

Corporate Affairs

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INVESTOR RELATIONS

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Investor Briefings

During the financial year 2004, VTech held over 50 one-on-one meetings with investors to keep them abreast of the latest company developments. In addition, we organised site visits to our advanced manufacturing facilities in Dongguan, Southern China. Senior management also participated in investor conferences in Hong Kong.

Results Announcement Webcast

Beginning with the financial year 2003 interim results announcement, VTech began webcasting its analyst briefing, allowing investors not present in Hong Kong or in the meeting to watch the event, accompanied by the detailed slide presentations.

Quarterly Newsletter

The Group's quarterly newsletter, first issued in 2002, continues to keep investors informed of the latest developments at VTech.



Investor Relations Website

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



EMPLOYEE RELATIONS

The people who work at VTech, from our factory floor through senior management, have consistently demonstrated loyalty and enthusiasm to the Group. We take care to attract, retain and motivate employees.

Open Communications

Open communications are critical to sound employee relations and VTech has sought to use the latest technology to expand the scope of its dialogue with employees at all levels.

VTech's intranet is a powerful tool that enables efficient communication between all our offices worldwide, offering information on Group's developments, guidelines and standards, and cross-functional resource tools. Through the intranet, the global on-line quarterly newsletter keeps staff informed of key developments within the Group.

The quarterly "Chairman's Letter" continues to open lines of communications directly between staff and the Chairman. In the letter, the Chairman discusses broad issues facing the Group and solicits the views of those affected. The responses from employees have been encouraging.

The Suggestion Box, a simple post box that provides another channel for feedback and information, has also seen wide usage.

E-Culture Building Programme

To help foster a strong and consistent culture within the Group as well as to enhance employee relationship with better communications, in August 2003 VTech again launched its group-wide e-Corporate Culture Building programme to its offices around the world, with the theme of "Searching for Excellence." More than 400 employees participated by logging on to the special web page. There was a particularly strong response to the segment on "future directions" showing the keen interest of employees on the Group's future strategies.

Language Training

As a multinational organisation with a world-wide market reach, multiple language skills are increasingly important in the workplace. During the financial year 2004, approximately 200 employees participated in English, Cantonese and Putonghua training to address the needs in both Hong Kong and China offices, which were greatly welcomed by employees seeking to upgrade their skills.

Fun at Work

The team spirit of employees was further enhanced through a variety of activities organised by the Group. During the financial year, several leisure trips were organised for employees in Hong Kong, such as a four-day trip to Beijing and Shanghai to let them relax and enjoy outside work.



Employment Policy

The policy at VTech is to employ, retain, promote, terminate and treat all employees on the basis of merit, qualifications and competence. The Group creates a favourable work environment in which all employees can enjoy equal opportunities at work and avoid discrimination on the grounds of age, sex, status, disability or any other non-job related factor.

VTECH AND THE COMMUNITY

VTech aims to enhance people's lives by making them more enjoyable, fulfilling, convenient and enlightening.

The Group creates prosperity through the employment it provides to 19,700 people from all walks of life in the United States, Europe and Asia. VTech also seeks effective ways of supporting community initiatives in the markets where it operates that help further ideals such as improved access to education and support for individuals in genuine need.

Internships in Hong Kong and Canada

VTech has provided internships for students at universities and colleges in Hong Kong and Canada, giving them the opportunity to gain real-life experience of the world of work. During the financial year, over 30 students took advantage of the programme.

Donations in Mainland China

VTech's pioneering work in electronic learning products was expanded to China in July 2003, with the launch of a new range of products adapted specifically for the learning needs of the market. To help more children experience the fun of learning, VTech donated electronic learning products to over 15 kindergartens and schools in Beijing, Guangdong, Chengdu and Kunming.





CORPORATE GOVERNANCE

VTech is committed to maintaining a strong system of corporate governance so that all business activities and decision-making are properly regulated. This commitment has enabled the Group to gain recognition from the investment community. Two awards were received during the year.

- ✔ "Best Small Cap Company for Hong Kong Region" in *Asiamoney's* "12th best-managed companies' poll"; and
- ✔ 10th in Hong Kong region in *BusinessWeek's* second annual "Special Report on Corporate Governance" in Europe and Asia.

Our company structure also helps ensure that the Group operates in a lawful, ethical, structured, transparent and effective manner.

The Board of Directors

The Board now comprises two executive directors and four independent non-executive directors. The Board has established three governing boards with defined terms of reference. They are the Board of Management, Audit Committee and Risk Management Committee. To meet the new requirements of the Code on Corporate

Governance, a Remuneration Committee with a majority of independent non-executive directors has also been set up on 29th June 2004. Further committees may be established in the future as and when needed.

Board of Management

The Management Board has been delegated the authority by the Board of Directors to be responsible for the 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.

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Audit Committee

The Audit Committee, comprising three independent non-executive directors, 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 receive reports from external auditors, reviews the interim and annual financial statements, and receives regular reports from the internal audit function.

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 ensure that transactions are executed in accordance with management's authorisation. The information systems in place are designed to ensure that the financial report is reliable. The Chief Compliance Officer will assist the Risk Management Committee to review these controls independently and evaluate their adequacy, effectiveness and compliance.