

Corporate Affairs

Other Businesses

VTech has in recent years made a small number of investments in businesses outside its three core business areas. These include e-learning and e-business related services. During the course of the restructuring, VTech exited or severely reduced its involvement in these investments, which today account for a negligible proportion of both costs and sales. VTech will continue to focus on its core businesses and we do not expect new investment in non-core businesses in the near future.

Investor Relations

VTech has put increasing efforts over the years to building relationships with its investors in the United States, Europe and Asia. The Group is committed to continuously improving its standard of corporate governance and ensuring full, timely and equitable disclosure of relevant information.

Investor Briefings

During the 2002 financial year, VTech held over 50 one-on-one meetings with investors to keep them abreast of the latest company developments. In addition, we organized site visits to our advanced manufacturing facilities in mainland China. Senior management also participated in various investor conferences and roadshows in Singapore, Edinburgh, London and Hong Kong. As with VTech's usual practice, the annual and interim results presentations in Hong Kong were supplemented for investors outside the Hong Kong SAR by international teleconference calls at which investors were invited to discuss results performance with senior management.

Investor Relations Website

For all investors, the corporate website www.vtech.com provides up-to-date investor information, including press releases, stock exchange announcements and "pdf" versions of the annual and interim reports.

Quarterly Newsletter

In July 2002, the Group will begin to issue a quarterly newsletter to investors in order to keep them informed of VTech's latest developments.

Employee Relations

The people who work at VTech have consistently demonstrated a tremendous commitment and enthusiasm to make the Group and its products better – during both periods of growth as well as challenging transitional years. We take great care to ensure this positive attitude is encouraged at every level, from our factory floor through senior management.

Keeping Everyone in Touch

Open communications are critical to sound employee relations. The Group works diligently to provide channels for information and ideas to flow among colleagues, between management and employees. VTech's Intranet is a powerful tool that enhances efficient communications. A global on-line quarterly newsletter was launched in Spring 2001 to keep our staff informed of key developments within the Group.

In June 2001, the Group began to issue a monthly "Chairman's Letter" to further open lines of communication directly between all staff around the world and the Chairman. To assist management further in understanding employee attitudes and to provide a structured way of benchmarking perceptions, we developed a Staff Attitude Survey and launched in June 2002. It will help the Group gather opinions from VTech employees globally.

Managing Continuous Change

VTech operates in an environment that requires responsiveness and change. To help employees address this challenge successfully, in July 2001, we initiated a culture building program on change management in Hong Kong and China.

Developing People Through In-house Training and Education Subsidies

People working at VTech receive a wide variety of practical job-related training that has been designed specifically to enhance their on-the-job performance. Outside the company, each year VTech offers training subsidies to employees choosing to follow courses of study that will broaden their skills. During the financial year 2002, our people have taken up subsidies for courses ranging from various seminars to MBA/MSc programs.

VTech and the Community

VTech products and technology improve people's lives by making them more enjoyable, fulfilling, as well as convenient and enlightening.

The Group creates prosperity through the employment it provides to a wide variety of people in the United States, Europe and Asia. VTech also seeks cost-effective ways of supporting initiatives in local communities in the markets where it operates that help further ideals such as education and support individuals in need.

In Hong Kong, VTech encourages students at local universities and colleges by providing summer internships. These internships provide students the opportunity to gain real-life experience of the world of work that may be their life after graduation.

In the United States, the Group has an active donation and sponsorship program dedicated to supporting the community at large with a special emphasis on education. VTech announced a sponsorship agreement with the National Parent Teacher Association (PTA) for the 2002-2003 school year. VTech will work with National PTA to create the first-ever "XLence Awards" program and share information about resources that assist members in making decisions for educational products for children. National PTA is the largest volunteer child advocacy organization in the United States working with parents, educators, students, and other citizens active in their schools and communities.

"Play While You Wait"

In Europe, a number of children doctors and dentists waiting rooms are now equipped with VTech's electronic learning products, in order to make "waiting for the doctor" a more enjoyable and useful experience.

Corporate Governance

VTech is committed to maintaining a strong system of corporate governance so that all business activities and decision-making can be properly regulated. This helps ensure that the Group operates in a lawful, ethical, structured, transparent and effective manner.

The Board of Directors

The Board of Directors has established five governing boards and committees with defined terms of reference. They are: The Board of Management, Audit Committee, Risk Management Committee, Products Committee and PRC Committees. More committees may be established in future as and when needed.

Board of Management

The Board of Management has been delegated the authority by the Board of Directors to be responsible for management of all business activities of the Group. Its members are appointed by the Board from time to time and comprise executive directors and senior management executives.

Audit Committee

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

The Audit Committee meets at least twice a year to review with senior management and external auditors the accounting principles and practices adopted and to discuss internal control procedures, risk management and financial reporting matters.

Risk Management Committee

The Risk Management Committee assists the Audit Committee and management in reviewing and assessing the adequacy of the Group's risk management and internal control systems. It meets as required and to report to the Board in conjunction with the Audit Committee.

The Group maintains controls to safeguard the Group's assets and to ensure that transactions are executed in accordance with management's authorization. The information systems in place are designed to ensure that the financial information reported is reliable. The Risk Management and Compliance Division, headed by the Chief Compliance Officer, will assist the Risk Management Committee to independently review these controls and evaluate their adequacy, effectiveness and compliance. This division reports directly to the Audit Committee.

Products Committee

The main functions of the Products Committee are to carry out an advisory role to each business units to give directions in the product development, global marketing and customer requirement areas. The Committee is composed of senior executives and the Group's R&D professionals.

PRC Committee

The main functions of the PRC Committee are to develop strategies and plans for the Group to market its products in mainland China, a large potential market for the Group in the future. The Committee is composed of senior executives and the Group's mainland China business development professionals.