

Corporate Affairs

VTech and Our Shareholders

VTech is committed to enhancing shareholders' value by:

- Strengthening the competitive position of the Group's businesses
- Continuous efforts to achieve sustainable growth in shareholders' returns and in the Group's return on investment
- Ensuring timely, true, comprehensive and non-selective disclosure of the Group's financial information and operating performance

Returns – Dividends

The dividend payout ratio of the Group links to its operating earnings performance, financial position and future investment opportunities. In the financial year 2006, the dividend payout ratio was 59.3% of the Group's net profit, against 53.3% in the previous financial year.

Returns – Share Performance

During the financial year 2006, VTech shares have traded more actively. The highest trading price for the year hit HK\$36.8 on 31st March 2006 while the lowest trading price was HK\$10.65, recorded on six trading days in April and May 2005.

Communications

Two-way communications are crucial to the success of every company. VTech adopts a proactive investor relations and communications programme to keep investors and shareholders up to date on the Group's latest developments. At the same time, shareholders and investors are invited to give their suggestions to the Group.

This two-way communication fosters mutual understanding and improves the relationship between the Group and the investment community.

Investor Briefings

During the financial year 2006, VTech held over 50 one-on-one meetings with investors, organised either by the Group itself or by renowned brokerage houses in Hong Kong, to keep them abreast of the latest company developments. In addition, the Group organised site visits for shareholders and potential institutional investors to its advanced manufacturing facilities in mainland China, giving them a better understanding of the Group's manufacturing capability.

Results Announcement Webcast

VTech webcasts its key financial announcements, allowing investors not able to be present to watch the event, accompanied by the detailed slide presentations and other important financial information.

Quarterly Newsletter

The Group's quarterly newsletter continues to keep investors informed of the latest developments at VTech. Starting from the calendar year 2006, the html version of the newsletter has been introduced to replace the pdf version. With a more dynamic and interactive design, shareholders and investors will find it easier to locate the information they want.

Investor Relations Website

For both institutional and retail investors, the corporate website www.vtech.com provides up-to-date information on the

Group's financial data, stock information and business developments. All key information such as the financial calendar, press releases, stock exchange announcements, slide presentations, annual and interim reports can be downloaded from the investor relations section. Shareholders and investors can also send queries to the Group directly using our online form.

VTech and Our Employees

The average number of employees for the financial year 2006 was 24,500, an increase of 4.7% from 23,400 in the previous financial year. Employee costs for the year ended 31st March 2006 were approximately US\$115 million, as compared to US\$107 million in the financial year 2005. The increase in the yearly average number of employees was mainly in response to the sales increase at the ELP and CMS businesses.

The Group has established an incentive bonus scheme and a share option scheme for its employees, in which the benefits are determined based on the performances of the Group and of individual employees.

VTech benefits from the loyalty and enthusiasm of its employees and takes care to maintain a motivated workforce.

Open Communications

Open communications are critical to successful 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 enables efficient communication between the worldwide



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offices, offering information on Group developments, guidelines and policies. Through the intranet, the global on-line quarterly newsletter keeps staff informed of key developments within the Group.

Webcasting of messages from the Chairman provides another platform for employees worldwide to gain a better understanding of the Group's strategy and business direction, and at the same time raise their questions and suggestions to the senior management. This two-way, interactive communications platform has enhanced staff morale and aligned employees in different countries and different businesses with the Group's overall business objectives better.

Building Human Capital

Training is provided to build the skills and competencies required of our colleagues in different countries and businesses, as well as the knowledge required to meet specific operational or market needs. Staff members can attend internal training courses and apply for external training sponsorships to equip them for further career development.

Fun at Work

Each year, VTech organises fun social events for employees, which help to build team spirit, promote a balanced life and enhance motivation. During the financial year 2006, VTech was once again a proud participant in the Standard Chartered HK Marathon 2006, which was held in February. It marked the 10th anniversary for the Marathon as well as the Group's fifth year of participation.

More than 70 VTech staff members joined in, with entrants in all categories - 10 km, half-marathon and marathon. Their enthusiastic team spirit helped VTech gain recognition to be one of the "Most Supportive Group Award" winners.

Employment Policy

VTech's policy is to employ, retain, promote, terminate and treat all employees on the basis of merit, qualifications and competence. The Group creates a favorable 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 is a pioneer in the TEL and ELP industries. With a corporate culture rooted in "Innovation and Technology", the Group focuses its philanthropic efforts on initiatives supporting education, innovation and technology, Hong Kong's industrial development and other community engagement programme.

Education

Across America Sweepstakes

In June 2005, VTech launched the "V.Smile Across America Sweepstakes" in the United States, an online quiz about American national landmarks that entitled Club V.Smile and VTech members to have chance to win a US\$10,000 cash scholarship for a child's education.

Helping Children

During the financial year, we also partnered with a charitable

organisation in France called "Un regard, un enfant" (one look, one child) to organise a special charitable programme in the run up to Christmas. For every consumer who bought three VTech ELPs, we donated 10 Euros to the organisation to support children's education in developed and underdeveloped countries.

Innovation and Technology

Being a pioneer in innovation and technology, VTech regularly sponsors events promoting this area, which in the financial year 2006 included the Innovation Festival 05, organised by the Innovation and Technology Commission of HKSAR Government, and Business of Design Week 2005, organised by the Hong Kong Design Centre.

Hong Kong's Industrial Development

As a consumer electronics company originating in Hong Kong, we believe we have a duty to share our experience and success with the industry and thus we gave our support to the "Hong Kong Awards for Industry", an annual event to recognise the outstanding achievements of Hong Kong enterprises in their move towards higher technology and higher value-added activities.

Supporting Community Engagement Programme

VTech also encouraged community engagement programmes by making donations to The Asia Foundation's "Hong Kong Donor and Corporate Engagement Programme", which aims to build a more cohesive and caring Hong Kong community.



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- 1 The new html version of VTech's newsletter.
- 2 VTech gained recognition to be one of the "Most Supportive Group Award" winners in Standard Chartered HK Marathon 2006.
- 3 Printed advertisement for the charitable programme in France.
- 4 VTech donated 12,680 Euros to the charitable organisation in France.