			5.7			2.4			**26.7**
Patrick WANG Shui Chung		3.2		0.5	7.7		0.5	6.7			5.7	25.0		2.4			**51.7**
WONG Kai Man	0.9	2.3	6.0	1.4	6.8	1.0	1.4	5.8	1.0	0.9	4.8		0.9	1.5	1.0		**35.7**

Commitment to Good Corporate Governance (Continued)

(2) Effectiveness (Continued)

Directors' Continuous Professional Development (Continued)

Note 1:

Topic 1: Board roles, functions, responsibilities and effectiveness – to enhance Directors' understanding of the roles and duties of the Board and individual Directors.

Topic 2: Legal and regulatory updates – to equip Directors to procure the Company's compliance with the Listing Rule and to deepen their understanding of applicable Hong Kong laws and regulations.

Topic 3: Corporate governance and ESG – to refresh and broaden Directors' understanding of corporate governance and ESG matters, including developments in sustainability and climate-related issues.

Topic 4: Risk management and internal controls – to enhance Directors' understanding of the relevant scope and requirements for effective risk management and internal control systems, and the Board's responsibilities in these areas.

Topic 5: Industry and business updates – to enable Directors to further their knowledge of industry trends and business developments relevant to the Company.

Note 2:

- *Internal training organised in-house by the Company*
- *External training organised by external training providers such as independent governance specialists, the Stock Exchange, professional, industry, business or other external bodies or entities*
- *Self-study includes reading professional materials, watching professional videos, listening to professional podcast etc., and in each case related to the five specified training topics*
- *Attending industry event as speaker or panelist*

(3) Accountability

Responsibilities in respect of Financial Statements

The Directors are responsible for overseeing the preparation of the consolidated financial statements for FY2026 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 a 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 provide the Board with monthly updates giving a balanced and understandable assessment of the Company's financial and operating performance, position and prospects in sufficient detail.

The statement by the external auditor of the Company regarding its responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 113 to 115 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.

Risk Management and Internal Control

The Board acknowledges that it is responsible for reviewing the risk management and internal control systems. As such, the Board, through the Audit Committee and the Risk Management and Sustainability Committee, reviews the overall appropriateness and effectiveness of the Group's material controls including financial, operational and compliance controls, risk management process, information systems security and effectiveness of financial reporting process and compliance with the Listing Rules.

Commitment to Good Corporate Governance
(Continued)

(3) Accountability (Continued)

Risk Management and Internal Control (Continued)

Starting from FY2026, management will provide confirmation on the appropriateness and effectiveness of the risk management and internal control systems to the Board of Directors through the Risk Management and Sustainability Committee and the Audit Committee. Control owners are required to conduct self-assessments and attest to the effectiveness of the systems within their areas of responsibility via management representation letters submitted to the Executive Board. Each member of the Executive Board then signs these letters to attest to the appropriateness and effectiveness of the Group's risk management and internal control systems. For FY2026, management confirmed that the systems were appropriate and operating effectively.

The main features of the Company's risk management and internal control systems comprise:

(i) Risk Management System

Risk Appetite

The Risk Management and Sustainability Committee assists the Board in fulfilling its oversight responsibilities by advising the Board on the Group's risk profile, tolerance and satisfying that the Company's strategy reflects an appropriate consideration of risk appetite.

VTech's risk appetite defines the nature and extent of risks that the Group is willing to assume in pursuit of its strategic and business objectives. It is anchored in VTech's Culture and Values Framework, ensuring that a strong culture of integrity, accountability and innovation is consistently embedded within the Group's risk-taking commitments. The Group undertakes only reasonable and manageable risks that are aligned with its strategy and business plans, supported by rigorous risk management processes to ensure such risks are effectively managed and do not expose the Group to the following:

– significant safety hazards that pose serious risks to the health and well-being of employees, contractors, and the general public;

– material financial losses that pose a significant threat to the Group's financial viability and hinder the execution of its business strategy;

– business disruptions that may materially affect the Group's operations and overall performance; and

– significant damage to the Group's brand and reputation.

Risk Register

As part of its risk management system, the Company maintains a Composite Risk Register to record the significant risks of the Company's key business processes and the corresponding risk mitigating actions. The Composite Risk Register is reviewed by the Risk Management and Sustainability Committee twice a year. Department representatives of each key business unit/function maintain a risk register documenting the significant risks along with the corresponding risk responses. To facilitate the review by the Risk Management and Sustainability Committee, the Internal Audit Department coordinates the reporting of the risks identified by the department representatives of each key business unit/function through a Composite Risk Register. The Internal Audit Department also reviews the effectiveness of the continuing operation of certain risk mitigating actions through operational audit projects.

(ii) Internal Control System

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 Company has an internal audit function which monitors the appropriateness and 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 of the Group's businesses and their performance.

Commitment to Good Corporate Governance
(Continued)

(3) Accountability (Continued)

Risk Management and Internal Control (Continued)

(ii) Internal Control System (Continued)

The Group maintains procedures and internal control measures to ensure timely and accurate disclosure of inside information and any other information required to prevent a false market in the Company's shares. The Company is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and the Listing Rules. The Company has adopted the Model Code to ensure that Directors and senior management of the Group are prohibited from dealing in the Company's shares when they possess inside information. The Company also establishes a Continuous Disclosure Policy to assist employees to monitor certain relevant aspects of the Group so that potential inside information can be promptly brought to the attention of the Board and enable the Board to make timely decisions on disclosure and communicating such information with the relevant stakeholders. We ensure, through our internal reporting processes and the consideration of their outcome by senior management of the Group, the appropriate handling and dissemination of inside information. We operate with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

(iii) 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. Every year, the Internal Audit Department carries out a risk assessment on each identified audit area and devises an annual audit plan according to the nature of business and risk exposures, and the scope of work includes operational and compliance reviews. The Internal Audit Department reviews the annual audit plan periodically and makes adjustments to it where appropriate. The annual audit plans, with subsequent adjustments where appropriate, are reviewed and approved by the Audit Committee. In addition to the approved 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 on the results of operational and compliance reviews conducted to assess the appropriateness and effectiveness of the risk management and internal control systems twice a year. The results of these reviews, together with management's responses to the recommended corrective actions, are also reported to the Executive Directors and senior management. The Internal Audit Department is responsible for monitoring the progress of corrective actions to ensure that identified deficiencies are remediated. For FY2026, none of the control weaknesses identified had a material impact on the financial statements.

(iv) Code of Conduct

The Company's policy on the Code of Conduct is also an important part of the Group's internal control framework. The Code of Conduct is a set of written core standards of behaviour expected of all employees across the Group. It includes provisions addressing a wide range of areas which cover, among others, 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 governments, environmental protection, occupational health and safety, respect of labour and human rights, and equal opportunities.

Employees are required to strictly follow the Code of Conduct to ensure that 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. Employees are required on joining to confirm that they understand and accept the requirements and standards laid down in the Code of Conduct as applicable to their role and position in the Group, and in addition, avail themselves to attend and complete various governance trainings provided online, and provide annual confirmation of compliance in writing. The Code of Conduct is reviewed periodically to align it with the industry best practice and was last updated in April 2022.

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

Commitment to Good Corporate Governance

(Continued)

(3) Accountability (Continued)

Risk Management and Internal Control (Continued)

(v) 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 retaliation. Procedures are established for employees to report complaints and suspected internal malpractices directly to the Head of Internal Audit, who will review the complaints and determine the appropriate mode of investigation and subsequent corrective action.

Recommendations on improvements to controls and procedures identified during the course of the investigation 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 twice a year. No incident of fraud or misconduct was considered to have a material effect on the Group's financial statements or overall operations for FY2026. The Whistleblowing Policy is reviewed periodically to align it with the industry best practice and was last updated in May 2025.

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

(vi) 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 for 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 with the anti-corruption laws and regulations that apply to its local and foreign operations.

Every employee, officer and member 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.

Regular training for employees to enhance their understanding of the policy requirements is organised. The annual declaration made by our staff under the Code of Conduct includes their confirmation of the compliance with the Policy. The Anti-Corruption Policy is reviewed periodically to align it with the applicable laws and regulations and was last updated in May 2022.

Full details of VTech's Anti-Corruption Policy are available on www.vtech.com/en/about-us/corporate-governance.

As stated in the "Audit Committee Report" section, the Audit Committee is satisfied that the risk management and internal control systems of the Group for FY2026 and up to the date of this Annual Report continued to be effective and appropriate. The Board also concurs with the view of the Audit Committee and considers its risk management and internal control systems are effective and appropriate during FY2026.

Liability Insurance for the Directors

The Company purchases annually 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.

Commitment to Good Corporate Governance

(Continued)

(4) Shareholder Engagement

Continuous Disclosure Policy

The Company establishes a Continuous Disclosure Policy to set out the Group'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 information disclosure requirement under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and the Listing Rules. The Continuous Disclosure Policy is reviewed periodically to align it with the applicable laws and regulations as well as the industry best practice, and was last updated in May 2022.

Full details of VTech's Continuous Disclosure Policy are available on www.vtech.com/en/about-us/corporate-governance.

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.

(i) 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 10% 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).

(ii) Procedure for shareholders to propose resolution at AGM

Shareholders holding not less than 5% 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 a 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 at the address of 23rd Floor, Tai Ping Industrial Building, Block 1, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong, or by email to investor_relations@vtech.com.

(iii) 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" of the Company's website.

(iv) 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 at the address of 23rd Floor, Tai Ping Industrial Building, Block 1, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong or by email to investor_relations@vtech.com.

Annual General Meeting

VTech's AGM is held in July each year. The AGM, which is attended by the 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 shareholders have sufficient time to review the AGM notices, annual report and financial statements, all the AGM related documents are despatched to the shareholders at least 20 clear business days before the AGM.

VTech also conducts all votings at the AGM by poll with the whole process scrutinised 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. The results of the voting on the resolutions are announced and posted on the websites of the Stock Exchange and the Company.

The 2026 AGM will be held on 23 July 2026. The Notice of the 2026 AGM, which constitutes a part of a circular to the shareholders, will be sent together with this Annual Report. The Notice of the 2026 AGM, the circular which sets out details of the business to be conducted at the 2026 AGM, and the proxy form will be available on the websites of the Stock Exchange and the Company. The results of the voting on the proposed resolutions will be published on the websites of the Stock Exchange and the Company after the 2026 AGM is held.

Changes in Constitutional Documents

During FY2026, there was no change in the Company's constitutional documents.

The current Bye-laws of the Company is available for download from the websites of the Stock Exchange and the Company.

Commitment to Good Corporate Governance
(Continued)

(4) Shareholder Engagement (Continued)

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. The Board is responsible for overseeing the implementation of the Shareholders Communication Policy and the Company's engagement with shareholders.

Shareholders and the investment community may send their enquiries and opinions to the Board by addressing them to the Company Secretary by email to investor_relations@vtech.com or by post to the Company's head office. They can also make a request for publicly available Company information by email to investor_relations@vtech.com, by post addressed to the Company's principal office, by completing the contact form on the Company's website or through the Company's share registrar.

The Board reviews the implementation and effectiveness of the Shareholders Communication Policy annually. The most recent review was conducted in May 2026 and the effectiveness of the policy was confirmed, as multiple channels for communication and engagement were in place and proving effective. Full details of VTech's Shareholders Communication Policy are available on www.vtech.com/en/about-us/corporate-governance.

Shareholder Relations

The Board recognises the importance of maintaining an ongoing dialogue with shareholders and engages with them through various channels such as AGMs, analyst briefings, investor meetings, factory visits and corporate events. These allow shareholders, institutional investors and analysts to interact directly with the Chairman, Group President, Chief Executive Officer of Contract Manufacturing Services, Group Chief Financial Officer and other senior executives. Such interaction also ensures shareholders and investors receive comprehensive updates on the Company's strategies, products, operations and financial performance.

During FY2026, the Group hosted 76 investor meetings, participated in three non-deal roadshows in Hong Kong and Shenzhen, and attended investment conferences in the UK and China. The investor relations team hosted a delegation of 12 institutional investors, shareholders and analysts to the Group's manufacturing facilities in Dongguan, China. At the China Toy Expo in Shanghai, over 20 institutional investors visited the VTech booth to learn about the Group's latest ELPs in the region.

In FY2026, the investor relations team managed over 60 enquiries from the investment community. These ranged from call and meeting requests to investment conference invitations and requests for corporate and product information. Most of these enquiries were addressed directly by the Head of Corporate Marketing and the investor relations team. Product-specific questions were directed to the appropriate marketing, public relations and customer service teams to ensure prompt and accurate responses.

The Executive Directors review the Company's investor engagement initiatives twice a year. Regular reports detailing the nature, frequency and key outcomes of shareholder engagements are provided to the Board, which takes material feedback into account when reviewing the Group's strategy, risk management and ESG priorities. Additionally, they evaluate AGM proxy research reports and voting results annually to understand shareholder concerns and identify areas for further improvement. To foster mutual understanding, feedback from the investment community is consistently shared with the Board and senior management. Shareholders and investors are encouraged to direct questions and share their views by emailing the Group's dedicated mailbox: investor_relations@vtech.com. In FY2026, major areas of interest and concern for shareholders and the investors included:

– financial and business performance of the Group;

– impact of significant external events, notably the change of US tariff policy, conflict in the Middle East and rising geopolitical tensions;

– latest business developments at the Group, such as new product launches and expansion into new markets; and

– ESG-related topics, such as board governance and greenhouse gas emission.

Commitment to Good Corporate Governance
(Continued)

(4) Shareholder Engagement (Continued)

Shareholder Relations (Continued)

These topics were reported to and discussed by the Executive Directors and, where material, the Board, which considered them in its ongoing review of the Group's strategy, risk management framework and sustainability initiatives.

More details of the methods used to communicate with shareholders and the investment community are set out in the "Investor Relations" section of this Annual Report on pages 102 to 104.

Financial Key Dates

The financial calendar highlighting important dates for the shareholders in FY2026 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 establishes a Dividend Policy to set out the guidelines for the Board to determine (i) whether dividends are to be declared and paid for the relevant financial year/period; and (ii) if so, the amount of dividends to be paid to the shareholders. The Dividend Policy aims to allow the shareholders to share the Company's results of operation and benefit from its profit whilst allowing the Company to retain adequate reserves to fund its business growth and investment opportunities.

Generally, the Company declares and pays dividends twice a year, which are the interim dividend and final dividend. The Board may declare special dividend in addition to such dividends at its sole discretion as it considers appropriate. Any declarations of dividends may or may not reflect the historical declarations of dividends.

In determining and recommending the frequency, amount and form of any dividend in any financial year/period, the Board shall consider the following factors:

– actual and expected results of operations, cash flow and financial performance of the Group;

– global economic conditions and other factors that may have an impact on the business operation 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 of the business;

– any restrictions on payment of dividends in the Company's bye-laws, the relevant laws and regulations or which may be imposed by the Group's lenders or other contract parties; and

– any other factors that the Board deems appropriate.

– any declaration and payment of future dividends under the Dividend Policy are subject to the Board's satisfaction that the same would be in the best interests of the Company and its shareholders as a whole.

Full details of VTech's Dividend Policy are available on www.vtech.com/en/about-us/corporate-governance.

Audit Committee Report

Committee Members

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

Mr. WONG Kai Man, as the chairman of the Audit Committee, has the appropriate financial management expertise as required under the Listing Rules.

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 systems and internal auditing processes. The Audit Committee 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.

Terms of Reference

The terms of reference of the Audit Committee are available on www.vtech.com/en/about-us/directors-board-committees.

Highlights of the Committee's Work in FY2026

The Audit Committee held two meetings during FY2026. 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 of the Company.

The work performed by the Audit Committee during FY2026 included, but not limited to, reviewing the following before recommending the relevant items to the Board for consideration and approval:

- Group's audited consolidated financial statements and reports for the year ended 31 March 2025;
- report from the external auditor for the year ended 31 March 2025;
- corporate governance report setting out the corporate governance policies and practices in the 2025 Annual Report in compliance with the CG Code;
- training and continuous professional development of the Directors and senior management for the year ended 31 March 2025;
- 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 reporting for the year ended 31 March 2025;
- fee level and nature of non-audit work performed by the external auditor for the year ended 31 March 2025;
- re-appointment of the external auditor and its remuneration for FY2026;
- key ESG issues, performance (including risks and strategies) and the 2025 Sustainability Report;
- Group's unaudited Interim Financial Report and unaudited interim results for the six months ended 30 September 2025;
- 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 2025;
- corporate governance section setting out the corporate governance policies and practices in the 2025/2026 Interim Report in compliance with the CG Code;
- accounting principles and practices adopted by the Group;

Audit Committee Report (Continued)

Highlights of the Committee's Work in FY2026 (Continued)

- cashflow projections to support the proposed FY2025 final dividend payment;
- respective audit plans of the internal and external auditors;
- significant findings by the Internal Audit Department and recommendations for corrective actions;
- major findings related to the investigations made under the Whistleblowing Policy; and
- updated Internal Audit Charter.

On the date of this Annual Report, the Audit Committee reviewed the Group's audited consolidated financial statements and reports for FY2026 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 FY2026 have been reviewed with no disagreement by the Audit Committee. The Audit Committee reviewed the cash flow projections to support the proposed FY2026 final dividend payment, and recommended them to the Board for approval. Furthermore, the Audit Committee reviewed and approved the Quality Assurance and Improvement Program of the Internal Audit Department, the key ESG issues and the related risks and strategies, and the 2026 Sustainability Report. The Audit Committee also reviewed the evaluation results and recommendations of 2025 Board and Board Committees self-evaluation relating to the Audit Committee and the Policy on Provision of Non-Assurance Services by Auditor.

In addition to the above, the Audit Committee assisted the Board in meeting its responsibilities for overseeing the Company's risk management and internal control systems to ensure appropriateness and effectiveness of the systems during FY2026. It reviewed the process by which the Group evaluates its control environment and risk assessment procedures, and the way in which business risks are managed twice a year.

It should be noted that an internal control system no matter how well it is designed and operated, can only provide reasonable but not absolute assurance that the objectives of the internal control system, 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 internal control system 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 systems for FY2026 and up to the date of this Annual Report are effective and appropriate.

Internal Audit

The Audit Committee reviews the report prepared by the Head of Internal Audit. The report covered the implementation status of the annual internal audit plan, whistleblowing complaints received and the corresponding status of investigation, as well as the effectiveness and appropriateness of the Group's overall financial, operational and compliance controls. The scope of work for the audit projects under the annual audit plan included operational and compliance reviews. None of the control weaknesses identified through the operational and compliance reviews had a material impact on the financial statements. The internal audit plan for the upcoming financial year was presented to the Audit Committee for review and approval. Based on the information received from the Head of Internal Audit, the Audit Committee is satisfied that the internal audit function of Group is operating effectively.

External Auditor

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

During FY2026, the fees in respect of audit services and non-audit services provided by KPMG, the external auditor, are summarised below:

	FY2026 US$ million	FY2025 US$ million
Audit services	**0.8**	0.8
Audit related services	**0.1**	0.1
Tax services	**0.8**	0.8

Nomination Committee Report

Committee Members

The Nomination Committee is chaired by Dr. William FUNG Kwok Lun, with Professor GAN Jie, 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 composition of the Board, monitoring the implementation and effectiveness of the Nomination Policy and the Board Diversity Policy for appointment of Director(s) to the Board as appropriate and assisting the Board in maintaining a Board skills matrix.

The Nomination Committee is also responsible for reviewing the assessment of each Director's time commitment and contribution to the Board, as well as the Director's ability to discharge his or her responsibilities effectively under the Listing Rules, assessing the independence of the Independent Non-executive Directors under the Listing Rules, and making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors.

Furthermore, the Nomination Committee is responsible for reviewing the implementation and effectiveness of the independence mechanism annually and support the Company's regular evaluation of the Board's performance.

Nomination Policy

The Nomination Policy sets out the selection criteria and procedures for the Nomination Committee to select and recommend suitable candidates for directorship. These criteria and procedures are designed to assist and enable the Board to have all the relevant information and necessary recommendations for determining the suitability of a candidate for appointment so that the Board shall continue to have a balance of skills, experience and diversity of perspectives appropriate to the requirements and ongoing and future development 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 that takes into consideration a number of factors including gender, age, cultural and educational background, skills, knowledge, industry and professional experience, business perspectives and the legitimate interests of the Company's principal shareholders;

– 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; and

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

If the Board recognises the need to appoint a new Director subject to the provisions of the Company's Bye-laws, the Nomination Committee would generally adopt the following procedures:

– the Nomination Committee, with or without assistance from external agencies, will identify candidates in accordance with the selection criteria and factors including such other factors as may be considered by the Nomination Committee from time to time;

– the Nomination Committee will consider and evaluate the merits of each identified candidate;

– the Nomination Committee will recommend the candidate(s) considered most suitable for the Board's consideration and, if the Board deems fit, appointment as a Director in accordance with the Company's Bye-laws;

– the Board will decide on the appointment based upon the recommendation of the Nomination Committee; and

– the Company Secretary shall ensure all disclosure obligations under the Listing Rules regarding the appointment are duly complied.

Nomination Committee Report (Continued)

Roles and Responsibilities (Continued)

Nomination Policy (Continued)

In considering the re-appointment of any existing member(s) of the Board, the Nomination Committee shall review the retiring Director's overall contribution to the Company as well as the selection criteria set out in the Nomination Policy and the Board Diversity Policy. The Nomination Committee will then make recommendations to the Board for its consideration, with the Board determining whether to recommend the proposed Directors for re-election at the annual general meeting.

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.

During FY2026, the Nomination Committee concluded that no further change to the Nomination Policy was needed.

Full details of VTech's Nomination Policy are available on www.vtech.com/en/about-us/corporate-governance.

Board Diversity Policy

The Board Diversity Policy sets out the approach to achieve diversity on the Board. The Company believes that a diverse board will include and make good use of a broad range of skills, experience, background and technical knowledge. The diversity will be harnessed so that the Company can continue to make sound business decisions and enhance the quality of its performance, and to provide strong and insightful governance.

With a view to achieving a sustainable and balanced development, the Company makes diversity in the Board an essential element in its corporate strategy. In designing the Board's composition, diversity is 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. Due regard is given to the benefits that each diversity aspect may have for the Board.

All Board appointments are based on merit. Selection of candidates will consider the range of diversity perspectives described above and will follow the Nomination Policy of the Company issued and administered by the Nomination Committee. As an ongoing effort to optimize the functioning of the Board, additional measurable objectives and specific diversity targets will be introduced and set in the selection process, and they will be reviewed from time to time to ensure their appropriateness. The ultimate decision will be based on merit and contribution that the selected candidate will bring to the Board.

To ensure the effectiveness and relevance of the Board Diversity Policy, the Nomination Committee will review it annually. It will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During FY2026, the Nomination Committee concluded that no further change to the Board Diversity Policy was needed.

Full details of VTech's Board Diversity Policy are available on www.vtech.com/en/about-us/corporate-governance.

Board Diversity

As for the diversity of the Board, the Directors were satisfied, in general, with the diversity of the Board and each Board Committee in accordance with the Board Diversity Policy, which requires annual review by the Nomination Committee.

The Directors also recognised that the Board's diversity could be further enhanced in the areas of gender and age group. The Board would continue to take initiatives to identify suitable candidates to strengthen the Board's diversity and targeted to at least maintain the current level of female representation of the Board. To develop a pipeline of potential successors to the Board to achieve gender diversity, the Nomination Committee will continue to select appropriate candidates through various channels and make recommendations to the Board based on the Board Diversity Policy and the Nomination Policy of the Company.

Nomination Committee Report (Continued)

Roles and Responsibilities (Continued)

Board Diversity (Continued)

VTech promotes a culture of integrity with human resources management policies in place to foster a caring atmosphere with mutual respect in the workplace. It has a Human Rights Policy and a Workforce Diversity Policy in place to protect and safeguard the human rights of its stakeholders, including the employees. It is committed to building a diverse workforce and providing equal employment opportunities for all its employees. We also take steps to promote diversity at all levels including the Board of Directors, management positions and general staff. VTech targets to achieve or maintain the percentage of women in the workforce at or above 40.0%, and percentage of women in management positions at or above 25.0%. In FY2026, VTech's global workforce consisted of 41.6% women (excluding senior management), while 10.0% of senior management and 26.5% of management positions held by women respectively. We regularly review and refine our recruitment and hiring practices to identify areas for improvement in attracting, hiring and retaining diverse talent. For details of our Workforce Diversity Policy, please refer to: www.vtech.com/en/about-us/corporate-governance. For details of our Human Rights Policy, please refer to sustainability.vtech.com/VTech_Human_Rights_Policy_Eng.

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. The Board currently has one female Director and as such has achieved gender diversity in respect of the Board. The Nomination Committee considered that gender diversity of the Board has been well maintained during the financial year.

The Nomination Committee is of the opinion that the current structure of the Board is reasonable and appropriate for the time being, and the experiences and skills of the Directors in various aspects and fields can enable the Company to meet its ongoing and future development of the Company businesses. The Nomination Committee will continue to identify suitable candidates to enrich the Board's skills and diversity to strengthen the Board's capability and support its strategic decision-making.

Terms of Reference

The terms of reference of the Nomination Committee are available on www.vtech.com/en/about-us/directors-board-committees.

Highlights of the Committee's Work in FY2026

The Nomination Committee had held one meeting during FY2026. The work performed by the Nomination Committee during FY2026, included, but not limited to, reviewing the following:

- structure, size and composition (including the Board skills matrix) of the Board;
- Board Diversity Policy and its implementation and effectiveness;
- Nomination Policy and its implementation and effectiveness;
- each Director's time commitment and contribution to the Board, as well as their ability to discharge their responsibilities;
- independence of the Independent Non-executive Directors;
- implementation and effectiveness of the mechanism that independent views and input are available to the Board;
- succession planning for Directors;
- re-election of retiring Directors at the 2026 AGM; and
- 2025 Board and Board Committees self-evaluation.

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 making recommendations to the Board. The Remuneration Committee reviews the emoluments of Executive Directors and senior management based on skills, knowledge and performance, together with reference to the salaries paid by comparable companies, time commitment and responsibilities, the prevailing market conditions, the financial performance of the Company, employment conditions elsewhere in the Group, and the desirability of performance-based remuneration linking rewards to corporate and individual performance. In addition, the Remuneration Committee is also responsible for reviewing and approving matters relating to the share schemes under the Listing Rules.

Terms of Reference

The terms of reference of the Remuneration Committee are available on www.vtech.com/en/about-us/directors-board-committees.

Highlights of the Committee's Work in FY2026

The Remuneration Committee had held one meeting during FY2026. The work performed by the Remuneration Committee during FY2026 included, but not limited to, reviewing the following before recommending them to the Board for consideration and approval:

– policy for the remuneration of Executive Directors and senior management;

– benchmarking of the remuneration package of the Executive Directors and senior management with reference to comparable business and size;

– proposed annual salaries increment for Executive Directors and senior management;

– performance-related remuneration packages for Executive Directors and senior management. The management bonus and long-term incentive awards for Executive Directors and senior management, which are linked to corporate and individual performance, and the financial performance of the business for which they are responsible, have been reviewed and approved by the Remuneration Committee;

– proposed revision of Directors' fees for year ending 31 March 2027 with reference to, among other things, the average annual directors' fees of directors of similar listed companies in Hong Kong as well as the other major manufacturing companies; and

– revision to the Remuneration policy.

The Remuneration Committee also reviewed and approved the grant of awarded shares to certain senior management and management staff under the Share Award Scheme during FY2026. The awarded shares are purchased on the Stock Exchange by the trustee of the Share Award Scheme.

There is no performance target or clawback mechanism attached to the share awards granted to the management staff under the Share Award Scheme during the year.

The Remuneration Committee believes it is appropriate not to set a vesting period or performance targets for the awards granted to the management staff, as the share awards recognise past contributions of the management staff and encourage their ongoing commitment to the Group's growth.

The Remuneration Committee also considers that, even without a clawback mechanism, the grant of the awarded shares could help retain and motivate management staff, supporting the aims of the Share Award Scheme and aligning their interests with those of the Company and its shareholders.

Remuneration Committee Report (Continued)

Remuneration Policy

The Remuneration Policy outlines the general principles and framework for the remuneration of Directors. The primary objectives of the Remuneration Policy are to (i) establish a set of fair, formal and transparent procedures by developing a clear and structured approach for determining the remuneration of the Directors; and (ii) attract, motivate, reward and retain talented individuals who can make significant contributions to achieving the Company's goals and creating long-term value for stakeholders. The Remuneration Policy is also designed to align performance incentives with our corporate strategies, culture and values.

By adhering to these principles, the Remuneration Policy aims to support the Company's strategic objectives and promote sustainable growth.

The Remuneration Committee has formulated the remuneration framework to ensure alignment with the Group's overarching corporate strategies and the creation of long-term, sustainable value for shareholders. In developing this framework, the Remuneration Committee has taken into account a comprehensive range of factors, including the specific skills, expertise, and knowledge that each executive or senior staff brings to their role, as well as the time commitment, level of responsibility, and individual performance demonstrated throughout the year.

A key principle underpinning the Remuneration Committee's approach is the direct linkage of remuneration to both financial and non-financial key performance indicators relevant to the Group for the applicable period.

Full details of VTech's Remuneration Policy are available on www.vtech.com/en/about-us/corporate-governance.

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 of the respective Board committees. The review of the Directors' fees is also conducted with reference to, among other things, the average annual directors' fees of directors of similar listed companies in Hong Kong as well as the other major manufacturing companies.

The changes in the remuneration of Directors are subject to shareholders' approval at the general meetings. The last review of the Directors' fees was conducted in 2021.

After reviewing the business performance of the Group for FY2026, the increase in regulatory and compliance requirements, as well as the level of responsibilities of the Board members, the Board accepted the recommendation by the Remuneration Committee to propose an increase in the Directors' fees payable to the Directors for year ending 31 March 2027 at the 2026 AGM.

The Non-executive Director and Independent Non-executive Directors receive no compensation from the Company other than the fees for the Directors disclosed below.

The last revision of the Directors' fees from the year ended 31 March 2022 was approved by the shareholders at the 2021 AGM.

The current and the proposed fees for all Directors and for the Directors who also serve on the relevant Board committees are set out as follows:

	Proposed Fee per annum US$	Current Fee per annum US$
Board of Directors		
Basic Directors' Fees	**40,000**	**35,000**
Audit Committee		
Chairman	**10,000**	**10,000**
Member	**5,000**	**5,000**
Nomination Committee		
Chairman	**5,000**	**5,000**
Member	**3,000**	**3,000**
Remuneration Committee		
Chairman	**5,000**	**5,000**
Member	**3,000**	**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 three Executive Directors, one Independent Non-executive Director, the President of Telecommunication Products, 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 any significant findings to the Audit Committee twice a year.

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 ("BCP") in the event of disruption. 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 twice a year.

Terms of Reference

The terms of reference of the Risk Management and Sustainability Committee are available on www.vtech.com/en/about-us/directors-board-committees.

Highlights of the Committee's Work in FY2026

The Risk Management and Sustainability Committee held two meetings during FY2026 to review the Group's risk management and internal control systems, and its sustainability strategies, policies and activities and recommended them to the Board through the Audit Committee for consideration and approval.

The Group adopts an end-to-end risk management framework, i.e. from risk identification to monitoring the implementation status of risk management actions, in managing the risks that are relevant to the Group. Risks are identified by the management of each key business unit or function based on knowledge of the appropriate, relevant and up-to-date information. The identified risks are assessed based on predetermined criteria (impact, likelihood and velocity) and risk management resources are prioritised based on the risk criticality levels. The risk description, risk assessment results, risk management method and actions, as well as the target completion dates, and implementation status of the risk management actions are reported in a risk register. The risk management action implementation status is monitored and formally reported to the Risk Management and Sustainability Committee for review and approval twice a year.

Risk Management and Sustainability Committee Report (Continued)

Highlights of the Committee's Work in FY2026 (Continued)

During FY2026 and up to the date of this Annual Report, the Risk Management and Sustainability Committee reviewed and approved the 2026 Sustainability Report, which informs the Group's stakeholders of its sustainability strategies and activities, and the performance progress against its sustainability targets and five-year Sustainability Plan 2030. The relevant disclosures in the 2026 Annual Report have also been reviewed by the Risk Management and Sustainability Committee before recommending them to the Audit Committee for consideration and approval. Additionally, the Risk Management and Sustainability Committee also reviewed the management's confirmation of the appropriateness and effectiveness of the company's risk management and internal control systems. There were no significant control failings or weaknesses identified by management during the review of the Group's risk assessment and internal control systems. Furthermore, the Risk Management and Sustainability Committee also reviewed the Workforce Diversity Policy, the Environmental Policy, the Human Rights Policy to ensure they remain up to date, as well as the evaluation results and recommendations of 2025 Board and Board Committees self-evaluation relating to the Risk Management and Sustainability Committee.

Workforce Diversity Policy

The Workforce Diversity Policy outlines the commitment of VTech together with all its employees in respect of respecting, upholding, protecting and embracing people of different ages, genders, marital statuses, medical conditions, races, religions, disabilities, or any other status protected by the laws or regulations in the locations where we operate.

VTech promotes a culture of integrity through human resources management policies designed to foster a caring atmosphere of mutual respect in the workplace. Our commitment is guided by international human rights principles outlined in the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights.

Building a diverse and inclusive workforce with equal employment opportunities empowers us to deliver innovative products and solutions to our customers, thereby facilitating sustainable business development of the Group. We also have procedures and practices in place throughout the process of attracting, engaging, and retaining talent to ensure that our employment activities are aligned with the applicable laws and regulations.

Full details of VTech's Workforce Diversity Policy are available on www.vtech.com/en/about-us/corporate-governance.

Risk Management and Sustainability Committee Report (Continued)

Highlights of the Committee's Work in FY2026 (Continued)

The Risk Management and Sustainability Committee has reviewed the following major risks and the respective risk mitigation measures reported in the Risk Register. Risk ratings for majority of the risks remaining broadly the same as the last financial year:

↑ Risk level increased ↓ Risk level decreased ↔ Risk level remained broadly the same **New** New risk added

Major Risks	Risk Description	Change in FY2026	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 to the Group's reputation.	↔	• Engage external counsels to provide regular updates and legal guidance on the compliance with the latest applicable laws and regulations; • Provide regular trainings for staff who are responsible for ensuring compliance with the relevant laws and regulations; • Take appropriate legal measures to protect technological know-how and trade secrets, apply for and register IP Rights protection.
	Patents, trademarks, designs, copyrights (collectively Intellectual Property Rights ("IP Rights")): VTech not only needs to protect the IP Rights for the products developed by the Group, but also to ensure that it does not infringe the IP Rights of any third parties.	↔	
Reputational	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 transactions, leakage of confidential information, non-compliance with the Group's policies and regulatory requirements, which could result in significant financial and reputational losses of the Group.	↔	• Whistleblowing channel is available to employees, customers, suppliers, investors and stakeholders 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 industrial practice, and provide regular integrity trainings for the employees to reinforce the Group's values of acting lawfully, ethically and responsibly; • Conduct regular audits 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 over transactions and payments to third parties are in place.

Highlights of the Committee's Work in FY2026 (Continued)

<table>
<tr><th>Major Risks</th><th>Risk Description</th><th>Change in FY2026</th><th>Risk Mitigation Measures</th></tr>
<tr><td rowspan="2">Information Technology ("IT")</td><td>Cybersecurity and IT Risks: Cyber-attacks and data breaches may disrupt the Group's operations and incur reputational damages.</td><td>↔</td><td rowspan="2">• Regularly review the cyber security threat trends, continuously adopt applicable new technologies and harden the IT infrastructure;
• Utilise a comprehensive Endpoint Detection & Response solution that leverages AI and behaviour models to provide real-time threat detection and response capabilities. Additional fit-for-purpose security monitoring controls are also in place to proactively enhance infrastructure security while maintaining business productivity. These cover our network gateways, computing devices and business systems;
• 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;
• A structured multi-disciplinary Incident Response process is in place to ensure that cybersecurity incidents are promptly contained and remediated while meeting legal obligations.</td></tr>
<tr><td>Customer Data Protection: Potential exposure of customer personal data due to cyber-attack may lead to liability claims, loss of revenue and violation of personal data regulations, as well as incurring monetary penalty.</td><td>↔</td></tr>
</table>

Risk Management and Sustainability Committee Report (Continued)

Highlights of the Committee's Work in FY2026 (Continued)

Major Risks	Risk Description	Change in FY2026	Risk Mitigation Measures
Strategic	US Tariff: The geo-political tensions between China and the US bring political uncertainties.	↔	• In addition to the manufacturing facilities in China, Malaysia and Mexico, the Group continuously expands its global footprint of manufacturing site strategically outside Asia.
	Market Competition and Dynamism: The increasing economic uncertainty changes consumer spending behaviour globally and may impact our revenue and profitability.	↔	• Increase focus on marketing and merchandising to enhance end user experience; • Introduce new, innovative marketing and merchandising initiatives to enhance market competitiveness.
	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 customer globally.
	Climate-related Risks: Increasingly frequent and severe 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.	↔	• FY2026 marks the beginning of our third five-year Sustainability Plan 2030. VTech updated its assessment on climate-related risks and opportunities, and estimated the associated financial impacts on its operations and businesses in accordance with the ESG Reporting Code set out in Appendix C2 of the Listing Rules of The Stock Exchange of Hong Kong Limited, and with reference to IFRS S2 Climate-related Disclosure. These assessments are essential for the Group to develop and implement its transition plans to address those identified risks and opportunities. The plan includes projects and initiatives to minimise its impact on the environment and mitigate 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 logistics practices; • Details of the climate-related risks of the Group are set out on pages 43 to 49 of the 2026 Sustainability Report.

Highlights of the Committee's Work in FY2026 (Continued)

Major Risks	Risk Description	Change in FY2026	Risk Mitigation Measures
Operational	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 Business Continuity Management system in place to identify potential events 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 BCM programme; • Responsible management team in each office and factory of the Group regularly reviews and updates the BCM programme in order to mitigate the business disruption risk of the Group; • An exercise of the recovery plan is carried out periodically to ensure the plan is effective.
	Raw Material Supply Disruption: The Iran conflict has disrupted global supply chains, driving up raw material prices and creating economic uncertainty. In addition, shortages of critical semiconductor components, and certain devices with integrated memory, have appeared in the market.	NEW	• Implement strategic inventory management by maintaining safety stock of critical components; • Diversify suppliers through multi-source procurement by establishing relationships across multiple geographic regions and qualifying alternative suppliers; • Provide rolling demand forecasts to Integrated Circuit and memory suppliers the earliest possible time; • Optimise software and system design; • Design products to support multiple storage types.
	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 product quality and reliability, starting from the product development stage, on an ongoing basis. These include inspection of incoming materials, quality audits in the manufacturing process, quality evaluation of finished products and after-sales quality management; • All VTech's manufacturing facilities are certified with ISO 9001, which ensures our products are of the highest quality standard.

Risk Management and Sustainability Committee Report (Continued)

Highlights of the Committee's Work in FY2026 (Continued)

Major Risks	Risk Description	Change in FY2026	Risk Mitigation Measures
Operational	Logistics and Supply Chain Management: Logistics constraints may hinder the Group's manufacturing productivity, affecting the delivery of materials from suppliers and shipments of products to customers. In addition, the Iran conflict has placed significant strain on global shipping, leading to higher freight rates, increased insurance costs, and longer delivery times.	↑	• Work closely with shipping carriers and logistics service providers to secure advance container bookings and optimise the efficiency across diverse shipping routes.
	Human Resources Management: Due to the ever-changing market environment and the technological innovation requirements 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 the working environment, including precautionary measures to protect the health and safety of employees; • 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.

Highlights of the Committee's Work in FY2026 (Continued)

Major Risks	Risk Description	Change in FY2026	Risk Mitigation Measures
Financial	Credit Risk: This 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	↔	• 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.
	Currency Risk: This is mainly arising from the sales and purchases that are denominated in 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	↔	
	Inventory Risk: The Group's production schedule is based on customer orders and forecasts, taking into account historical trends, results of market research and current market information. As actual orders are affected by consumers' acceptance of products, strength of competing products, changes in buying patterns of consumers as well as the overall economic conditions, unexpected changes in these factors may result in excess inventory.	↔	• The Group actively monitors its inventory position and assesses the net realisable value of slow moving and excess stocks with reference to latest sales forecasts, anticipated future selling prices and the stock ageing report. Stocks are written down to their net realisable value where this falls below their cost.

Risk Management and Sustainability Committee Report (Continued)

Highlights of the Committee's Work in FY2026 (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 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 active monitoring on the progress of the improvements 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 Chief Executive Officer of Contract Manufacturing Services, the President of Telecommunication Products, 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 to ensure compliance with the latest privacy ordinances and data protection regulations in the various jurisdictions in which the Group operated during FY2026 and up to the date of this Annual Report. It has also reviewed the progress of implementation of the data breach preventive measures, system technology enhancement and staff training for mitigating the Group's exposure to cybersecurity risks and meeting the industry standards.

During FY2026 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.

Overall Risks Assessment

Based on the risk assessments prepared by the process owner of each function and the respective management teams, the Risk Management and Sustainability Committee considered that for FY2026:

– An ongoing process is in place for identifying, evaluating and monitoring the major risks faced by the Group and functioning effectively; and

– Risk mitigation measures have been developed to ensure that the major emerging and existing risks are identified and reported to the Risk Management and Sustainability Committee, and are managed effectively to mitigate the risks of disruption to 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	FY2026 Score
Hang Seng Corporate Sustainability Benchmark Index	AA+
FTSE4Good Global Index	4.3
MSCI ESG Rating	AA

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 "Design for Environment", "Design for Quality" 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 Environment

VTech's 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 example, in order to minimise the environmental impact of the colouring process, the Group continues to replace solvent-based paint with waterborne paint in its products and packaging, and adopted the over-molding and inkjet printing technologies in the manufacturing process. In FY2026, waterborne paint was used in about 92% of ELPs and 90% of TEL products. As for packaging, waterborne paint was used in 100% of ELP packaging and 91% of TEL product packaging. 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 plastics with sustainable materials such as recycled, reclaimed, recyclable, plant-based plastics, or Forest Stewardship Council™("FSC™")-certified wood, VTech continues to use sustainable materials in its products and packaging with target towards a circular economy. Over the past six years, we introduced a total of 61 products made from sustainable materials, with eight eco-friendly products launched in FY2026. These included Take-Along Toucan[20] and Forest Pals First Discoveries Set with fabrics and stuffing made from recycled polyethylene terephthalate ("PET") bottles, LeapFrog® 6-in-1 Snap & Learn Busy Cube™ made from reclaimed plastics, and five IP (Internet Protocol) desktop phones with Gigaset brand made from 75% of reclaimed acrylonitrile butadiene styrene ("ABS") plastic. VTech also launched a wireless thermostat capable of reducing energy consumption by up to 30% under optimal conditions, and collaborated with its CMS customer in the design of hybrid inverter that integrated solar charging.

Eco-friendly Electronic Learning Products

[20] Recycled materials only applied in the EU version of Take-Along Toucan.

Eco-friendly Products

Wireless Thermostat with Energy-saving Feature *Hybrid Inverter with Solar Charging Integrated* *Gigaset Phone Made from Reclaimed Plastic*

VTech products comply with international and local environmental regulations and have embedded eco-design principles into our products. For the US cordless phone products, we have upgraded our power adaptor to the level VI standard with Energy Star eco-label and obtained the California Energy Commission (CEC) certification. Some of the phone products also obtained the Energy Efficiency Verification mark (EEV) of Canada.

As for sustainable packaging, 96.0% of the packaging for ELPs was paper, with 99.9% of the paper packaging made from recycled or FSC™-certified materials. For the remaining 4.0% of the plastic packaging, over 80.0% was recyclable, with blister eliminated in 99.0% of ELP packaging. Part of the plastic locks have been replaced with reclaimed plastic, and some of the cable ties with paper rattan. For TEL products, 98.0% of packaging was paper, while the remaining 2.0% was plastic made from recyclable materials. Our hotel phone and Snom branded business phone products packaging are plastic-free. Sustainable materials were also used in 100% of CMS designed product packaging. It is our long-term goal to introduce more products made from sustainable materials, increase the use of materials with recyclable or recycled content in our packaging, while continuing to reduce plastics in our packaging materials.

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 partnered with Electronic Scrap Recycling on the post-consumer product recycling in the US for TEL products. 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, France, 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

Design for Quality

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.

VTech is committed to delivering high quality products to customers while upholding the highest legal and ethical standards for its marketing activities to protect the rights of its consumers. It has a Responsible Marketing and Labelling Policy in place to ensure that the Group adheres to the applicable regulatory requirements on responsible marketing for the provision and communication of accurate and reliable marketing information about its products and services to its customers, particularly children.

For details of our Responsible Marketing and Labelling Policy, please refer to: sustainability.vtech.com/VTech_Responsible_Marketing_and_Labelling_Policy_Eng

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® LeapMove™, a motion-based educational gaming console designed to offer an engaging learning experience that supports children's development in core academic skills. By combining educational content with physical interaction, the console enhances cognitive learning while developing motor coordination. The VTech Karaoke Lights Party™ is a portable multifunctional Bluetooth® speaker designed to inspire children's creativity through music, singing, and interactive play, allowing them to express themselves through performance, games, and personalised light designs that turn learning into a fun experience.

LeapFrog® LeapMove™

VTech Karaoke Lights Party™

VTech developed a cartridge-based Complete Blood Count (CBC) analyser for its customer to address the demand for efficient and accurate diagnostics. This compact device enables CBC testing to be performed beyond traditional hospital settings through built-in quality control mechanisms, enabling streamlined operation with minimal training while delivering rapid and accurate results.

Complete Blood Count Analyser

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 CSR requirements in relation to human rights, labour practices, health and safety, business ethics, minerals sourcing as well as environmental protection. VTech actively monitors its suppliers to ensure they do not procure products that contain 3TG, cobalt and mica originated from CAHRAs, and requires suppliers to perform due diligence which aligns with the OECD Due Diligence Guidance and the Conflict Minerals Reporting Template ("CMRT").

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 Code of Conduct. In FY2026, VTech continued to conduct supplier engagement workshops for its suppliers virtually. It also provided suppliers with hands-on training and guidance for suppliers to achieve continuous improvement in their sustainability performance.

For details of our Supplier Code Conduct and Conflict Minerals Policy, please refer to: sustainability.vtech.com/VTech_Supplier_Code_of_Conduct_Eng and sustainability.vtech.com/VTech_Conflict_Minerals_Policy_Eng.

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 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 2030, 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 response to climate change, VTech has been evaluating and disclosing its climate-related initiatives using the TCFD framework since FY2020. In FY2026, VTech updated its assessment on climate-related risks and opportunities, and estimated the associated financial impacts on its operations and businesses in accordance with the ESG Reporting Code set out in Appendix C2 of the Listing Rules of The Stock Exchange of Hong Kong Limited, as well as the IFRS S2 Climate-related Disclosure Standard published by the ISSB. These assessments are essential for the Group to develop and implement its climate-related transition plans to address those identified risks and opportunities.

VTech's Environmental Policy outlines its approaches to minimise environmental impact during the manufacturing process in relation to climate change, air, energy, water, waste and biodiversity etc.. 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. VTech 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 regulatory 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. Since FY2021, VTech has been taking steps to install solar panels at our manufacturing sites, with coverage of over 33,000 square meters of its production buildings in FY2026. Together

Application of Solar Technology

with the renewable energy procured by its overseas offices, the total renewable energy usage has increased from 113 MWh in FY2020 to 6,550 MWh in FY2026. On-going programmes for energy efficiency improvement are also in place to preserve natural resources in the factory operations. Comparing with FY2025, the absolute Scope 1 and 2 GHG emission of the Group reduced by 9.2%, and our absolute electricity consumption reduced by 9.5%.

VTech strives to reduce the Scope 3 Greenhouse Gas (GHG) emissions 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. These included the relocations of the distribution centres in the US, Canada, Australia and Spain to enhance the logistic efficiency. In FY2024, VTech set up a new warehouse in France to reduce both the shipment time and distance for delivering products to its French customers.

VTech has also continuously worked with government bodies to minimise the environmental impact of the production facilities. The 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 FY2026 for the eleven consecutive 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 absolute water consumption by 16.3% compared with FY2025.

As for the waste management in the manufacturing sites, VTech aims to minimise avoidable waste and increase the rate of recycling. VTech has also worked closely with its suppliers by returning plastic recyclables to suppliers for reuse. With such waste reduction and recycling projects in place, VTech achieved recycling rate of 79.8% in FY2026.

Clockwise: Manufacturing Facilities in China, Germany, Malaysia and Mexico

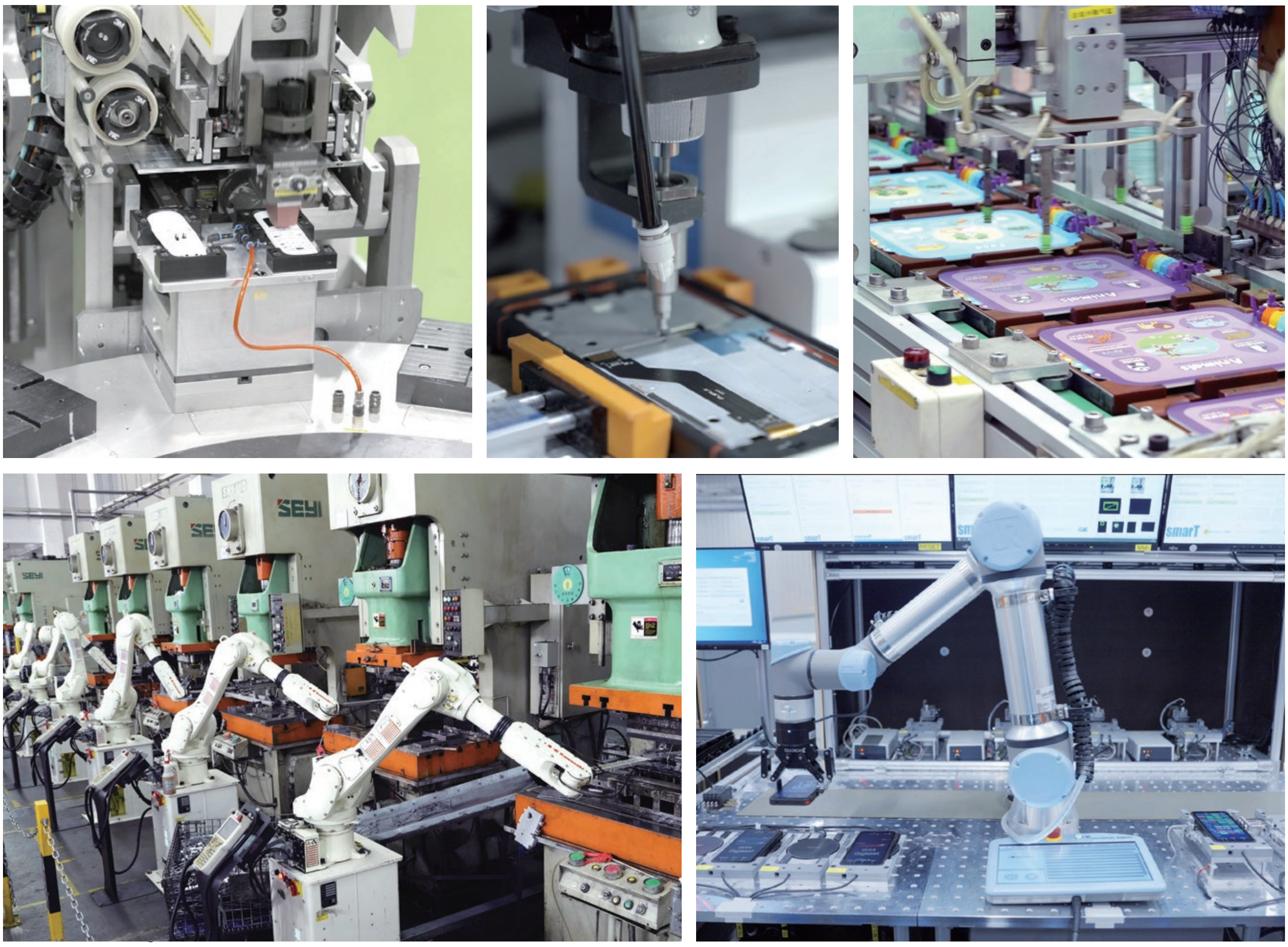
Environment

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

- Comply with all relevant environmental, legal, and statutory requirements and standards, and keep abreast of changes in environmental regulations and standards related to climate change, air, water, waste, biodiversity and other relevant areas.
- Adopt green manufacturing processes by maintaining an Environmental Management System (EMS) at our manufacturing sites following the requirements of ISO 14001.
- Identify and monitor significant environmental risks, including the nature, likelihood and impacts of those risks associated with our operations, value chain and product lifecycle, set targets for improvement where appropriate, and review these annually.
- Promote a culture of innovation by integrating environmental objectives into our business decisions in a cost-effective manner.
- Engage closely with stakeholders, including employees, suppliers, business partners, customers, communities and government authorities, to mitigate potential negative environmental impacts of our business and leverage collaborative opportunities that benefit the environment.
- Support international and local climate-related targets and transition plans.

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.

For details of our Environmental Policy, please refer to: sustainability.vtech.com/VTech_Environmental_Policy_Eng.



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.

VTech's 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.

VTech promotes a culture of integrity with human resources management policies in place to foster a caring atmosphere with mutual respect in the workplace. VTech's Workforce Diversity Policy states its commitment to building a diverse and inclusive workforce, and providing equal employment opportunities for all its employees. We also take steps to promote diversity at all levels including the Board of Directors, management positions and general staff. In FY2026, in addition to the gender diversity of its Board of Directors, VTech's global workforce consisted of 41.6% women, with 26.5% of management positions held by women. VTech regularly reviews and refines its recruitment and hiring practices to identify areas for improvement in attracting, hiring and retaining diverse talent.

For details of our Workforce Diversity Policy, please refer to: www.vtech.com/en/about-us/corporate-governance.

In respect of human rights, VTech has a Human Rights Policy with risk management programme in place for the Group to protect and safeguard the human rights of its stakeholders including its employees, customers, suppliers and the local communities in which it operates. It supports the internationally-recognised human rights principles laid out in the International Bills of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. Ongoing due diligence process to identify, assess, prevent, and mitigate potential human rights risks is also included in the risk management system. This Human Rights Policy, together with the Group's code



Staff Activities

of conduct for its employees and its suppliers, facilitate VTech to foster a culture of integrity in the workplace for its employees, and engage in ethical sourcing practices with its suppliers across the supply chain.

For details of our Human Rights Policy, please refer to: sustainability.vtech.com/VTech_Human_Rights_Policy_Eng.

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.

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. It continues to organise various social and sport activities for the employees in different countries.

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 is about 105.5 hours.

Protecting the health and safety of employees 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. 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, in FY2026, dormitories of the TEL factory in mainland China was refurbished to provide better living environment for workers. New fitness equipment are introduced in the ELP factory to encourage employees to maintain a healthy lifestyle.




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 FY2026, VTech recruited 2,524 volunteers and contributed over 21,000 volunteering hours for the communities.

VTech also uses its expertise and resources to support the communities in which it operates. It has collaborated with Save the Children, an international charitable organisation supporting marginalised and vulnerable children, to organise fundraising and toys donation events across multiple countries for five consecutive years. We organised a worldwide toy donation programme with over 3,700 electronic learning toys donated by VTech. These included our donation of over 400 plush toys to kindergarten students in response to the Tai Po blaze in Hong Kong. This year, VTech continued the toy donation efforts in mainland China, giving out 670 toys through two volunteering events at local schools and community organisations in Guangzhou. It also made donations through the participation in "Café Drinks Charity Sale", "Christmas Bake Charity Sale" and "Christmas Jumper Day" campaigns. VTech volunteers also partnered with The Hong Kong Federation of Youth Groups and Patient Resource Centre of Hong Kong Children's Hospital to engage paediatric patients in playful sessions with our toys, and donated 300 toys to three hospitals in Hong Kong.

Toy Education Workshop for Paediatric Patients

Collaboration with Save the Children (clockwise): Café Drinks Chairty Sale in Malaysia, Toy Donation through Volunteering Events in China and Christmas Jumper Day Campaigns in France and Spain

Society

VTech partnered with local charities to support various charitable activities around the world. In FY2026, the Company made charitable and other donations of over US$166,700. 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. VTech's commitment to corporate social responsibility also received recognition from the Federation of Hong Kong Industries for ten consecutive years, with "Outstanding Caring Award (Enterprise Group)" presented in FY2026 under the Industry Cares Recognition Scheme.

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 programme to universities in Hong Kong and mainland China.

Engineering Internship Programme

VTech scholarships were awarded to 12 engineering students from top 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 (CUHK), 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 and Department of Mechanical and Automation Engineering of CUHK to organise the "VTech Innovation & Sustainability Award".

VTech Innovation & Sustainability Award

VTech Innovation & Sustainability Award

VTech Scholarship Programme

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 addition, VTech continued to organise the annual "Global Green Day" with different kinds of activities to promote a healthy and green lifestyle at its Hong Kong headquarters and overseas offices. These included tree planting events, green and healthy food conference, bee hotels crafting and community clean-up. Those activities not only helped preserve the environment but also raised the employees' awareness of environmental protection.

To promote health and fitness, VTech sponsored its employees to participate in various charity sport activities. These included Standard Chartered Hong Kong Marathon, the Hong Kong Streetathon, Sowers Action Challenging 12 Hours Charity Marathon, Ultra Trail Du Mont-Blanc Traces des Ducs de Savoie and the Shatin Dragon Boat Race. VTech was awarded the "Bronze Sponsor" in the Sowers Action Challenging 12 Hours Charity Marathon 2025.

Clockwise: Global Green Day in Malaysia, Spain, Australia, and the US, the UK and France

Investor Relations

Since listing on The Stock Exchange of Hong Kong Limited, VTech Holdings Limited has maintained a positive relationship with shareholders and investors.

Our strong commitment to transparency means we regularly review disclosure practices to make sure they meet regulatory requirements and the evolving needs of the investment community. Through regular, open dialogue we give shareholders and investors an accurate and up-to-date view of the Group's business activities, market environment and financial situation, while providing the Board and senior management with a closer understanding of investor concerns.

Engagement with Shareholders and Investors

The Group's engagements with shareholders and investors are governed by a Shareholders Communication Policy and Continuous Disclosure Policy, which are available on the Group's website.

During the financial year 2026, the Group's shareholder engagement activities included meetings, briefings and visits to the Group's manufacturing facilities, as well as the VTech booth at major trade fairs.

Channels	FY2026 Highlights
Annual General Meeting (AGM)	• Shareholders are encouraged to attend and vote in person
Investor Meetings	• Investor meetings conducted via conference calls, face-to-face and virtual meetings • Non-deal roadshows conducted 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
Tours	• Visits to the Group's manufacturing facilities and the VTech booth at the China Toy Expo in Shanghai
VTech Website	• Policies and codes • Notice of AGM and poll results • Latest financial information and investor information • Analyst briefing materials • Media releases
Investor Relations Email (investor_relations@vtech.com)	• Designated email makes two-way communication with shareholders and investors straightforward and efficient

Shareholder Value

Our goal is to create sustainable value for shareholders through a combination of regular dividend payments and share price performance, a commitment that is recognised by inclusion in several key indexes.

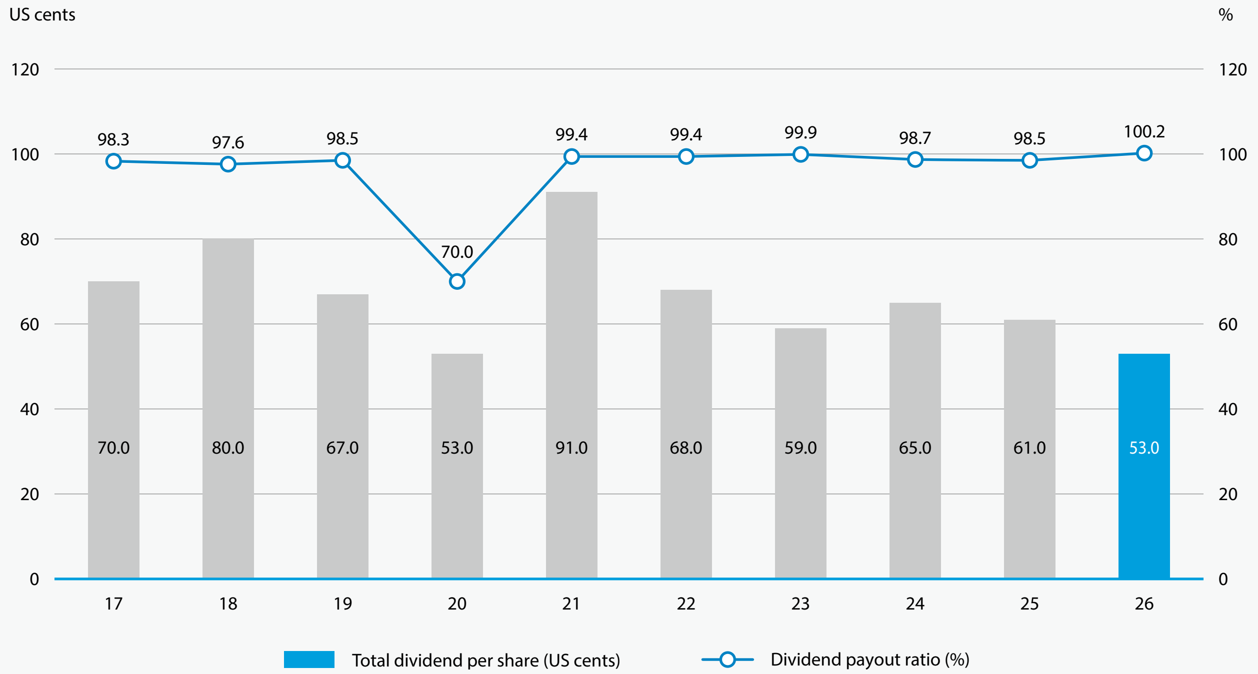
Dividend Payments

The dividend payout ratio is determined by factors including the Group's actual and expected financial performance, business strategy, liquidity position and capital requirements.

We maintain a consistently high dividend payout ratio. In nine 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$1,654.4 million. The dividend payout ratio has been reduced only in response to the COVID pandemic in 2020.

In the financial year 2026, the dividend payout ratio was 100.2% of the profit attributable to shareholders of the Company, against 98.5% in the financial year 2025. Despite its high dividend payout ratio, VTech has maintained a strong balance sheet and net cash position.

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



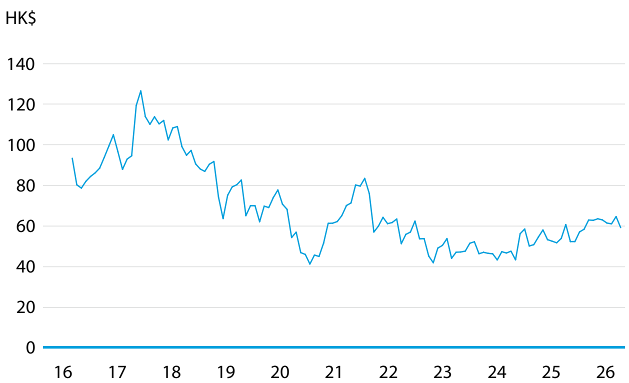
Further details of the Group's dividend policy are set out in the Corporate Governance report on page 74.

Share Price Performance

For the year ended 31 March	**2026**	2025
Highest closing price	**HK$67.2** (12 Nov 2025)	HK$60.6 (11 Mar 2025)
Lowest closing price	**HK$45.55** (8 Apr 2025)	HK$43.2 (17 & 19 Apr 2024)

VTech Share Price in Last 10 Years

(1 April 2016 – 31 March 2026)



Index Listings and Recognition

VTech Holdings Limited is a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index and FTSE4Good Global Index, reflecting the Company's commitment to sustainability. The Company has received AA+ and AA ratings in the Hang Seng Corporate Sustainability Benchmark Index and MSCI (Morgan Stanley Capital International) ESG Ratings assessment, respectively, recognising its high levels of environmental, social and corporate governance performance. VTech is also rated Low Risk by Sustainalytics, which assesses the size of an organisation's unmanaged ESG risk, examining issues that have a potentially substantial impact on the company's economic value.

The VTech Annual Report 2025 received two "Silver Awards" at the 2025 International ARC Awards in the categories of Interior Design: Manufacturing & Distributing and Traditional Annual Report: Manufacturing & Distributing.

Investor Relations

Financial Calendar	
20 – 23 July 2026 (both days inclusive)	Closure of Register of Members – Annual General Meeting
23 July 2026	2026 Annual General Meeting
29 July 2026	Closure of Register of Members – Payment of Final Dividend
7 August 2026	Payment of Final Dividend
November 2026	2026/2027 Interim Results Announcement
May 2027	FY2027 Annual Results Announcement

Share Listing

Shares of VTech Holdings Limited are:

- Listed on the Stock Exchange of Hong Kong Limited
- On the list of Eligible Securities for Southbound Trading under 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 2026: 253,557,466 shares

Dividend

Dividend per ordinary share for the year ended 31 March 2026

- Interim dividend: US17.0 cents per share
- Final dividend: US36.0 cents per share

Share Registrars

Principal

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court, 22 Victoria Street
PO Box HM 1179, Hamilton HM EX
Bermuda

Hong Kong Branch

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

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Website: www.vtech.com/en/investors

Directors and Senior Management

Biographical Details of Directors

Allan WONG Chi Yun
GBS, MBE, JP
Executive Director, Chairman and Group Chief Executive Officer
Age: 75
Appointed: 4 July 1989
Term of office: 15 July 2025 (re-elected) to 2028 AGM

Dr. Allan WONG Chi Yun 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. Dr. WONG is a member of the Chief Executive's Council of Advisers of the Government of the Hong Kong Special Administrative Region. Dr. WONG is the father of Mr. William WONG Yee Lai, the Non-executive Director.

PANG King Fai
Executive Director and President of the Group
Age: 70
Appointed: 11 April 2007
Term of office: 19 July 2023 (re-elected) to 2026 AGM

Dr. PANG King Fai holds a Bachelor of Science degree 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 in Electrical Engineering 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
Executive Director and Chief Executive Officer of Contract Manufacturing Services
Age: 67
Appointed: 1 January 2009
Term of office: 24 July 2024 (re-elected) to 2027 AGM

Mr. Andy LEUNG Hon Kwong holds a Bachelor of Science degree in Electrical and Electronic Engineering from the University of Newcastle upon Tyne in the United Kingdom and a Master of Business Administration 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 nine years. Mr. LEUNG has over 30 years of experience in the electronics and manufacturing industry.

William WONG Yee Lai
Non-executive Director
Age: 46
Appointed: 12 November 2019
Term of office: 19 July 2023 (re-elected) to 2026 AGM

Mr. William WONG Yee Lai attended Southern Methodist University in Computer Science. Mr. WONG is the founder and the Chief Executive Officer 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 Chief Executive Officer of Ality Limited, a company which developed an internet connected digital photo frame with instant messaging and web content streaming features 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
Independent Non-executive Director
Age: 77
Appointed: 28 November 2001
Term of office: 24 July 2024 (re-elected) to 2027 AGM

Dr. William FUNG Kwok Lun holds a Bachelor of Science degree in Engineering from Princeton University and a Master of Business Administration 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 a non-executive director of Convenience Retail Asia Limited and an independent non-executive director of Sun Hung Kai Properties Limited. He retired as an independent non-executive director of The Hongkong and Shanghai Hotels, Limited on 13 May 2026. 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.

Biographical Details of Directors (Continued)

GAN Jie
Independent Non-executive Director
Age: 56
Appointed: 24 March 2023
Term of office: 19 July 2023 (re-elected) to 2026 AGM

Professor GAN Jie holds a Bachelor of Science degree from Nanjing University, a Certificate of two-year Master Studies from Peking University, and a Doctor of Philosophy degree from the Massachusetts Institute of Technology. She is currently a Professor of Finance and was previously an Associate Dean at Cheung Kong Graduate School of Business. She was a Professor (formerly as Assistant Professor and Associate Professor) of Finance at The Hong Kong University of Science and Technology from 2002 to 2010 and an Assistant Professor (tenure track) at Columbia Business School from 2000 to 2002.

KO Ping Keung
JP
Independent Non-executive Director
Age: 75
Appointed: 30 January 2018
Term of office: 24 July 2024 (re-elected) to 2027 AGM

Professor KO Ping Keung 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 Montage Technology Co., Ltd., and a non-executive director of OneRobotics (Shenzhen) Co., Ltd. He is also a director of Googol Technology Co., Ltd. and Smartsens Technology (Shanghai) Co., Ltd., both of which are companies listed in mainland China.

Patrick WANG Shui Chung
SBS, JP
Independent Non-executive Director
Age: 75
Appointed: 28 November 2001
Term of office: 15 July 2025 (re-elected) to 2028 AGM

Dr. Patrick WANG Shui Chung 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, the United States. 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 HKSH Medical Group Limited's Clinical Governance Committee.

WONG Kai Man
BBS, JP
Independent Non-executive Director
Age: 75
Appointed: 19 September 2012
Term of office: 15 July 2025 (re-elected) to 2028 AGM

Mr. WONG Kai Man holds a Bachelor of Science degree in Physics from The University of Hong Kong and a Master of Business Administration degree from The Chinese University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants, the 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 Accounting and Financial Reporting Council (2014-2021). 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
President of Telecommunication Products
Age: 58

Mr. Hillson CHEUNG Hoi 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 City University of Hong Kong and a Master of Business Administration degree from The Hong Kong University of Science and Technology.

CHU Chorng Yeong
Group Chief Technology Officer
Age: 66

Dr. CHU Chorng Yeong 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.

Kent CHEUNG King Fai
Managing Director of Contract Manufacturing Services
Age: 64

Mr. Kent CHEUNG King Fai is responsible for the operations of both China and Malaysia plants of Contract Manufacturing Services. Mr. CHEUNG joined the Group in 1989, was promoted to the position of General Manager and Managing Director of Contract Manufacturing Services in 2006 and 2019 respectively. Mr. CHEUNG has over 30 years of experience in the electronic and manufacturing industry. Mr. CHEUNG holds a Master of Business degree from The University of Newcastle, Australia.

Rix CHAN Ching Pun
Managing Director of Contract Manufacturing Services
Age: 55

Mr. Rix CHAN Ching Pun is responsible for the operations of both China and Mexico plants of Contract Manufacturing Services. Mr. CHAN joined the Group in 1996, was promoted to the position of General Manager and Managing Director of Contract Manufacturing Services in 2007 and 2019 respectively. Mr. CHAN has over 25 years of experience in the electronic and manufacturing industry. Mr. CHAN holds a Bachelor of Engineering degree in Electronic Engineering from The Hong Kong Polytechnic University and a Master of Business Administration degree from City University of Hong Kong.

Shereen TONG Ka Hung
Group Chief Financial Officer
Age: 57

Ms. Shereen TONG Ka Hung is responsible for the Group accounting and tax, legal 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, a Master of Business Administration degree from Manchester Business School, the United Kingdom, a Master of Science degree in Information Systems from The Hong Kong Polytechnic University and a Bachelor of Laws degree from Manchester Metropolitan University, the United Kingdom. She is an associate member of the Chartered Institute of Bankers, the United Kingdom and the Chartered Institute of Management Accountants, the United Kingdom, and a fellow member of the Hong Kong Institute of Certified Public Accountants.

CHANG Yu Wai
Company Secretary and Head of Internal Audit
Age: 66

Mr. CHANG Yu Wai 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
International President
Age: 70

Mr. Gilles SAUTIER is responsible for the Electronic Learning Products in Europe, Australia, Latin America and South Africa. He is also responsible for the support centre in the Netherlands 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 KennerParker, Spear's Games, Ideal Toys and Majorette. Mr. SAUTIER holds a Bachelor degree in Law from the University of Paris and a Master of Business Administration degree from L'ESSEC, a French business school.

Edward Phillip MEDICA
President of VTech Electronics North America, L.L.C.
Age: 70

Mr. Edward Phillip MEDICA is responsible for the Electronic Learning Products in the United States. Mr. MEDICA joined the Group in 2014 and established the Electronic Learning Products operations in Australia during that year. He has over 35 years of experience in the toy industry, having held senior marketing, sales, licensing and general management roles for both publicly listed and privately owned toy companies. Mr. MEDICA also served as a director of the Australian Toy Association. Mr. MEDICA holds a Master of Business Administration degree from Deakin University.

Biographical Details of Senior Management

(Continued)

International (Continued)

Gordon CHOW
Chief Executive Officer of VTech Technologies Canada Ltd.
Age: 70

Mr. Gordon CHOW is responsible for both the Telecommunication Products and Electronic Learning Products in Canada. He established the Canadian operations in 1986. Mr. CHOW was 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
President of VTech Communications, Inc.
Age: 58

Mr. Alec Louis ANDERSON is responsible for the Telecommunication Products in the United States. Mr. ANDERSON joined the Group in 2015 as the Vice President of Finance of the Telecommunication 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 and is a license holder of the California Board of Accountancy Certified Public Accountants.

Report of the Directors

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 March 2026.

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 2026 are set out in the consolidated statement of profit or loss on page 116.

An interim dividend of US17.0 cents (2025: US17.0 cents) per ordinary share was paid to the shareholders on 19 December 2025. The Board has recommended the payment of a final dividend of US36.0 cents (2025: US44.0 cents) per ordinary share in respect of the year ended 31 March 2026, payable on 7 August 2026 to the shareholders whose names appear on the register of members of the Company as at the close of business on 29 July 2026, subject to the approval of the shareholders of the Company at the 2026 AGM. The dividend decisions made by the Board for the year ended 31 March 2026 were in accordance with VTech's Dividend Policy.

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 27 July 2026.

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 103 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 2026 Sustainability Report, which is available on the Company's website: sustainability.vtech.com/reports_policies.

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 162.

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, Share Options and Share Awards

Details of the movements in share capital, share options and share awards 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 118 and 119 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 US$167,000.

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
GAN Jie
KO Ping Keung
Patrick WANG Shui Chung
WONG Kai Man

At the 2026 AGM, Dr. PANG King Fai, Mr. William WONG Yee Lai and Professor GAN Jie shall retire as Directors by rotation in accordance with Bye-law 112 of the Company's Bye-laws. All of the above Directors, being eligible, shall offer themselves for re-election as Directors at the 2026 AGM.

Brief biographical details of the Directors and the senior management are set out on pages 105 to 108 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.

Directors' Interests in Contracts

No transactions, arrangements and contracts of significance to which the Company or any of its specified undertakings (as such term is defined in the Companies (Directors' Report) Regulation (Cap. 622D of the Laws of Hong Kong)) was a party and in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, subsisted at the end of or during the financial year.

Directors' Interests in Competing Business

None of the Directors is interested in 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 award 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 specified undertakings, a party to any arrangement whose objects were to enable 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 award 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

On 19 July 2023 (the "Adoption Date"), the Company adopted a share option scheme (the "2023 Share Option Scheme") which complies with the requirements under Chapter 17 of the Listing Rules. Following which, the Company's then existing share option scheme adopted in July 2021 (the "2021 Share Option Scheme") has been suspended. While no further share options may be granted pursuant to the 2021 Share Option Scheme, any outstanding share options granted thereunder remain valid and are subject to the provisions thereof. For the purpose of this note, references to the Share Option Scheme refer to the 2021 Share Option Scheme and/or 2023 Share Option Scheme, as the context requires.

Details of the 2023 Share Option Scheme and the movements in relation to the share options granted under the Share Option Scheme are set out in note 21(b) to the consolidated financial statements.

Share Award Scheme

On the Adoption Date, the Company also adopted a share award scheme (the "Share Award Scheme") which complies with the requirements under Chapter 17 of the Listing Rules.

Details of the Share Award Scheme and the movements in relation to the awarded shares (including the shares awarded pursuant to the French Subplan) under the Share Award Scheme are set out in note 21(c) to the consolidated financial statements.

Pursuant to the Share Award Scheme, the total amount paid to purchase 470,000 shares (31 March 2025: 522,700 shares) on the Stock Exchange during the year ended 31 March 2026 was approximately US$3.4 million (31 March 2025: US$3.7 million). Further, no new shares (31 March 2025: nil) were issued to the trustee under the scheme mandate of the Company pursuant to the Share Award Scheme.

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

As at 31 March 2026, the interests and short positions of the Directors and chief executive 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 C3 to the Listing Rules as adopted by the Company, were as follows:

Name of Director	Number of ordinary shares			Equity derivatives		Total	Approximate percentage of shareholding *(Note 8)*
	Personal Interest	Family Interest	Other Interest	Share options *(Note 7)*	Unvested ordinary shares under Share Award Scheme *(Note 7)*		
Allan WONG Chi Yun	14,337,609	–	74,101,153 *(Note 1)* 4,667,037 *(Note 2)*	166,667	100,000	93,372,466	36.82%
PANG King Fai	561,600	–	–	270,000	30,000	861,600	0.34%
Andy LEUNG Hon Kwong	881,600	–	–	450,000	50,000	1,381,600	0.54%
William WONG Yee Lai	–	–	74,101,153 *(Notes 1 & 3)*	–	–	74,101,153	29.22%
William FUNG Kwok Lun	449,430	5,000 *(Note 4)*	592,200 *(Note 5)*	–	–	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) *These 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"). Each of Honorex and Conquer Rex was wholly-owned by Twin Success. Twin Success was wholly-owned by Surplus Assets Limited ("Surplus Assets"). Surplus Assets was wholly-owned by Butterfield Trust (Asia) Limited ("Butterfield") which acts as the trustee of The Allan Wong 2020 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun is the founder and one of the beneficiaries. Surplus Assets was therefore deemed to have an aggregate indirect interest in 74,101,153 shares and Twin Success was also deemed to have an aggregate indirect interest in 66,912,550 shares. Surplus Assets was wholly-owned by Butterfield which was deemed to be interested in 74,101,153 shares by virtue of the SFO.*

(2) *These shares were held by a company wholly-owned by Dr. Allan WONG Chi Yun.*

(3) *Mr. William WONG Yee Lai is one of the discretionary beneficiaries of The Allan Wong 2020 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun is the founder. As a director of the Company and a discretionary beneficiary of The Allan Wong 2020 Trust, Mr. William WONG Yee Lai has a duty of disclosure under the SFO in relation to the shares held by Butterfield.*

(4) *These shares were held by a company beneficially owned by the spouse of Dr. William FUNG Kwok Lun.*

(5) *These shares were held by a company beneficially owned by Dr. William FUNG Kwok Lun.*

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

(7) *Please also refer to note 21(b) and note 21(c) to the consolidated financial statements for further details on the share options and awarded shares in which the Directors and chief executive of the Company were interested.*

(8) *The approximate percentage of shareholding is calculated based on 253,557,466 shares of the Company in issue as at 31 March 2026.*

Save as disclosed above, as at 31 March 2026, none of the Directors and chief executive 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) 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.

Substantial Shareholdings

As at 31 March 2026, other than the interests of the Directors and chief executive of the Company as disclosed above, shareholders who had interests or short positions in the shares and 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 ordinary shares** *(Note 3)*	**Approximate percentage of shareholding** *(Note 4)*
Butterfield Trust (Asia) Limited	Trustee *(Note 1)*	74,101,153	29.22%
Surplus Assets Limited	Interest of controlled corporation *(Note 1)*	74,101,153	29.22%
Twin Success Pacific Limited	Interest of controlled corporations and beneficial owner *(Notes 1 & 2)*	74,101,153	29.22%
Honorex Limited	Beneficial owner *(Note 1)*	1,416,325	0.56%
Conquer Rex Limited	Beneficial owner *(Note 1)*	65,496,225	25.83%

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) *Twin Success was interested in 7,188,603 shares as beneficial owner and 66,912,550 shares as interest of controlled corporations.*

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

(4) *The approximate percentage of shareholding is calculated based on 253,557,466 shares of the Company in issue as at 31 March 2026.*

Save as disclosed above, as at 31 March 2026, the Company had not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and 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.

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 2026 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 2026.

Securities Purchase Arrangements

At the 2025 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 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 2026.

During the year ended 31 March 2026, 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 470,000 shares of the Company for an aggregate consideration of approximately US$3.4 million.

Major Customers and Suppliers

For the year ended 31 March 2026, 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 16.5% of the Group's revenue and the Group's five largest customers in aggregate accounted for approximately 37.4% of the Group's revenue during the financial year.

As at 31 March 2026, the following Directors were interested in the Group's five largest customers:

– Dr. Allan WONG Chi Yun was interested in 103 shares (representing less than 0.000001% of the total issued shares) in the parent company of the Group's largest customer.

– Mr. William WONG Yee Lai was interested in 103 shares (representing less than 0.000001% of the total issued shares) in the parent company of the Group's largest customer.

– Dr. William FUNG Kwok Lun was interested in 37,000 shares (representing less than 0.001% of the total issued shares) in the parent company of one of the Group's five largest customers.

Save as disclosed above, as at 31 March 2026, 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 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, which shall retire and, being eligible, offer itself for re-appointment at the 2026 AGM.

On behalf of the Board

Allan WONG Chi Yun
Chairman

Hong Kong, 21 May 2026

Independent Auditor's Report

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 116 to 161, which comprise the consolidated statement of financial position as at 31 March 2026, 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, comprising material accounting policy information and other explanatory information.

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 2026 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as 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") as 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)* ("IESBA Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Assessing the valuation of stocks

Refer to note 14 to the consolidated financial statements and the accounting policies on page 140.

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 frequently changing consumer demand. As a result, certain products may become obsolete or slow-moving and the cost of those products may not be recoverable. Management assesses the net realisable value of obsolete or slow-moving stocks with reference to the stock ageing report. Stocks are written down to their net realisable value when this falls below their cost. We identified the valuation of stocks as a key audit matter because determining the appropriate amount of stock write-downs involves predicting the excess quantities of stocks that will remain unused or unsold after the end of the reporting period, which can be inherently uncertain and 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 policy with reference to the requirements of the prevailing accounting standards; • assessing whether the stock write-downs recognised at the reporting date were consistent with the Group's stock write-down policy by recalculating the stock write-downs based on the Group's policy; • comparing the subsequent utilisation or release of stock write-downs recorded as at 31 March 2025 and additional write-down recognised in the current year in respect of stocks on hand as at 31 March 2025 to assess whether the judgement made by management in estimating the write-downs 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 documents; 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 2026.

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 IFRS Accounting Standards as 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 Lee Ka Nang (Practicing Certificate Number: P05456).

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

21 May 2026

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

For the year ended 31 March 2026

	Note	**2026 US$ million**	2025 US$ million
Revenue	1	**2,027.5**	2,177.2
Cost of sales		**(1,364.1)**	(1,490.4)
Gross profit		**663.4**	686.8
Other net (expenses) / income	2	**(1.7)**	2.5
Selling and distribution costs		**(319.6)**	(317.8)
Administrative and other operating expenses		**(88.2)**	(90.9)
Research and development expenses		**(82.9)**	(91.9)
Operating profit	1(b)	**171.0**	188.7
Net finance expense	2	**(4.0)**	(3.2)
Share of results of an associate	11	**(0.2)**	(0.1)
Profit before taxation	2	**166.8**	185.4
Taxation	4	**(32.7)**	(28.6)
Profit for the year and attributable to shareholders of the Company		**134.1**	156.8
Earnings per share (US cents)	6		
– Basic		**52.9**	62.0
– Diluted		**52.9**	61.9

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2026

	2026 US$ million	2025 US$ million
Profit for the year	**134.1**	156.8
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	**1.0**	(0.4)
Effect of remeasurement of provision for long service payments, net of deferred tax	**(0.1)**	–
	0.9	(0.4)
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on hedging, net of deferred tax	**1.3**	–
Realisation of hedging reserve, net of deferred tax	**–**	(2.0)
Exchange translation differences	**17.3**	7.5
	18.6	5.5
Other comprehensive income for the year	**19.5**	5.1
Total comprehensive income for the year	**153.6**	161.9

The notes and material accounting policies on pages 121 to 161 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 2026

	Note	**2026 US$ million**	2025 US$ million
Non-current assets			
Tangible assets	7	**94.4**	90.3
Right-of-use assets	8	**108.0**	123.6
Intangible assets	9	**13.3**	14.0
Goodwill	10	**36.1**	36.1
Interest in an associate	11	**1.4**	3.7
Investments	12	**1.9**	2.1
Net assets on defined benefit retirement scheme	20(b)	**7.4**	6.2
Deferred tax assets	13(b)	**13.6**	11.2
		276.1	287.2
Current assets			
Stocks	14	**402.9**	360.8
Debtors, deposits and prepayments	15	**351.8**	331.2
Taxation recoverable	13(a)	**4.1**	4.4
Deposits and cash	16	**264.0**	335.6
		1,022.8	1,032.0
Current liabilities			
Creditors and accruals	17	**(466.8)**	(486.1)
Provisions for defective goods returns and other liabilities	18	**(28.3)**	(27.1)
Lease liabilities	19	**(21.3)**	(15.6)
Taxation payable	13(a)	**(25.8)**	(15.4)
		(542.2)	(544.2)
Net current assets		**480.6**	487.8
Total assets less current liabilities		**756.7**	775.0
Non-current liabilities			
Deferred tax liabilities	13(b)	**(3.1)**	(3.5)
Lease liabilities	19	**(105.5)**	(126.5)
Long service payment liabilities	20(c)	**(0.8)**	(0.6)
		(109.4)	(130.6)
Net assets		**647.3**	644.4
Capital and reserves			
Share capital	21(a)	**12.7**	12.7
Reserves		**634.6**	631.7
Total equity		**647.3**	644.4

Approved and authorised for issue by the Board of Directors on 21 May 2026.

Allan WONG Chi Yun
Director

PANG King Fai
Director

The notes and material accounting policies on pages 121 to 161 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2026

	Note	Attributable to shareholders of the Company							
		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 2024		12.6	164.4	(0.1)	(41.7)	0.6	2.0	507.2	645.0
Changes in equity for the year ended 31 March 2025									
Comprehensive income									
Profit for the year		–	–	–	–	–	–	156.8	156.8
Other comprehensive income									
Realisation of hedging reserve, net of deferred tax		–	–	–	–	–	(2.0)	–	(2.0)
Exchange translation differences		–	–	–	7.5	–	–	–	7.5
Effect of remeasurement of net assets on defined benefit scheme, net of deferred tax		–	–	–	–	–	–	(0.4)	(0.4)
Other comprehensive income for the year		–	–	–	7.5	–	(2.0)	(0.4)	5.1
Total comprehensive income for the year		–	–	–	7.5	–	(2.0)	156.4	161.9
Final dividend in respect of the previous year		–	–	–	–	–	–	(121.5)	(121.5)
Interim dividend in respect of the current year	5	–	–	–	–	–	–	(43.0)	(43.0)
Equity-settled share based payments: Share Option Scheme	21(b)& 22(b)	–	–	–	–	0.4	–	–	0.4
Shares option lapsed during the year	21(b)& 22(b)	–	–	–	–	(0.2)	–	0.2	–
Shares issued under Share Option Scheme	22(b)	0.1	1.5	–	–	–	–	–	1.6
Shares purchased for Share Award Scheme	21(c)& 22(b)	–	–	(3.7)	–	–	–	–	(3.7)
Vesting of shares of Share Award Scheme	21(c)& 22(b)	–	–	3.7	–	–	–	–	3.7
At 31 March 2025		12.7	165.9	(0.1)	(34.2)	0.8	–	499.3	644.4

The notes and material accounting policies on pages 121 to 161 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 March 2026

	Note	Attributable to shareholders of the Company							
		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 2025		12.7	165.9	(0.1)	(34.2)	0.8	–	499.3	644.4
Changes in equity for the year ended 31 March 2026									
Comprehensive income									
Profit for the year		–	–	–	–	–	–	134.1	134.1
Other comprehensive income									
Fair value gains on hedging, net of deferred tax		–	–	–	–	–	1.3	–	1.3
Exchange translation differences		–	–	–	17.3	–	–	–	17.3
Effect of remeasurement of net assets on defined benefit scheme, net of deferred tax		–	–	–	–	–	–	1.0	1.0
Effect of remeasurement of provision for long service payments, net of deferred tax		–	–	–	–	–	–	(0.1)	(0.1)
Other comprehensive income for the year		–	–	–	17.3	–	1.3	0.9	19.5
Total comprehensive income for the year		–	–	–	17.3	–	1.3	135.0	153.6
Final dividend in respect of the previous year	5	–	–	–	–	–	–	(111.4)	(111.4)
Interim dividend in respect of the current year	5	–	–	–	–	–	–	(43.0)	(43.0)
Equity-settled share based payments: Share Option Scheme	21(b)& 22(b)	–	–	–	–	0.3	–	–	0.3
Equity-settled share based payments: Share Award Scheme	21(c)& 22(b)	–	–	1.9	–	1.9	–	–	3.8
Shares option lapsed during the year	21(b)& 22(b)	–	–	–	–	(0.1)	–	0.1	–
Shares issued under Share Option Scheme	22(b)	–	3.0	–	–	–	–	–	3.0
Shares purchased for Share Award Scheme	21(c)& 22(b)	–	–	(3.4)	–	–	–	–	(3.4)
At 31 March 2026		**12.7**	**168.9**	**(1.6)**	**(16.9)**	**2.9**	**1.3**	**480.0**	**647.3**

The notes and material accounting policies on pages 121 to 161 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2026

	Note	**2026 US$ million**	2025 US$ million
Operating activities			
Operating profit		**171.0**	188.7
Depreciation of tangible assets	2	**31.6**	31.8
Depreciation of right-of-use assets	2	**22.6**	22.7
Amortisation of intangible assets	2	**0.7**	0.7
Fair value loss / (gain) on investments measured at fair value through profit or loss	2	**0.2**	(0.9)
Share-based payment expenses : Share Award Scheme	2	**3.8**	3.7
Share-based payment expenses : Share Option Scheme	2	**0.3**	0.4
Impairment of interest in an associate	2	**2.1**	–
Increase in stocks		**(42.1)**	(12.8)
Increase in debtors, deposits and prepayments		**(19.3)**	(49.9)
(Decrease) / increase in creditors and accruals		**(19.1)**	67.5
Increase in provisions for defective goods returns and other liabilities		**1.3**	3.7
Increase in net assets on defined benefit scheme		**(0.2)**	(0.1)
Cash generated from operations		**152.9**	255.5
Interest received		**2.2**	3.9
Interest on lease liabilities		**(6.2)**	(7.1)
Taxes paid		**(25.0)**	(27.0)
Net cash generated from operating activities		**123.9**	225.3
Investing activities			
Purchase of tangible assets	7	**(31.3)**	(29.5)
Proceeds from disposal of tangible assets		**–**	0.4
Net cash used in investing activities		**(31.3)**	(29.1)
Financing activities			
Capital element of lease rentals paid	19(b)&(c)	**(23.0)**	(21.7)
Payment for shares acquired for Share Award Scheme	21(c)	**(3.4)**	(3.7)
Proceeds from shares issued upon exercise of share options		**3.0**	1.6
Dividends paid	5	**(154.4)**	(164.5)
Net cash used in financing activities		**(177.8)**	(188.3)
Effect of exchange rate changes		**13.6**	5.6
(Decrease) / increase in cash and cash equivalents		**(71.6)**	13.5
Cash and cash equivalents at 1 April		**335.6**	322.1
Cash and cash equivalents at 31 March	16	**264.0**	335.6

The notes and material accounting policies on pages 121 to 161 form part of these financial statements.

Material 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 IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards ("IFRSs"), 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. Material accounting policies adopted by the Group are set out below.

(i) New and amended IFRS Accounting Standards

The IASB has issued certain new and amended IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group:

- Amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*

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 2026 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 except that derivative financial instruments and investments are stated at their fair value as explained in the accounting policies set out below.

The preparation of the financial statements in conformity with IFRS Accounting Standards 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 IFRS Accounting Standards 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 to, 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. 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 and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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 Award Scheme Trust, are included in the Group's consolidated statement of financial position and the shares held by the VTech Share Award Scheme Trust are presented as a deduction from equity as Shares held for Share Award 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.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests ("NCI") and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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 the Company has significant influence but not control or joint control, over the financial and operating policies.

Material accounting Policies (Continued)

D Basis of Consolidation (Continued)

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

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 gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

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.

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

(i) Revenue from contracts with customers

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.

Sale of Goods

Revenue from sale of goods is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers.

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.

(ii) Revenue from other sources and other income

(a) Interest income

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

(b) Dividend income

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

(c) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

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 in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses (see note (N)(iii)).

G Translation of Foreign Currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the qualifying cash flow hedges are recongised in OCI to the extent that the hedges are effective.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into US dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into US dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

Material Accounting Policies (Continued)

G Translation of Foreign Currencies (Continued)

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retained control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

H Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note (N)).

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 acquiree 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

The following items of tangible assets are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note (N)(iii)):

- right-of-use assets arising from leases over freehold or leasehold properties where the group is not the registered owner of the property interest; and
- items of tangible assets, including right-of-use assets arising from leases of underlying plant and equipment (see note (M)).

Depreciation is calculated to write off the cost of items of tangible assets less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods 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

Any gain or loss on disposal of an item of tangible assets is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and it not reclassified to profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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 any accumulated impairment losses (see note (N)(iii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Brand	30 years
Technology	5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Material Accounting Policies (Continued)

M Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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 leases that have a short lease term of 12 months or less and leases of low-value item. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss 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 recognised 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 are charged to profit or loss as 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 adjusted for any lease payments made at or before the commencement date, and plus any initial direct costs incurred and 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, 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)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes (N)(i) and (O)(i)). Any excess of the nominal value over the initial fair 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, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it 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.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

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).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

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

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

ECLs are measured on either of the following bases:

– 12-month ECLs: these are portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– Financial instruments that are determined to have low credit risk at the reporting date; and

– Other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract asset are always measured at an amount equal to lifetime ECLs.

Material Accounting Policies (Continued)

N Credit Losses and Impairment of Assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The debtor 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
- The financial asset is 90 days past due

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 to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise 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 remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

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

At each reporting date, the Group reviews the carrying amounts of its non-financial asset (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Material Accounting Policies (Continued)

N Credit Losses and Impairment of Assets (Continued)

(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 securities, other than investments in subsidiaries and associate, are set out below.

Investments in 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 fair value through profit or loss ("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) Non-equity investments

Non-equity investments 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. Expected credit losses, interest income calculated using the effective interest method (see note (E)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– 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. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to 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 investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment needs the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and 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 (see note (E)).

P Stocks

Stocks are measured 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 costs necessary to make the sale.

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.

Q Trade and Other Debtors

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

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 (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, and other 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. Cash and cash equivalents are assessed for ECL (see note (N)(i)).

Material Accounting Policies (Continued)

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 expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it related to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

- Temporary differences related to investment subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

- Taxable temporary differences arising on the initial recognition of goodwill; and

- Those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they are to be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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.

(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. Obligations for contributions relating to the defined contribution schemes are expensed as the related service is provided.

(ii) Defined benefit plans

The Group has the following two categories of defined benefit plans:

- Defined benefit retirement scheme registered under the Hong Kong Occupational Retirement Schemes Ordinance (the "defined benefit retirement scheme")

- Long service payment ("LSP") under the Hong Kong Employment Ordinance

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For defined benefit retirement scheme, the net obligation is after deducting the fair value of plan assets. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions have been vested with employees, which are deemed to be contributions from the relevant employees.

Material Accounting Policies (Continued)

V Employee Benefits (Continued)

(ii) Defined benefit plans (Continued)

The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method. For defined benefit retirement scheme, 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 reduction in future contributions to the scheme.

Remeasurements arising from defined benefit plans, which comprise actuarial gains and losses, the return on plan assets in defined benefit retirement scheme (excluding interest) and the effect of any asset ceiling (excluding interest), are recognised immediately in OCI. Net interest expense 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 then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(iii) Equity and equity related compensation benefits

For share options granted under the 2021 Share Option Scheme and 2023 Share Option Scheme and shares of the Company granted under the Shares Award 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 Award 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 Award 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 Award 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 Award Scheme.

W Shares held for Share Award Scheme

Where the VTech shares are acquired by VTech Share Award 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 Award 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 Award 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 Award 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

The Group holds derivative financial instruments to manage its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges or net investment in a foreign operation.

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).

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve within equity. The effective portion that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion is recognised immediately in profit or loss.

Material Accounting Policies (Continued)

X Derivative Financial Instruments (Continued)

Cash flow hedges (Continued)

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve is removed from the reserve and is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified through OCI to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss. If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge account is discontinued, 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 future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve is immediately reclassified through OCI to profit or loss.

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 becomes 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 is also recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also 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 to, and assessing the performance of, the Group's various lines of business and geographical locations.

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 is from contracts with customers within the scope of IFRS 15, *Revenue from contracts with customers*, 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 2026	**North America US$ million**	**Europe US$ million**	**Asia Pacific US$ million**	**Other Regions US$ million**	**Total US$ million**
Electronic Learning Products	**388.5**	**311.7**	**72.2**	**10.1**	**782.5**
Telecommunication Products	**161.5**	**224.1**	**17.4**	**11.2**	**414.2**
Contract Manufacturing Services	**261.6**	**364.1**	**205.1**	**–**	**830.8**
Total	**811.6**	**899.9**	**294.7**	**21.3**	**2,027.5**

Year ended 31 March 2025	North America US$ million	Europe US$ million	Asia Pacific US$ million	Other Regions US$ million	Total US$ million
Electronic Learning Products	444.9	307.0	68.8	9.3	830.0
Telecommunication Products	178.8	211.4	18.7	13.2	422.1
Contract Manufacturing Services	269.4	442.3	213.4	–	925.1
Total	893.1	960.7	300.9	22.5	2,177.2

The Group's customer base is diversified and include one (2025: one) customer with whom transactions have exceeded 10% of the Group's revenue. The revenue from this customer accounted for approximately 15% (2025: 14%) of the Group's revenue for the year ended 31 March 2026. 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, Germany under Europe 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.

(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.

1 Revenue and Segment Information (Continued)

(b) Segment Information (Continued)

Segment information regarding the Group's revenue, results, assets and liabilities by geographical market is presented below:

Year ended 31 March 2026	**North America US$ million**	**Europe US$ million**	**Asia Pacific US$ million**	**Other Regions US$ million**	**Total US$ million**
Reportable segment revenue	**811.6**	**899.9**	**294.7**	**21.3**	**2,027.5**
Reportable segment profit	**70.6**	**69.3**	**26.4**	**4.7**	**171.0**
Depreciation and amortisation	**2.8**	**5.8**	**46.3**	**–**	**54.9**
Reportable segment assets	**138.1**	**244.1**	**846.3**	**–**	**1,228.5**
Reportable segment liabilities	**(73.1)**	**(61.7)**	**(487.9)**	**–**	**(622.7)**

Year ended 31 March 2025	North America US$ million	Europe US$ million	Asia Pacific US$ million	Other Regions US$ million	Total US$ million
Reportable segment revenue	893.1	960.7	300.9	22.5	2,177.2
Reportable segment profit	72.3	77.1	34.7	4.6	188.7
Depreciation and amortisation	3.2	5.9	46.1	–	55.2
Reportable segment assets	125.4	217.2	905.1	–	1,247.7
Reportable segment liabilities	(84.3)	(48.5)	(523.1)	–	(655.9)

(iii) Reconciliations of reportable segment assets and liabilities

	Note	**2026 US$ million**	2025 US$ million
Assets			
Reportable segment assets		**1,228.5**	1,247.7
Intangible assets	9	**13.3**	14.0
Goodwill	10	**36.1**	36.1
Interest in an associate	11	**1.4**	3.7
Investments	12	**1.9**	2.1
Taxation recoverable	13(a)	**4.1**	4.4
Deferred tax assets	13(b)	**13.6**	11.2
Consolidated total assets		**1,298.9**	1,319.2
Liabilities			
Reportable segment liabilities		**(622.7)**	(655.9)
Taxation payable	13(a)	**(25.8)**	(15.4)
Deferred tax liabilities	13(b)	**(3.1)**	(3.5)
Consolidated total liabilities		**(651.6)**	(674.8)

2 Profit Before Taxation

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

	Note	2026 US$ million	2025 US$ million
Staff related costs			
– salaries and wages		**353.6**	360.0
– pension costs: defined contribution schemes	20(a)	**27.9**	25.5
– expenses recognised in respect of defined benefit plans:			
(i) defined benefit retirement scheme	20(b)	**0.7**	0.7
(ii) long service payments	20(c)	**0.1**	–
– severance payments		**1.1**	6.1
– share-based payment expenses : Share Award Scheme	21(c)	**3.8**	3.7
– share-based payment expenses : Share Option Scheme	21(b)	**0.3**	0.4
		387.5	396.4
Cost of inventories	14(b)	**1,364.1**	1,490.4
Fair value loss / (gain) on investments measured at fair value through profit or loss *(notes (i)&(ii))*		**0.2**	(0.9)
Rental income *(note (i))*		**(0.6)**	(1.6)
Impairment of interest in an associate *(note (i))*		**2.1**	–
Depreciation of tangible assets	7	**31.6**	31.8
Depreciation of right-of-use assets	8	**22.6**	22.7
Amortisation of intangible assets	9	**0.7**	0.7
Auditors' remuneration			
– audit services		**0.8**	0.8
– audit related services		**0.1**	0.1
– tax services		**0.8**	0.8
Loss allowance for trade debtors	23(a)	**1.7**	2.7
Reversal of loss allowance for trade debtors	23(a)	**(1.0)**	(0.7)
Royalties		**17.4**	15.0
Interest on lease liabilities *(note (iii))*		**6.2**	7.1
Other interest income, net *(note (iii))*		**(2.2)**	(3.9)
Provision for defective goods returns	18	**10.4**	17.9
Net foreign exchange loss		**2.6**	1.1
Net gain on forward foreign exchange contracts			
– Net gain on cash flow hedging instruments reclassified from equity		**–**	(2.2)
– Net gain on forward foreign exchange contracts		**–**	(0.4)

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$0.2 million (2025: fair value gain of US$0.9 million) on the Investment relating to the shareholding in the listed entity was also recorded in the current year.

(iii) 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: Share Award Scheme US$ million	Share-based payment: Share Option Scheme *(note (x))* US$ million	Total US$ million
For the year ended 31 March 2026							
Executive Directors *(i)*							
Allan WONG Chi Yun *(ii & iii)*	**–**	**1.2**	**1.3**	**0.1**	**0.7**	**0.1**	**3.4**
PANG King Fai *(iii)*	**–**	**0.7**	**0.4**	**0.1**	**0.2**	**0.1**	**1.5**
Andy LEUNG Hon Kwong *(iii)*	**–**	**0.7**	**1.2**	**0.1**	**0.4**	**0.1**	**2.5**
Non-executive Director							
William WONG Yee Lai *(iv)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Independent Non-executive Directors							
William FUNG Kwok Lun *(v)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**
GAN Jie *(vi)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**
KO Ping Keung *(vii)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Patrick WANG Shui Chung *(viii)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**
WONG Kai Man *(ix)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	**2.6**	**2.9**	**0.3**	**1.3**	**0.3**	**7.4**
For the year ended 31 March 2025							
Executive Directors *(i)*							
Allan WONG Chi Yun *(ii & iii)*	–	1.2	1.6	0.1	0.7	0.1	3.7
PANG King Fai *(iii)*	–	0.6	0.5	0.1	0.2	0.1	1.5
Andy LEUNG Hon Kwong *(iii)*	–	0.7	1.5	0.1	0.3	0.1	2.7
Non-executive Director							
William WONG Yee Lai *(iv)*	–	–	–	–	–	–	–
Independent Non-executive Directors							
William FUNG Kwok Lun *(v)*	–	–	–	–	–	–	–
GAN Jie *(vi)*	–	–	–	–	–	–	–
KO Ping Keung *(vii)*	–	–	–	–	–	–	–
Patrick WANG Shui Chung *(viii)*	–	–	–	–	–	–	–
WONG Kai Man *(ix)*	–	–	–	–	–	–	–
	–	2.5	3.6	0.3	1.2	0.3	7.9

Notes:

(i) The Directors' fee paid to each executive Director, except for Dr. Allan WONG Chi Yun, was US$35,000 (2025: US$35,000) for the year ended 31 March 2026. The Directors' fee paid to Dr. Allan WONG Chi Yun was US$38,000 (2025: US$38,000) for the year ended 31 March 2026.

(ii) Included in the emoluments paid to Dr. Allan WONG Chi Yun, a housing benefit of HK$4,200,000 for the year ended 31 March 2026 (2025: HK$4,200,000), 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, is the founder and one of the beneficiaries.

(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 (2025: 100,000 shares), 30,000 shares (2025: 30,000 shares) and 50,000 shares (2025: 50,000 shares) were granted to Dr. Allan WONG Chi Yun, Dr. PANG King Fai and Mr. Andy LEUNG Hon Kwong respectively pursuant to the Share Award Scheme during the year.

(iv) The Directors' fee paid to Mr. William WONG Yee Lai was US$35,000 (2025: US$35,000) for the year ended 31 March 2026.

(v) The Directors' fee paid to Dr. William FUNG Kwok Lun was US$48,000 (2025: US$48,000) for the year ended 31 March 2026.

(vi) The Directors' fee paid to Professor GAN Jie was US$43,000 (2025: US$40,156) for the year ended 31 March 2026.

(vii) The Directors' fee paid to Professor KO Ping Keung was US$46,000 (2025: US$46,000) for the year ended 31 March 2026.

(viii) The Directors' fee paid to Dr. Patrick WANG Shui Chung was US$48,000 (2025: US$48,000) for the year ended 31 March 2026.

(ix) The Directors' fee paid to Mr. WONG Kai Man was US$51,000 (2025: US$51,000) for the year ended 31 March 2026.

(x) These include the estimated value of share options granted to the Directors under the Share Option Scheme. The value of these share options is measured according to the Group's Material 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 (2025: three) are Directors whose emoluments are set out above. The aggregate of the emoluments in respect of the other two (2025: two) individuals are as follows:

	2026 US$ million	2025 US$ million
Salaries, allowances and benefits in kind	**1.4**	1.2
Discretionary bonuses	**0.8**	1.1
Share-based payment: Share Award Scheme	**0.6**	0.4
Share-based payment: Share Option Scheme	**–**	0.1
	2.8	2.8

The emoluments fell within the following bands:

	2026 Individuals	2025 Individuals
US$		
961,001 – 1,025,000	**–**	1
1,158,001 – 1,223,000	**1**	–
1,609,001 – 1,673,000	**1**	–
1,673,001 – 1,737,000	**–**	1
	2	2

During the years ended 31 March 2026 and 31 March 2025, 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:

	2026 Individuals	2025 Individuals
US$		
193,001 – 257,000	**1**	1
257,001 – 322,000	**2**	1
386,001 – 450,000	**–**	1
515,001 – 579,000	**1**	–
579,001 – 644,000	**–**	1
644,001 – 708,000	**1**	–
708,001 – 772,000	**–**	1
772,001 – 837,000	**1**	1
837,001 – 901,000	**–**	1
901,001 – 965,000	**1**	–
965,001 – 1,030,000	**–**	1
1,030,001 – 1,094,000	**1**	–
	8	8

4 Taxation

	Note	**2026 US$ million**	2025 US$ million
Current tax			
– Hong Kong Profits Tax		**14.2**	15.3
– Pillar Two income taxes	4(d)	**8.0**	–
		22.2	15.3
– Overseas income taxes		**14.2**	15.6
(Over) / under-provision in respect of prior years			
– Hong Kong		**(0.8)**	(0.2)
– Overseas		**0.1**	(0.1)
Deferred tax			
– Origination and reversal of temporary differences	13(b)	**(3.0)**	(2.0)
		32.7	28.6
Current tax		**35.7**	30.6
Deferred tax		**(3.0)**	(2.0)
		32.7	28.6

(a) Hong Kong Profits Tax has been calculated at the rate of 16.5% (2025: 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 2026 was 19.6% (2025: 15.4%). The effective income tax rate is reconciled to the statutory domestic income tax rate as follows:

	2026 %	2025 %
Statutory domestic income tax rate	**16.5**	16.5
Difference in overseas income tax rates	**2.5**	2.1
Tax effect of non-temporary differences	**(4.2)**	(3.2)
Tax effect of Pillar Two income taxes	**4.8**	–
Effective income tax rate	**19.6**	15.4

(d) Pillar Two income taxes

The OECD / G20 Inclusive Framework on BEPS seeks to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment. GloBE rules represents the first substantial overhaul of international tax rules in almost a century. It sets forth mechanisms to ensure multi-national enterprises would pay a minimum level of tax with the rate of 15% on the income arising in each of the jurisdictions where they operate.

The Group has applied the temporary exception under IAS 12, *Income Taxes*, to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

5 Dividends

	Note	2026 US$ million	2025 US$ million
Interim dividend of US17.0 cents (2025: US17.0 cents) per share declared and paid	22(b)	**43.0**	43.0
Final dividend of US36.0 cents (2025: US44.0 cents) per share proposed after the end of the reporting period	21(d)	**91.3**	111.4

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 14 May 2025, the Directors proposed a final dividend of US44.0 cents per ordinary share for the year ended 31 March 2025, which was estimated to be US$111.4 million at the time calculated on the basis of the ordinary shares in issue as at 31 March 2025. The final dividend was approved by shareholders at the annual general meeting on 15 July 2025. The final dividend paid in respect of the year ended 31 March 2025 totaled US$111.4 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$134.1 million (2025: US$156.8 million).

The calculation of basic earnings per share is based on the weighted average of 253.1 million (2025: 252.6 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 2026 was based on 253.3 million ordinary shares (2025: 253.1 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

	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 2024	58.4	35.8	420.1	163.8	6.9	685.0
Additions	16.1	6.2	20.6	9.3	–	52.2
Disposals	–	(0.1)	(11.1)	(5.0)	–	(16.2)
Effect of changes in exchange rates	1.1	0.1	1.5	0.1	–	2.8
At 31 March 2025 and 1 April 2025	75.6	42.0	431.1	168.2	6.9	723.8
Additions	3.3	1.2	21.6	5.2	–	31.3
Disposals	–	(0.2)	(9.1)	(4.4)	–	(13.7)
Effect of changes in exchange rates	3.4	1.8	3.9	5.5	–	14.6
At 31 March 2026	**82.3**	**44.8**	**447.5**	**174.5**	**6.9**	**756.0**
Accumulated depreciation						
At 1 April 2024	42.0	22.8	389.7	154.7	6.9	616.1
Charge for the year	1.7	2.3	21.3	6.5	–	31.8
Written back on disposals	–	(0.1)	(10.9)	(4.8)	–	(15.8)
Effect of changes in exchange rates	0.1	0.1	1.0	0.2	–	1.4
At 31 March 2025 and 1 April 2025	43.8	25.1	401.1	156.6	6.9	633.5
Charge for the year	1.8	2.5	21.8	5.5	–	31.6
Written back on disposals	–	(0.2)	(8.8)	(4.1)	–	(13.1)
Effect of changes in exchange rates	0.9	1.2	2.7	4.8	–	9.6
At 31 March 2026	**46.5**	**28.6**	**416.8**	**162.8**	**6.9**	**661.6**
Net book value at 31 March 2026	**35.8**	**16.2**	**30.7**	**11.7**	**–**	**94.4**
Net book value at 31 March 2025	31.8	16.9	30.0	11.6	–	90.3

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 2024	18.7	39.7	58.4
Additions	16.1	–	16.1
Effect of changes in exchange rates	1.1	–	1.1
At 31 March 2025 and 1 April 2025	35.9	39.7	75.6
Additions	3.3	–	3.3
Effect of changes in exchange rates	2.8	0.6	3.4
At 31 March 2026	**42.0**	**40.3**	**82.3**
Accumulated depreciation			
At 1 April 2024	5.4	36.6	42.0
Charge for the year	0.9	0.8	1.7
Effect of changes in exchange rates	0.1	–	0.1
At 31 March 2025 and 1 April 2025	6.4	37.4	43.8
Charge for the year	1.1	0.7	1.8
Effect of changes in exchange rates	0.4	0.5	0.9
At 31 March 2026	**7.9**	**38.6**	**46.5**
Net book value at 31 March 2026	**34.1**	**1.7**	**35.8**
Net book value at 31 March 2025	29.5	2.3	31.8
Net book value of land and buildings at 31 March 2026 comprises:			
Hong Kong			
Medium-term leasehold land and buildings (less than 50 years but not less than 10 years)	**1.0**	**–**	**1.0**
Overseas			
Medium-term leasehold land and buildings	**33.1**	**–**	**33.1**
Short-term leasehold buildings	**–**	**1.7**	**1.7**

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 2024	4.1	237.1	241.2
Additions	–	4.0	4.0
Effect of changes in exchange rates	(0.1)	3.4	3.3
At 31 March 2025 and 1 April 2025	4.0	244.5	248.5
Additions	–	2.2	2.2
Effect of changes in exchange rates	0.2	2.9	3.1
At 31 March 2026	**4.2**	**249.6**	**253.8**
Accumulated depreciation			
At 1 April 2024	0.2	100.1	100.3
Charge for the year	–	22.7	22.7
Effect of changes in exchange rates	–	1.9	1.9
At 31 March 2025 and 1 April 2025	0.2	124.7	124.9
Charge for the year	–	22.6	22.6
Effect of changes in exchange rates	–	(1.7)	(1.7)
At 31 March 2026	**0.2**	**145.6**	**145.8**
Net book value at 31 March 2026	**4.0**	**104.0**	**108.0**
Net book value at 31 March 2025	3.8	119.8	123.6

Notes:

(i) Included in leasehold land held for own use is the amount of US$2.7 million (2025: US$2.6 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.

(iii) For the year ended 31 March 2026, additions to right-of-use assets include amount of US$2.2 million (2025: US$4.0 million) related to the capitalised lease payments payable under new tenancy agreements.

(iv) For the year ended 31 March 2026, expenses related to short-term leases amounted to US$13.1 million (2025: US$11.6 million).

9 Intangible Assets

	Brand US$ million	Technology US$ million	Total US$ million
Cost			
At 1 April 2024, 31 March 2025, 1 April 2025 and 31 March 2026	**20.0**	**1.1**	**21.1**
Accumulated amortisation			
At 1 April 2024	5.3	1.1	6.4
Charge for the year	0.7	–	0.7
At 31 March 2025 and 1 April 2025	6.0	1.1	7.1
Charge for the year	0.7	–	0.7
At 31 March 2026	**6.7**	**1.1**	**7.8**
Net book value at 31 March 2026	**13.3**	**–**	**13.3**
Net book value at 31 March 2025	14.0	–	14.0

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 2024, 31 March 2025, 1 April 2025 and 31 March 2026	**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 CGU identified as follows:

	2026 US$ million	2025 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% (2025: not more than 1%). The discount rate used of approximately 16.2% (2025: 16.2%) 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% (2025: not more than 1%). The discount rate used of approximately 17.1% (2025: 16.9%) 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% (2025: not more than 1%). The discount rate used of approximately 16.5% (2025: 16.8%) 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:

	2026 US$ million	2025 US$ million
The carrying amount of this associate company in the consolidated financial statements	**1.4**	3.7
The amount of the Group's share of the associate's		
Post-tax profit	**(0.2)**	(0.1)
Other comprehensive income	**–**	–
Total comprehensive income	**(0.2)**	(0.1)

12 Investments

At 31 March 2026, investments of US$1.9 million (2025: US$2.1 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

Current taxation in the consolidated statement of financial position represents:

	2026 US$ million	2025 US$ million
Provision for profits tax for the year	**(34.5)**	(30.9)
Provisional profits tax paid	**16.6**	22.9
	(17.9)	(8.0)
Balance of profits tax payable relating to prior years	**(3.8)**	(3.0)
	(21.7)	(11.0)
Represented by:		
Taxation recoverable *(note)*	**4.1**	4.4
Taxation payable *(note)*	**(25.8)**	(15.4)
	(21.7)	(11.0)

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)

(a) Current Taxation (Continued)

During the year ended 31 March 2026, the Inland Revenue Department of Hong Kong ("IRD") issued notices of additional assessment amounted to US$14.6 million for the year of assessment 2019/20 in connection with the tax treatment relating to contract processing arrangement in the PRC.

Having reviewed the merits of the additional tax assessments and taking into account legal advice received, the directors of the Company have determined to strongly contest the additional assessments raised by the IRD. The Group has lodged objections against these additional tax assessments and has applied to hold over the additional tax demanded. The IRD has agreed to the holdover of the additional tax demanded of US$14.6 million subject to the purchase of tax reserve certificates ("TRCs"). In aggregate, the Group has purchased TRCs totalling US$32.3 million. The purchase of TRCs do not prejudice the Group's tax position.

(b) Deferred Tax Assets / (Liabilities)

The components of deferred tax assets / (liabilities) and the movements for the years ended 31 March 2026 and 31 March 2025 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 2024		0.5	(1.8)	4.9	1.9	5.5
(Charged) / credited to consolidated statement of profit or loss	4	(0.1)	–	(0.1)	2.2	2.0
Credited to other comprehensive income		–	–	–	0.2	0.2
At 31 March 2025 and 1 April 2025		0.4	(1.8)	4.8	4.3	7.7
Credited to consolidated statement of profit or loss	4	–	–	0.1	2.9	3.0
Charged to other comprehensive income		–	–	–	(0.2)	(0.2)
At 31 March 2026		**0.4**	**(1.8)**	**4.9**	**7.0**	**10.5**

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:

	2026 US$ million	2025 US$ million
Deferred tax assets	**13.6**	11.2
Deferred tax liabilities	**(3.1)**	(3.5)
	10.5	7.7

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$5.5 million (2025: US$7.5 million) arising from unused tax losses sustained in the operations of certain subsidiaries of US$28.3 million (2025: US$37.9 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 2026.

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 ended prior to 1 January 2019 expire up to 20 years after the relevant accounting year end date in which they arose, depending on the relevant jurisdictions. The tax losses arising from 1 January 2019 do not expire under the current tax legislation.

14 Stocks

(a) Stocks in the consolidated statement of financial position comprise:

	2026 US$ million	2025 US$ million
Raw materials	**140.6**	133.1
Work in progress	**53.2**	50.7
Finished goods	**209.1**	177.0
	402.9	360.8

Stocks carried at net realisable value at 31 March 2026 amounted to US$15.5 million (2025: US$8.4 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:

	2026 US$ million	2025 US$ million
Carrying amount of stocks sold	**1,365.8**	1,487.3
Write-down of stocks	**8.2**	8.3
Reversal of write-down of stocks	**(9.9)**	(5.2)
	1,364.1	1,490.4

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	2026 US$ million	2025 US$ million
Trade debtors (Net of loss allowance of US$8.8 million (2025: US$8.4 million))	15(a)& 23(a)	**257.7**	267.8
Other debtors, deposits and prepayments		**92.6**	63.2
Financial assets measured at amortised cost		**350.3**	331.0
Forward foreign exchange contracts held as cash flow hedging instruments	23(b), (d)&(e)	**1.5**	0.2
		351.8	331.2

All of other debtors, deposits and prepayments apart from the amounts of US$6.6 million (comprised largely of rental deposits) (2025: US$6.1 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:

	2026 US$ million	2025 US$ million
0-30 days	**157.6**	161.8
31-60 days	**66.1**	78.7
61-90 days	**26.5**	21.5
>90 days	**7.5**	5.8
Total	**257.7**	267.8

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

	2026 US$ million	2025 US$ million
Short term bank deposits	**131.2**	192.0
Cash at bank and in hand	**132.8**	143.6
	264.0	335.6

Deposits and cash as at 31 March 2026 include US$18.2 million (2025: US$14.1 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	2026 US$ million	2025 US$ million
Trade creditors	17(a)& 23(d)	**230.7**	251.8
Contract liabilities	17(b)	**12.0**	5.7
Other creditors and accruals	17(c)& 23(d)	**224.1**	228.4
Forward foreign exchange contracts held as cash flow hedging instruments	23(b), (d)&(e)	**–**	0.2
		466.8	486.1

(a) Ageing Analysis

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

	2026 US$ million	2025 US$ million
0-30 days	**108.4**	95.1
31-60 days	**39.7**	52.4
61-90 days	**45.1**	43.1
>90 days	**37.5**	61.2
Total	**230.7**	251.8

17 Creditors and Accruals (Continued)

(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$5.7 million (2025: US$7.3 million) were recognised as revenue during the year ended 31 March 2026 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 2026, provisions of US$28.3 million (2025: US$27.1 million) include provision for defective goods returns of US$15.6 million (2025: US$15.4 million) and other liabilities of US$12.7 million (2025: US$11.7 million).

Movement of provision for defective goods returns is as follows:

	2026 US$ million	2025 US$ million
At 1 April	**15.4**	13.8
Additional provision charged to consolidated statement of profit or loss	**10.4**	17.9
Utilised during the year	**(10.2)**	(16.3)
At 31 March	**15.6**	15.4

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) The lease liabilities were repayable as follows:

	2026 US$ million	2025 US$ million
Within 1 year	**21.3**	15.6
After 1 year but within 2 years	**23.7**	24.1
After 2 years but within 5 years	**60.5**	65.3
After 5 years	**21.3**	37.1
	105.5	126.5
At 31 March	**126.8**	142.1

(b) Reconciliation of lease liabilities arising from financing activities:

	2026 US$ million	2025 US$ million
At 1 April	**142.1**	158.7
Changes from financing cash flows:		
– Capital element of lease rentals paid	**(23.0)**	(21.7)
Exchange adjustments	**5.5**	1.1
Other change:		
– Increase in lease liabilities from entering into new leases or reassessments during the year	**2.2**	4.0
At 31 March	**126.8**	142.1

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for lease rentals paid comprise the following:

	2026 US$ million	2025 US$ million
Within operating cash flows	**19.3**	18.7
Within financing cash flows	**23.0**	21.7
	42.3	40.4

20 Post-Employment Benefits

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. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment if the eligibility criteria are met.

The defined benefit retirement scheme and LSP are defined benefit plans. The analysis of the carrying amount of defined benefit plan obligations is as follows:

	Note	**2026 US$ million**	2025 US$ million
Net assets on defined benefit retirement scheme	20(b)	**7.4**	6.2
Long service payment liabilities	20(c)	**(0.8)**	(0.6)
		6.6	5.6

20 Post-Employment Benefits (Continued)

(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$26.9 million (2025: US$24.5 million) and US$1.0 million (2025: US$1.0 million) respectively.

(b) Defined Benefit Retirement Scheme

For the defined benefit retirement 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 2026 using the projected unit credit method.

(i) For the Scheme, the amounts recognised in the consolidated statement of financial position are as follows:

	2026 US$ million	2025 US$ million
Fair value of scheme assets	**28.9**	28.6
Present value of funded defined benefit retirement obligations	**(21.5)**	(22.4)
Net assets on defined benefit retirement scheme recognised in the consolidated statement of financial position	**7.4**	6.2

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 the Scheme in the year ending 31 March 2027.

(ii) Movement in fair value of scheme assets:

	2026 US$ million	2025 US$ million
At 1 April	**28.6**	30.5
Interest income on scheme assets	**0.8**	1.0
Return on scheme assets excluding interest income	**1.2**	–
Actual Group's contributions	**0.8**	0.8
Actual benefits paid	**(2.4)**	(3.7)
Administrative expenses paid from scheme assets	**(0.1)**	–
At 31 March	**28.9**	28.6

(iii) Movement in present value of defined benefit retirement obligations:

	2026 US$ million	2025 US$ million
At 1 April	**22.4**	24.2
Actuarial gains arising from changes in liability experience	**(0.1)**	(0.1)
Actuarial losses arising from changes in financial assumptions	**0.2**	0.3
Interest cost	**0.6**	0.8
Current service cost	**0.8**	0.9
Actual benefits paid	**(2.4)**	(3.7)
At 31 March	**21.5**	22.4

The weighted average duration of the defined benefit obligations is 3.1 years (2025: 3.0 years).

(iv) The amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	Note	2026 US$ million	2025 US$ million
Current service cost		**0.8**	0.9
Net interest income on net defined benefit asset		**(0.2)**	(0.2)
Administrative expenses paid from scheme assets		**0.1**	–
Amounts recognised in profit or loss	2	**0.7**	0.7
Actuarial losses		**0.1**	0.2
Return on scheme assets excluding interest income		**(1.2)**	–
Amounts recognised in other comprehensive income		**(1.1)**	0.2
Total defined benefit retirement (income) / expense		**(0.4)**	0.9

(v) Scheme assets consist of the following:

	2026 US$ million	2025 US$ million
Equity securities:		
– Financial institutions	**1.2**	1.9
– Non-financial institutions	**6.5**	5.7
	7.7	7.6
Bonds:		
– Government	**11.6**	10.3
– Non-government	**9.2**	9.6
	20.8	19.9
Cash and others	**0.4**	1.1
	28.9	28.6

20 Post-Employment Benefits (Continued)

(b) Defined Benefit Retirement Scheme (Continued)

(vi) The significant actuarial assumptions used as at 31 March 2026 (expressed as weighted average) and sensitivity analysis are as follows:

	2026	2025
Discount rate	2.3%	3.0%
Future salary increases	2.5%	3.0%

The below analysis shows how the net assets on defined benefit scheme as at 31 March 2026 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	0.2	(0.2)
Future salary increases	(0.1)	0.1

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.

(c) Long Service Payment Liabilities

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at HK$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme (see note 20(a)) or Defined benefit retirement plans (see note 20(b)), with an overall cap of HK$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

Starting from 1 May 2025 (the "Transition Date"), the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "2022 Amendment Ordinance") came into effect, which abolishes the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. Separately, a 25-year scheme to provide a subsidy ("Subsidy") for employers' costs in relation to the post-transition portion of the LSP has been implemented with effect on 1 May 2025.

The group was not entitled to any Subsidy during the year ended 31 March 2026.

Among other things, upon the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; 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.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in note (V)(ii).

The Group has determined that the 2022 Amendment Ordinance primarily impacts the Group's LSP liability with respect to Hong Kong employees that do not participate in the Group's defined benefit retirement plan. The 2022 Amendment Ordinance has no material impact on the Group's LSP liability with respect to employees that participate in the Group's defined benefit retirement plan.

The present value of unfunded obligations and its movements are as follows:

	2026 US$ million	2025 US$ million
At 1 April	(0.6)	(0.6)
Expenses recognised in profit or loss	(0.1)	–
Actuarial losses recognised in other comprehensive income	(0.1)	–
At 31 March	(0.8)	(0.6)

The weighted average duration of the long service payment liabilities is 7.5 years (2025: 8.1 years).

The significant actuarial assumptions used as at 31 March 2026 (expressed as weighted average) and sensitivity analysis are as follows:

	2026	2025
Discount rate	2.8%	3.3%
Future salary increases	2.5%	3.0%

The below analysis shows how the long service payment liabilities as at 31 March 2026 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	–	–
Future salary increases	–	–

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 Option Scheme and Share Award Scheme

(a) Share Capital

	2026 US$ million	2025 US$ million
Authorised		
Ordinary shares: 400,000,000 (31 March 2025: 400,000,000) of US$0.05 each	**20.0**	20.0

	2026		2025	
	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	**253,109,133**	**12.7**	252,882,466	12.6
Exercise of share options under the Share Option Scheme	**448,333**	**–**	226,667	0.1
As at 31 March	**253,557,466**	**12.7**	253,109,133	12.7

(b) Share Option Scheme

On 19 July 2023 (the "Adoption Date"), the Company adopted a share option scheme (the "2023 Share Option Scheme") which complies with the requirements under Chapter 17 of the Listing Rules. Following which, the Company's then existing share option scheme adopted in July 2021 (the "2021 Share Option Scheme") has been suspended. While no further share options may be granted pursuant to the 2021 Share Option Scheme, any outstanding share options granted thereunder remain valid and are subject to the provisions thereof. For the purpose of this note, references to the Share Option Scheme refer to the 2021 Share Option Scheme and/or 2023 Share Option Scheme, as the context requires.

A summary of the Share Option Scheme is set out below:

(i) Purpose

The purposes of the Share Option Scheme are (i) to attract potential employees; (ii) to motivate and retain the employees and directors of any members (from time to time) of the Group to support the Group's long term development; and (iii) to 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.

(ii) Participants

The participants under the Share Option Scheme are the Directors and the employees of any members of the Group.

21 Share Capital, Share Option Scheme and Share Award Scheme (Continued)

(b) Share Option Scheme (Continued)

(iii) Number of Shares Available for Issue

The total number of share options and share awards available for grant under the scheme mandates of the Share Option Scheme and the Share Award Scheme (as defined below) as at 1 April 2025 and 31 March 2026 was 23,346,579 shares and 23,396,579 shares respectively.

As at the date of this Annual Report, the total number of shares available for issue under the Share Option Scheme and the Share Award Scheme is 24,613,246 shares, representing 9.71% of the total issued shares of the Company.

(iv) Maximum Entitlement of Each Participant

No participant may receive more than 1% of the total number of shares of the Company in issue in respect of all share options and share awards to be granted under the Share Option Scheme and any other share scheme(s) in any 12-month period ending on the date of the grant (the "1% Individual Limit"). This limit excludes any share options or share awards that have lapsed in that period.

(v) Exercise Period and Vesting Period

The period within which a share option may be exercised will be determined by the Board at its absolute discretion but no share option may be exercised later than ten years from the date of its grant.

Under the 2023 Share Option Scheme, subject to the Board (including the Remuneration Committee) exercising its discretion to shorten the vesting period, all share options granted will be subject to a minimum vesting period of 12 months.

(vi) Payment on Acceptance of Share Option

An offer for the grant of a share option under the Share Option Scheme is open for acceptance by the grantee within 30 days from the date of offer. Upon acceptance, the grantee is required to pay a sum of HK$1.00 (or its equivalent) (or such other reasonable amount as determined by the Board) as consideration for the grant within the said 30-day period.

(vii) Exercise Price

The exercise price of the share option under the Share Option Scheme shall be such price as determined by the Board at its absolute discretion and shall be no less than the highest of:

(1) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(3) the nominal value of a share on the date of grant.

(viii) Scheme Life

The 2023 Share Option Scheme has a life of ten years from the Adoption Date and shall expire on 18 July 2033.

21 Share Capital, Share Option Scheme and Share Award Scheme (Continued)

(b) Share Option Scheme (Continued)

The movements in relation to the share options granted under the Share Option Scheme during the year ended 31 March 2026 are as follows:

Name/category of grantees	Date of grant (Note ii)	Exercise price per share (HK$)	Fair value per share as at the date of grant (HK$)	Exercise period (Notes iii & iv)	Number of share options: Balance as at 1 April 2025 (Note v)	Granted	Exercised/ Cancelled/ Lapsed (Notes vi, vii, viii & ix)	Balance as at 31 March 2026
Directors								
Allan WONG Chi Yun *(Note x)*	28 August 2024	50.05	4.13	1 September 2025 to 31 August 2028	83,333	–	(83,333)	**–**
	28 August 2024	50.05	4.03	1 September 2026 to 31 August 2029	83,333	–	–	**83,333**
	28 August 2024	50.05	3.82	1 September 2027 to 31 August 2030	83,334	–	–	**83,334**
PANG King Fai	14 March 2022	54.00	7.04	31 March 2024 to 30 March 2026	60,000	–	(60,000)	**–**
	28 August 2024	50.05	4.13	1 September 2025 to 31 August 2028	90,000	–	–	**90,000**
	28 August 2024	50.05	4.03	1 September 2026 to 31 August 2029	90,000	–	–	**90,000**
	28 August 2024	50.05	3.82	1 September 2027 to 31 August 2030	90,000	–	–	**90,000**
Andy LEUNG Hon Kwong	14 March 2022	54.00	7.04	31 March 2024 to 30 March 2026	100,000	–	(100,000)	**–**
	28 August 2024	50.05	4.13	1 September 2025 to 31 August 2028	150,000	–	–	**150,000**
	28 August 2024	50.05	4.03	1 September 2026 to 31 August 2029	150,000	–	–	**150,000**
	28 August 2024	50.05	3.82	1 September 2027 to 31 August 2030	150,000	–	–	**150,000**
Five highest paid individual	14 March 2022	54.00	7.04	31 March 2024 to 30 March 2026	40,000	–	(40,000)	**–**
	28 August 2024	50.05	4.13	1 September 2025 to 31 August 2028	90,000	–	(90,000)	**–**
	28 August 2024	50.05	4.03	1 September 2026 to 31 August 2029	90,000	–	–	**90,000**
	28 August 2024	50.05	3.82	1 September 2027 to 31 August 2030	90,000	–	–	**90,000**
Other employee	14 March 2022	54.00	7.04	31 March 2024 to 30 March 2026	50,000	–	(50,000)	**–**
	28 August 2024	50.05	4.13	1 September 2025 to 31 August 2028	75,000	–	(75,000)	**–**
	28 August 2024	50.05	4.03	1 September 2026 to 31 August 2029	75,000	–	–	**75,000**
	28 August 2024	50.05	3.82	1 September 2027 to 31 August 2030	75,000	–	–	**75,000**
					1,715,000	**–**	**(498,333)**	**1,216,667**

Notes:

(i) No share options were granted under the Share Option Scheme in excess of the 1% Individual Limit.

(ii) The closing price of the shares immediately before the date on which the share options were granted on 14 March 2022 and 28 August 2024 was HK$52.80 and HK$49.65 respectively.

(iii) The vesting period of the share options runs from the date of grant until the commencement of the relevant exercise period.

(iv) The share options granted pursuant to the 2021 Share Option Scheme on 14 March 2022 were not subject to any performance targets.

(v) 1,465,000 share options were granted on 28 August 2024. Such 1,465,000 share options granted on 28 August 2024 were not subject to the achievement of any performance targets or clawback mechanisms. Having considered that (i) the grantees are either Directors or employees of the Group who will contribute directly to the overall business performance, sustainable development and/or good corporate governance of the Group; and (ii) the share options are subject to certain vesting conditions and terms of the Share Option Scheme, which already covers situations where the share options will lapse in the event that the grantees cease to be Directors or employees of the Group, the Remuneration Committee and the Board believe that even without additional performance target or clawback mechanism, the grant of the share options would align the interests of the grantees with that of the Group and the shareholders of the Company, provide incentives to the grantees to devote to the future continuous competitiveness, results of operation and growth of the Group, and reinforce the grantees' long term commitment to the Group, which is in line with the purpose of the Share Option Scheme in providing a flexible means of giving incentive to and rewarding eligible participants of the Share Option Scheme.

(vi) During the year ended 31 March 2026, 448,333 share options (2025: 226,667 share options) were exercised.

(vii) The weighted average closing price of the shares immediately before the dates on which the share options were exercised was HK$62.76.

(viii) During the years ended 31 March 2026 and 31 March 2025, no share options were cancelled.

(ix) During the year ended 31 March 2026, 50,000 share options (2025:210,000) lapsed.

(x) 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 Option Scheme and Share Award Scheme (Continued)

(b) Share Option Scheme (Continued)

The movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2026		2025	
	Weighted average exercise price	**Number of share options**	Weighted average exercise price	Number of share options
Outstanding at the beginning of the year	**HK$50.63**	**1,715,000**	HK$53.92	686,667
Granted during the year	**–**	**–**	HK$50.05	1,465,000
Exercised during the year	**HK$51.81**	**(448,333)**	HK$53.75	(226,667)
Lapsed during the year	**HK$54.00**	**(50,000)**	HK$54.00	(210,000)
Outstanding at the end of the year	**HK$50.05**	**1,216,667**	HK$50.63	1,715,000
Exercisable at the end of the year	**HK$50.05**	**240,000**	HK$54.00	250,000

The share options outstanding as at 31 March 2026 had a weighted average remaining contractual life of 3.63 years (31 March 2025: 3.93 years).

The total number of shares that may be issued in respect of the share options and share awards granted under all share schemes of the Company during the year ended 31 March 2026 divided by the weighted average number of shares in issue for the year was 0.21%.

Value of share options

The fair values of the 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 such as the expected volatility and expected dividend yield used in computing the fair value of the share options are based on the management's best estimates taking into account factors set out in notes (i) and (ii) under the table in the section headed "Fair value of share options and assumptions" below. 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	**28 August 2024**	**28 August 2024**	**28 August 2024**
Exercise period	31 March 2024 to 30 March 2026	1 September 2025 to 31 August 2028	1 September 2026 to 31 August 2029	1 September 2027 to 31 August 2030
Fair value of each share option as of the date of grant	HK$7.04	HK$4.13	HK$4.03	HK$3.82
Closing share price at the date of grant	HK$54.00	HK$49.20	HK$49.20	HK$49.20
Exercise price	HK$54.00	HK$50.05	HK$50.05	HK$50.05
Expected volatility *(note i)*	35.33%	28.32%	28.32%	28.32%
Annual risk-free interest rate (based on Hong Kong government bonds)	2.95%	2.24%	2.24%	2.24%
Expected average life of share options	3.1 years	2.5 years	3.5 years	4.5 years
Expected dividend yield *(note ii)*	9.35%	10.09%	10.09%	10.09%

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.

For details of the accounting standard and policy adopted for the share options granted under the Share Option Scheme, please refer to note (V) (iii) under Material Accounting Policies to the Notes to the Consolidated Financial Statements of this Annual Report.

During the year ended 31 March 2026, share-based payment expenses of US$0.3 million (2025: US$0.4 million) in respect of the Share Option Scheme were charged to the consolidated statement of profit or loss.

During the year ended 31 March 2025, 1,465,000 share options were granted on 28 August 2024. The aggregate fair value on the date of grant on 28 August 2024 of all outstanding share options granted under the Share Option Scheme to the Directors and to the five highest paid individuals was US$0.5 million and US$0.1 million respectively.

21 Share Capital, Share Option Scheme and Share Award Scheme (Continued)

(c) Share Award Scheme

On the Adoption Date, the Company also adopted a share award scheme (the "Share Award Scheme") which complies with the requirements under Chapter 17 of the Listing Rules.

The Share Award Scheme is a share scheme involving the grant of shares and is funded by both existing shares and new shares of the Company.

The Company established a French subplan (the "French Subplan") which is applicable to the selected employees who are French residents or who are or may become subject to French tax as a result of share awards granted under the Share Award Scheme. The French Subplan is also funded by both new shares and existing shares of the Company.

A summary of the Share Award Scheme is set out below:

(i) Purpose

The purposes of the Share Award Scheme are (i) to attract potential employees; (ii) to motivate and retain the employees to support the Group's long term development; and (iii) to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the employees for their contributions and/or potential contributions to the Group.

(ii) Participants

The participants under the Share Award Scheme are the Directors and the employees of any members of the Group.

(iii) Number of Shares Available for Issue

The total number of share awards and share options available for grant under the scheme mandates of the Share Award Scheme and the Share Option Scheme as at 1 April 2025 and 31 March 2026 was 23,346,579 shares and 23,396,579 shares respectively.

As at the date of this Annual Report, the total number of shares available for issue under the Share Award Scheme and the Share Option Scheme is 24,613,246 shares, representing 9.71% of the total issued shares of the Company.

(iv) Maximum Entitlement of Each Participant

No participant may receive more than 1% of the total number of shares of the Company in issue in respect of all share awards and share options to be granted under the Share Award Scheme and any other share scheme(s) in any 12-month period ending on the date of the grant (the "1% Individual Limit"). This limit excludes any share options or share awards that have lapsed in that period.

(v) Vesting Period

Under the Share Award Scheme, subject to the Board (including the Remuneration Committee) exercising its discretion to shorten the period, all share awards granted will be subject to a minimum period of 12 months before the share awards may be vested where the share awards only involve the grant of new shares and do not involve existing shares.

(vi) Payment on Acceptance of Awarded Shares

No payment is required to be made by the participants upon acceptance of an award or upon the vesting of any awarded shares under the Share Award Scheme.

(vii) Scheme Life

The Share Award Scheme has a life of ten years from the Adoption Date and shall expire on 18 July 2033.

During the year ended 31 March 2026, the trustee of the Share Award Scheme purchased 470,000 shares (2025: 522,700 shares) on the Stock Exchange to fund the share awards under the Share Award Scheme for a total purchase price of approximately US$3.4 million (2025: US$3.7 million). Further, no new shares (2025: nil) were issued to the trustee under the scheme mandate of the Company to fund the share awards under the Share Award Scheme.

21 Share Capital, Share Option Scheme and Share Award Scheme (Continued)

(c) Share Award Scheme (Continued)

Details of the awarded shares (including the shares awarded pursuant to the French Subplan) under the Share Award Scheme during the year ended 31 March 2026 are as follows:

Name/category of grantees	Date of award	Closing price of the shares immediately before the date of award (HK$)	Fair value per share as at the date of award (HK$) *(Note i)*	Number of share awards: Balance as at 1 April 2025	Granted *(Notes ii & iii)*	Vested *(Notes iv, v &vi)*	Cancelled/ Lapsed *(Notes vii)*	Balance as at 31 March 2026	Period during which share awards may be vested *(Note v)*
Directors									
Allan WONG Chi Yun *(Note viii)*	18 December 2024	50.65	51.00	100,000 *(Note iv)*	–	(100,000)	–	**–**	15 May 2025 to 21 May 2025
	18 December 2025	61.35	61.30	–	100,000 *(Note iv)*	–	–	**100,000**	22 May 2026 to 28 May 2026
PANG King Fai	18 December 2024	50.65	51.00	30,000 *(Note iv)*	–	(30,000)	–	**–**	15 May 2025 to 21 May 2025
	18 December 2025	61.35	61.30	–	30,000 *(Note iv)*	–	–	**30,000**	22 May 2026 to 28 May 2026
Andy LEUNG Hon Kwong	18 December 2024	50.65	51.00	50,000 *(Note iv)*	–	(50,000)	–	**–**	15 May 2025 to 21 May 2025
	18 December 2025	61.35	61.30	–	50,000 *(Note iv)*	–	–	**50,000**	22 May 2026 to 28 May 2026
Five highest paid individuals	18 July 2024	55.75	55.20	32,400 *(Note ix)*	–	(32,400)	–	**–**	18 July 2025 to 24 July 2025
	18 December 2024	50.65	51.00	30,000 *(Note iv)*	–	(30,000)	–	**–**	15 May 2025 to 21 May 2025
	22 July 2025	56.60	55.50	–	40,200 *(Note x)*	–	–	**40,200**	22 July 2026 to 28 July 2026
	18 December 2025	61.35	61.30	–	30,000 *(Note iv)*	–	–	**30,000**	22 May 2026 to 28 May 2026
Other employees	18 July 2024	55.75	55.20	6,900 *(Note ix)*	–	(6,900)	–	**–**	18 July 2025 to 24 July 2025
	18 December 2024	50.65	51.00	44,000 *(Note iv)*	–	(44,000)	–	**–**	15 May 2025 to 21 May 2025
	20 June 2025	55.20	55.50	–	194,700	(194,700)	–	**–**	20 June 2025 to 26 July 2025
	18 July 2025	55.20	55.15	–	33,300	(33,300)	–	**–**	18 July 2025 to 24 July 2025
	22 July 2025	56.60	55.50	–	7,400 *(Note x)*	–	–	**7,400**	22 July 2026 to 28 July 2026
	18 December 2025	61.35	61.30	–	44,000 *(Note iv)*	–	–	**44,000**	22 May 2026 to 28 May 2026
				293,300	**529,600**	**(521,300)**	**–**	**301,600**	

Notes:

(i) The fair value at the date of grant was determined based on the closing price of the shares on the date of the award. The expected dividends during the year pending the vesting of the share awards were also taken into account when assessing the fair value of these awarded shares.

(ii) During the year ended 31 March 2026, 529,600 awarded shares with a total fair value of US$3.8 million were granted to certain executive directors, senior management and employees, and the vesting of the awarded shares granted are based on the financial performance of the Group or the financial performance of the business for which the relevant grantee was responsible for the respective year.

(iii) These awarded shares were purchased on the Stock Exchange by the trustee of the Share Award Scheme of the Company.

21 Share Capital, Share Option Scheme and Share Award Scheme (Continued)

(c) Share Award Scheme (Continued)

Notes: (Continued)

(iv) (a) 180,000 awarded shares (18 December 2024: 180,000 awarded shares) and 74,000 awarded shares (18 December 2024: 74,000 awarded shares) were granted to Executive Directors and certain senior management on 18 December 2025 and such awarded shares will be vested on 22 May 2026 upon the achievement of certain performance targets for the year ended 31 March 2026. These awarded shares were purchased on the Stock Exchange by the trustee of the Share Award Scheme of the Company.

(b) The performance targets for the vesting of the awarded shares granted for the year ended 31 March 2026 relate to the financial performance of the Group or the financial performance of the business for which the relevant grantee was responsible for the respective year.

(v) The vesting period of the share awards runs from the date of grant until the commencement of the period during which the relevant share awards may be vested.

(vi) The weighted average closing price of the shares immediately before the various dates on which the awarded shares were vested for the year ended 31 March 2026 was HK$54.09.

(vii) During the years ended 31 March 2026 and 31 March 2025, no awarded shares were cancelled or lapsed.

(viii) Dr. Allan WONG Chi Yun is an Executive Director, the Chairman, the Group Chief Executive Officer, and a substantial shareholder of the Company.

(ix) These awarded shares were granted under the French Subplan during the year ended 31 March 2025.

(x) These awarded shares were granted under the French Subplan during the year ended 31 March 2026.

(xi) During the years ended 31 March 2026 and 31 March 2025, no awarded shares were granted to the Non-executive Directors.

(xii) No grants of awarded shares under the Share Award Scheme were in excess of the 1% Individual Limit.

(xiii) No payment is required to be made by the participants for the awarded shares.

For details of the accounting standard and policy adopted for the share awards granted under the Share Award Scheme, please refer to note (V) (iii) under Material Accounting Policies in the Notes to the Consolidated Financial Statements of this Annual Report.

The total number of shares that may be issued in respect of the share awards and share options granted under all share schemes of the Company during the year ended 31 March 2026 divided by the weighted average number of shares in issue for the year was 0.21%.

As at 31 March 2026, a total of 263,100 shares (31 March 2025: 314,400 shares) were held in trust by the trustee under the Share Award Scheme of which 47,600 shares (31 March 2025: 39,300 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. Dividends derived from the shares held under the said trust will be reinvested to acquire further shares.

During the year ended 31 March 2026, share-based payment expenses of US$3.8 million (31 March 2025: US$3.7 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 2026 and 31 March 2025. 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 2026 and 31 March 2025 is as follows:

	Note	**2026 US$ million**	2025 US$ million
Total equity		**647.3**	644.4
Less: Proposed dividends	5	**(91.3)**	(111.4)
		556.0	533.0

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 2026 and 31 March 2025 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 Award Scheme US$ million	Exchange reserve US$ million	Capital reserve US$ million	Revenue reserve US$ million	Total equity US$ million
At 1 April 2024		12.6	164.4	(0.1)	(1.0)	0.6	208.4	384.9
Changes in equity for the year ended 31 March 2025								
Comprehensive income								
Profit for the year		–	–	–	–	–	151.9	151.9
Total comprehensive income for the year		–	–	–	–	–	151.9	151.9
Final dividend in respect of the previous year		–	–	–	–	–	(121.5)	(121.5)
Interim dividend in respect of the current year	5	–	–	–	–	–	(43.0)	(43.0)
Equity-settled share based payments: Share Option Scheme	21(b)	–	–	–	–	0.4	–	0.4
Shares options lapsed during the year	21(b)	–	–	–	–	(0.2)	0.2	–
Shares issued under Share Option Scheme		0.1	1.5	–	–	–	–	1.6
Shares purchased for Share Award Scheme	21(c)	–	–	(3.7)	–	–	–	(3.7)
Vesting of shares of Share Award Scheme	21(c)	–	–	3.7	–	–	–	3.7
At 31 March 2025 and 1 April 2025		12.7	165.9	(0.1)	(1.0)	0.8	196.0	374.3
Changes in equity for the year ended 31 March 2026								
Comprehensive income								
Profit for the year		–	–	–	–	–	106.3	106.3
Total comprehensive income for the year		–	–	–	–	–	106.3	106.3
Final dividend in respect of the previous year	5	–	–	–	–	–	(111.4)	(111.4)
Interim dividend in respect of the current year	5	–	–	–	–	–	(43.0)	(43.0)
Equity-settled share based payments: Share Option Scheme	21(b)	–	–	–	–	0.3	–	0.3
Equity-settled share based payments: Share Award Scheme	21(c)	–	–	1.9	–	1.9	–	3.8
Shares options lapsed during the year	21(b)	–	–	–	–	(0.1)	0.1	–
Shares issued under Share Option Scheme		–	3.0	–	–	–	–	3.0
Shares purchased for Share Award Scheme	21(c)	–	–	(3.4)	–	–	–	(3.4)
At 31 March 2026		**12.7**	**168.9**	**(1.6)**	**(1.0)**	**2.9**	**148.0**	**329.9**

Reserves of the Company available for distribution to shareholders amounted to US$148.0 million (2025: US$196.0 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, 16.5% (2025: 13.8%) and 37.4% (2025: 40.0%) 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 2026 and 31 March 2025:

	2026		
	Expected loss rate %	**Gross carrying amount US$ million**	**Loss allowance US$ million**
Current (not past due)	**0.1%**	**244.5**	**(0.2)**
1-30 days past due	**11.4%**	**14.9**	**(1.7)**
31-60 days past due	**90.9%**	**2.2**	**(2.0)**
61-90 days past due	**100.0%**	**0.5**	**(0.5)**
More than 90 days past due	**100.0%**	**4.4**	**(4.4)**
	3.3%	**266.5**	**(8.8)**

	2025		
	Expected loss rate %	Gross carrying amount US$ million	Loss allowance US$ million
Current (not past due)	0.1%	256.8	(0.1)
1-30 days past due	9.2%	12.0	(1.1)
31-60 days past due	89.5%	1.9	(1.7)
61-90 days past due	100.0%	1.0	(1.0)
More than 90 days past due	100.0%	4.5	(4.5)
	3.0%	276.2	(8.4)

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 2026, the overall expected loss rate was 3.3% (2025: 3.0%) 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:

	2026 US$ million	2025 US$ million
At 1 April	**8.4**	6.5
Amounts written off	**(0.4)**	(0.1)
Loss allowance recognised	**1.7**	2.7
Reversal of loss allowance	**(1.0)**	(0.7)
Effect of changes in exchange rates	**0.1**	–
At 31 March	**8.8**	8.4

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 2026, the notional principal amounts of these outstanding forward foreign exchange contracts were US$49.0 million (2025: US$86.1 million) with net positive fair value of US$1.5 million (2025: net negative fair value of US$0.1 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 2026 and 2025, the Group does not have any outstanding forward foreign exchange contracts for this purpose.

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 2026 and 2025, 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:

	2026		2025	
	Foreign currency million	**US$ million**	Foreign currency million	US$ million
Notional amount				
– Sell GBP	**7.5**	**10.1**	12.5	16.1
– Sell EUR	**32.4**	**38.9**	63.6	70.0

	2026 US$ million	2025 US$ million
Carrying amount *(note)*		
– Asset	**1.5**	0.2
– Liability	**–**	(0.2)

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 of less than one year from the reporting date and have an average exchange rate between the respective foreign currencies and USD as follows:

	2026	2025
GBP to USD	**1.35020**	1.28600
EUR to USD	**1.20000**	1.10020

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:

	2026 US$ million	2025 US$ million
Balance at 1 April	–	2.0
Effective portion of the cash flow hedge recognised in other comprehensive income	1.4	(2.2)
Related tax	(0.1)	0.2
Balance at 31 March	**1.3**	–
Change in fair value of the derivative instruments during the year	1.4	(1.8)
Hedging ineffectiveness recognised in profit or loss	–	(0.4)
Effective portion of the cash flow hedge recognised in other comprehensive income	**1.4**	(2.2)

(ii) Sensitivity analysis

A sensitivity analysis was performed at 31 March 2026 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 2026 and 31 March 2025.

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 2025.

(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

	2026		2025	
	Effective interest rate	US$ million	Effective interest rate	US$ million
Variable rate	0.94%	132.8	1.28%	143.6
Fixed rate	3.22%	131.2	4.08%	192.0

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$0.4 million and US$0.3 million for the years ended 31 March 2026 and 31 March 2025 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 2025.

(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:

	Note	Carrying amount US$ million	Contractual undiscounted cash flows 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 2026							
Trade creditors	17	**230.7**	**230.7**	**230.7**	**–**	**–**	**–**
Other creditors and accruals	17	**224.1**	**224.1**	**224.1**	**–**	**–**	**–**
Lease liabilities	19(a)	**126.8**	**145.3**	**28.8**	**26.7**	**66.4**	**23.4**
Derivatives settled gross:							
Forward foreign exchange contracts – cash flow hedge	23(b)(i)						
– outflow			**47.5**	**47.5**	**–**	**–**	**–**
– inflow			**(49.0)**	**(49.0)**	**–**	**–**	**–**
At 31 March 2025							
Trade creditors	17	251.8	251.8	251.8	–	–	–
Other creditors and accruals	17	228.4	228.4	228.4	–	–	–
Lease liabilities	19(a)	142.1	167.3	25.7	24.7	65.6	51.3
Derivatives settled gross:							
Forward foreign exchange contracts – cash flow hedge	23(b)(i)						
– outflow			86.1	86.1	–	–	–
– inflow			(86.1)	(86.1)	–	–	–

(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 2026				
Assets:				
Forward foreign exchange contracts	**1.5**	**–**	**1.5**	**–**
Investments	**1.9**	**–**	**–**	**1.9**
Liabilities:				
Forward foreign exchange contracts	**–**	**–**	**–**	**–**
At 31 March 2025				
Assets:				
Forward foreign exchange contracts	0.2	–	0.2	–
Investments	2.1	–	–	2.1
Liabilities:				
Forward foreign exchange contracts	(0.2)	–	(0.2)	–

During the years ended 31 March 2026 and 31 March 2025, 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 2026 and 31 March 2025, the fair value of investment is determined using net asset value and adjusted for the marketability discount.

As at 31 March 2026, it is estimated that with other variables held constant, an increase/decrease of 5% (2025: 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	
		2026 US$ million	2025 US$ million
Fair value of the Business Net Assets	5%	**0.1**	0.1
	(5%)	**(0.1)**	(0.1)
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:

	2026 US$ million	2025 US$ million
Investments:		
At 1 April	**2.1**	1.2
Fair value (loss) / gain	**(0.2)**	0.9
At 31 March	**1.9**	2.1

24 Commitments

(a) Capital Commitments for Property, Plant and Equipment

	2026 US$ million	2025 US$ million
Authorised but not contracted for	**43.0**	35.9
Contracted but not provided for	**3.7**	6.1
	46.7	42.0

(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 2026 amounted to US$3.5 million (2025: US$2.0 million), of which US$2.7 million is payable in the financial year ending 31 March 2027 and the remaining US$0.8 million is payable before the financial year ending 31 March 2031.

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 2026, 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 (2025: US$329.1 million). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was nil.

As at 31 March 2026, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees given by the Company.

26 Company-level Statement of Financial Position

	Note	2026 US$ million	2025 US$ million
Non-current asset			
Investments in subsidiaries	26(a)	**227.5**	227.5
Current assets			
Amounts due from subsidiaries		**312.3**	319.2
Deposits and cash		**1.4**	1.2
		313.7	320.4
Current liabilities			
Amounts due to subsidiaries		**(209.4)**	(171.7)
Creditors and accruals		**(1.9)**	(1.9)
		(211.3)	(173.6)
Net current assets		**102.4**	146.8
Net assets		**329.9**	374.3
Capital and reserves			
Share capital	21(a)	**12.7**	12.7
Reserves	22(b)	**317.2**	361.6
Total equity		**329.9**	374.3

Approved and authorised for issue by the Board of Directors on 21 May 2026.

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 2026 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:			
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 Communications Limited	1,000 ordinary shares 5,000,000 deferred shares	*100	Design, manufacture and sale of electronic products
VTech Communications (Overseas) Limited	30,000 ordinary shares	*100	Manufacture and sale of consumer electronic products
VTech Electronics Limited	5,000,000 ordinary shares	*100	Design, manufacture and distribution of electronic products
VTech Finance Limited	1,000,000 ordinary shares	*100	Provision of group financing services
VTech Telecommunications Limited	1,000 ordinary shares 5,000,000 deferred shares	*100	Design, manufacture and distribution of telecommunication products
VTech Telecommunications (Overseas) Limited	2 ordinary shares	*100	Group procurement services
Incorporated / established and operating in Australia:			
VTech Electronics (Australia) Pty Limited	AUD1	*100	Sale of electronic products
VTech Telecommunications (Australia) Pty Limited	AUD1	*100	Sale of telecommunication 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:			
Gigaset Technologies GmbH	EUR25,000	*100	Design, manufacture and distribution of telecommunication products
Snom Technology GmbH	EUR144,578	*100	Design, manufacture and distribution of telecommunication products
VTech Electronics Europe GmbH	EUR500,000	*100	Sale of electronic products
VTech IAD GmbH	EUR25,000	*100	Development of broadband connectivity software
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 Industrial Co., Ltd.**	HK$18,725,011	*100	Manufacture and sale of electronic products
VTech (Dongguan) Electronics Limited**	HK$64,800,000	*100	Manufacture of electronic products
VTech (Dongguan) Plastic Products Co., Ltd.**	HK$20,000,000	*100	Manufacture of plastic products
VTech (Dongguan) Telecommunications Electronics Limited**	RMB4,000,000	*100	Manufacture and sale of electronic products
VTech (Dongguan) Telecommunications Limited**	HK$52,500,000	*100	Manufacture of telecommunication products
VTech (Qingyuan) Plastic & Electronics Co., Ltd**	HK$293,000,000	*100	Manufacture of plastic products
VTech Electronics Industrial (Shenzhen) Co., Ltd**	HK$10,000,000	*100	Sale of telecommunication and electronic products
VTech Telecommunications (Shenzhen) Limited**	HK$5,000,000	*100	Sale of telecommunication products
Incorporated / established and operating in Poland:			
VTech Technologies (Poland) sp. z o.o.	PLN5,000	*100	Development of telecommunication 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:			
LeapFrog Enterprises, Inc.	US$100 common stock	*100	Development of electronic products
VTech Communications, Inc.	US$300,000	*100	Sale of telecommunication products
VTech Electronics North America, L.L.C.	US$22,212,997	*100	Sale of electronic products

* *Indirectly held by subsidiary companies*
** *Wholly-owned foreign enterprise*

(b) Associate

Details of the Company's interest in an associate (held indirectly via a subsidiary) as at 31 March 2026 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*

26 Company-level Statement of Financial Position (Continued)

(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 Award Scheme Trust	Purchase, subscribing, administering and holding shares of the Company for the Share Award Scheme for the benefit of eligible VTech employees *(note 21(c))*

As the VTech Share Award Scheme Trust (the "Trust") is set up solely for the purpose of purchasing, subscribing, administering and holding shares of the Company for the Share Award Scheme (see 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 Developments in U.S. Tariff Refunds

In 2025, tariffs were imposed on certain goods imported into the United States under the International Emergency Economic Powers Act (IEEPA). These tariffs were subsequently challenged, with the U.S. Supreme Court ruling in February 2026 that IEEPA does not authorize the U.S. President to impose tariffs. However, the Supreme Court did not address refunds. In March 2026, the U.S. Court of International Trade (the "CIT") ordered U.S. Customs and Border Protection (the "CBP") to refund all tariffs imposed under IEEPA. On 20 April 2026, CBP launched the first phase of the Consolidated Administration and Processing of Entries (CAPE) tool in the Automated Commercial Environment (ACE) portal to administer refunds of duties imposed under the IEEPA through a streamlined electronic filing process.

At the reporting date, as the amount and timing of potential tariff refunds remain uncertain, the Group has not recognised any receivables in respect of such refunds. The Group will continue to monitor developments and reassess the accounting treatment as additional information becomes available.

29 Possible Impact of Amendments, New Standards and Interpretations issued but not yet effective for the Annual Accounting Period ended 31 March 2026

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 2026 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 9, *Financial instruments* and IFRS 7, *Financial instruments: disclosures – Contracts referencing nature-dependent electricity*	1 January 2026
Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
IFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

29 Possible Impact of Amendments, New Standards and Interpretations issued but not yet effective for the Annual Accounting Period ended 31 March 2026 (Continued)

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 except for the following:

- IFRS 18, *Presentation and disclosure in financial statements*

IFRS 18 will replace IAS 1, *Presentation of financial statements,* and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18 and is still in the process of assessing the impact of the adoption.

30 Accounting Estimates and Judgements

The presentation of financial statements in conformity with IFRS Accounting Standards 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, post-employment benefits 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				
	2022 US$ million	2023 US$ million	2024 US$ million	2025 US$ million	**2026** **US$ million**
Non-current assets					
Tangible assets	87.3	74.9	68.9	90.3	**94.4**
Advance payment for acquisition of non-current assets	–	–	22.7	–	**–**
Right-of-use assets	180.8	162.8	140.9	123.6	**108.0**
Intangible assets	16.0	15.3	14.7	14.0	**13.3**
Goodwill	36.1	36.1	36.1	36.1	**36.1**
Net assets on defined benefit retirement scheme	7.4	5.6	6.3	6.2	**7.4**
Other non-current assets	16.9	14.9	13.7	17.0	**16.9**
	344.5	309.6	303.3	287.2	**276.1**
Current assets					
Stocks	553.3	475.5	348.0	360.8	**402.9**
Debtors, deposits and prepayments	384.9	324.3	283.7	331.2	**351.8**
Deposits and cash	195.8	198.5	322.1	335.6	**264.0**
Other current assets	8.2	10.5	5.2	4.4	**4.1**
	1,142.2	1,008.8	959.0	1,032.0	**1,022.8**
Current liabilities					
Lease liabilities	(20.6)	(16.6)	(18.4)	(15.6)	**(21.3)**
Other current liabilities	(607.4)	(500.6)	(454.8)	(528.6)	**(520.9)**
	(628.0)	(517.2)	(473.2)	(544.2)	**(542.2)**
Net current assets	514.2	491.6	485.8	487.8	**480.6**
Total assets less current liabilities	858.7	801.2	789.1	775.0	**756.7**
Non-current liabilities					
Deferred tax liabilities	(3.4)	(3.2)	(3.2)	(3.5)	**(3.1)**
Lease liabilities	(176.5)	(163.3)	(140.3)	(126.5)	**(105.5)**
Long service payment liabilities	–	–	(0.6)	(0.6)	**(0.8)**
	(179.9)	(166.5)	(144.1)	(130.6)	**(109.4)**
Net assets / Total equity	678.8	634.7	645.0	644.4	**647.3**

	Consolidated statement of profit or loss for the years ended 31 March				
	2022 US$ million	2023 US$ million	2024 US$ million	2025 US$ million	**2026** **US$ million**
Revenue	2,370.5	2,241.7	2,145.7	2,177.2	**2,027.5**
Profit before taxation	194.6	168.5	191.3	185.4	**166.8**
Taxation	(21.9)	(19.3)	(24.7)	(28.6)	**(32.7)**
Profit for the year and attributable to shareholders of the Company	172.7	149.2	166.6	156.8	**134.1**
Basic earnings per share (US cents)	68.5	59.1	66.0	62.0	**52.9**

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
GAN Jie
KO Ping Keung
Patrick WANG Shui Chung
WONG Kai Man

Audit Committee

WONG Kai Man *(Chairman)*
William FUNG Kwok Lun
GAN Jie
KO Ping Keung
Patrick WANG Shui Chung

Nomination Committee

William FUNG Kwok Lun *(Chairman)*
GAN Jie
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

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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 Accounting and Financial Reporting Council Ordinance

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