Annual Report 2021

Stock Code : 303

Contents

Corporate Profile

VTech is the global leader in electronic learning products from infancy through toddler and preschool and the largest manufacturer of residential phones in the US. 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. With advanced educational expertise and cutting-edge innovation, VTech products provide 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.

The Group's mission is to integrate economic growth, environmental protection and social responsibility in our business strategies to design, manufacture and supply innovative and high quality products for the wellbeing of people and benefits of society, aiming to drive sustainable value for our stakeholders and the communities.

With headquarters in Hong Kong and state-of-the-art manufacturing facilities in mainland China, Malaysia and Mexico, VTech has approximately 25,000 employees in its operations across 15 countries and regions, including about 1,600 R&D professionals in R&D centres in Hong Kong, mainland China, Germany, the US, Canada and Taiwan. This network allows VTech to stay abreast of the latest technology and market trends throughout the world, while maintaining a highly competitive cost structure.

VTech invests significantly in R&D and launches numerous new products each year under its portfolio of strong brands, supported by a global distribution network of leading traditional and online retailers.

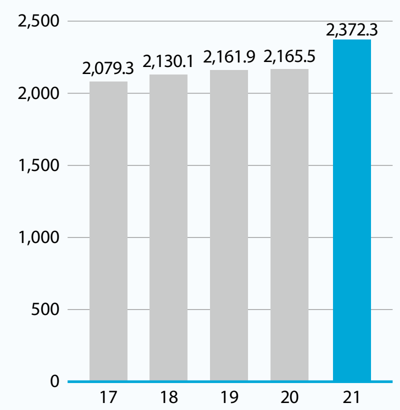
Shares of VTech Holdings Limited are listed on The Stock Exchange of Hong Kong Limited (HKSE: 303).

Financial Highlights

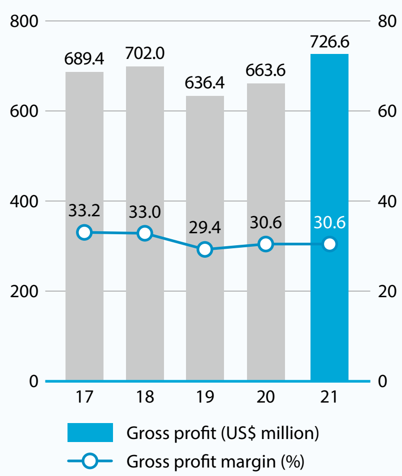
For the year ended 31 March	2021	2020	Change
Operating results (US$ million)			
Revenue	**2,372.3**	2,165.5	9.5%
Gross profit	**726.6**	663.6	9.5%
Operating profit	**266.2**	219.7	21.2%
Profit before taxation	**259.3**	212.3	22.1%
Profit attributable to shareholders of the Company	**230.9**	190.7	21.1%
Financial position (US$ million)			
Cash generated from operations	**310.9**	263.5	18.0%
Deposits and cash	**343.8**	242.5	41.8%
Shareholders' funds	**731.1**	601.5	21.5%
Per share data (US cents)			
Earnings per share – basic	**91.6**	75.7	21.0%
Earnings per share – diluted	**91.6**	75.7	21.0%
Dividend per share – interim and final	**91.0**	53.0	71.7%
Other data (US$ million)			
Capital expenditure	**49.4**	33.2	48.8%
R&D expenditure	**86.4**	81.7	5.8%
Key ratios (%)			
Gross profit margin	**30.6**	30.6	–
Operating profit margin	**11.2**	10.1	1.1% pts
Net profit margin*	**9.7**	8.8	0.9% pts
EBITDA/Revenue	**13.7**	12.8	0.9% pts
Return on shareholders' funds	**31.6**	31.7	-0.1% pts

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

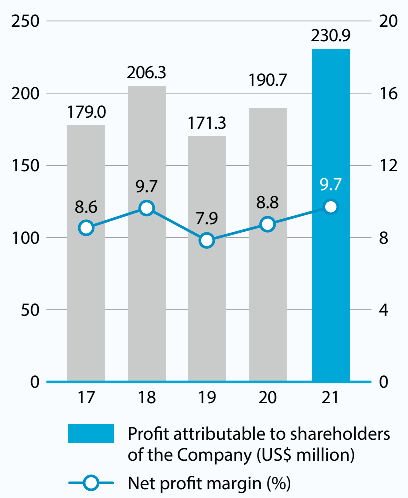
Group Revenue in Last 5 Years



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



Dear Shareholders,

In the financial year 2021 VTech delivered record revenue and profit, as the Group's businesses benefited from work-from-home and stay-at-home orders during the coronavirus (COVID-19) pandemic. All three product lines reported revenue growth, while profitability was further supported by effective cost control. The positive result came despite global supply chain disruptions during the first half and increasing shortages of semiconductors and other electronic components in the final quarter.

Results and Dividend

Group revenue for the financial year ended 31 March 2021 increased by 9.5% to US$2,372.3 million, as higher sales in North America, Europe and Asia Pacific offset lower sales in Other Regions.

Profit attributable to shareholders of the Company rose by 21.1% to US$230.9 million. This was mainly attributable to higher revenue and lower operating expenses as a percentage of Group sales.

Basic earnings per share increased by 21.0% to US91.6 cents, compared to US75.7 cents in the previous financial year.

A final dividend of US74.0 cents per ordinary share has been proposed by the Board to shareholders, providing a full-year dividend of US91.0 cents per ordinary share, a 71.7% increase from the US53.0 cents declared in the previous financial year. This represents a dividend payout ratio of 99.4%.

Costs

The Group's gross profit margin in the financial year 2021 was 30.6%, unchanged year-on-year. The lower-than-expected gross profit margin was attributable to a marked increase in materials prices in the fourth quarter of the financial year, a change in product mix, rising freight costs and higher direct labour costs. These increases offset lower manufacturing overheads and a further improvement in productivity for the full financial year.

> In the financial year 2021 VTech delivered record revenue and profit, as the Group's businesses benefited from work-from-home and stay-at-home orders during the coronavirus (COVID-19) pandemic.

Manufacturing Footprint

The Group's strategy to expand its manufacturing base took a strategic step forward during the year with the acquisition of a production facility in Tecate, Mexico for professional loudspeakers. The acquisition of QSC, LLC's Mexican manufacturing facility, which was funded through internal resources, was completed on 1 April 2021. It not only adds a new product category to VTech's contract manufacturing services (CMS) business, but also establishes a manufacturing base outside Asia, helping the business to serve its customers better.

Our Businesses

Despite disruptions to markets and supply chains in early 2020, overall, the pandemic has had a positive effect on demand for the Group's products, many of which are geared towards supporting adults working from home and children spending more time learning and playing at home. Online sales grew especially strongly, rising to account for 15.2% of Group revenue.

Electronic learning products (ELPs) achieved higher revenue, as gains in North America and Europe offset declines in Asia Pacific and Other Regions. In the calendar year 2020, the Group was the number one supplier of electronic learning toys from infancy through toddler and preschool globally[1&2]. In North America, VTech strengthened its leadership as the number one manufacturer of electronic learning toys from infancy through toddler and preschool in the US and Canada[3]. In Europe, the Group remained the number one infant and toddler toy manufacturer in France, the UK, Germany and the Benelux countries[4].

Sales were boosted by a marked positive change in product mix. Products carrying higher average selling prices such as tablets, the VTech Touch & Learn Activity Desk™ and the LeapStart® reading systems, outperformed across all markets. Products with overt educational values such as the LeapFrog Learning Friends® 100 Words Book™ series also sold especially well. There was a significant increase in subscriptions to the LeapFrog Academy™. The success on Netflix of seasons 1, 2 and 3 of the Go! Go! Cory Carson® animation series drove sales of the associated playsets and vehicles. In the financial year 2021, sales of standalone and platform products accounted for 82% and 18% of total ELPs sales respectively.

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1 Ranking based on The NPD Group Retail Tracking Service for Projected US Dollar Sales in the US, Canada, France, Germany, the UK, Belgium, Netherlands, Australia and Spain 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 2020

2 Global Market Share Estimates by MarketWise Consumer Insights, LLC. 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 2020

3 The NPD Group, Retail Tracking Service. Ranking based on total retail sales of VTech and LeapFrog products in the combined toy categories of early electronic learning, toddler figure and playset, walker, electronic entertainment (excluding tablets) and preschool electronic learning for the calendar year ended December 2020

4 The NPD Group, Retail Tracking Service

Telecommunication (TEL) products saw a return to growth after several years of sales decline. Changing work and living patterns in response to COVID-19 resulted in an uptick in the US residential phone market, leading to higher sales of this product category. The growth was supported by market share gains, a strong increase in online sales and good momentum in other telecommunication products.

The Group's residential phones, sold under the VTech and AT&T brands, achieved higher sales, with the super-long-range and Connect-to-Cell™ phone system performing especially well. VTech also gained market share as the residential phones market consolidated further. In the financial year 2021, VTech remained the number one manufacturer of residential phones in the US[5]. Other telecommunication products, including baby monitors, the CareLine™ range of residential phones, CAT-iq (Cordless Advanced Technology – internet and quality) handsets and integrated access devices (IADs) also saw higher sales as consumers spent more on home connectivity.

The commercial phones, comprising small-to-medium sized business (SMB) phones, hotel phones and conference phones, fared less well, as both travel and business activities experienced a severe decline, resulting in much lower demand. This offset higher sales of headsets, which benefited from the work-from-home trend. In the financial year 2021, commercial phones and other telecommunication products represented 49% of total TEL products revenue, largely unchanged from the previous financial year.

CMS, which experienced a fall in revenue in the first half of the financial year 2021, had a very strong rebound in the second half, resulting in higher revenue for the full year. This marks the 19th consecutive year of growth and testifies to its ability to deliver the level of service that customers want.

Sales increases at CMS were driven by items catering to the work-from-home and stay-at-home environment, including headsets, professional audio equipment for home use, Wi-Fi routers and health and beauty products.

CMS' New Product Introduction centre opened in Shenzhen in December 2020. The facility offers design optimisation and engineering services to start-ups worldwide, including those in the Greater Bay region of mainland China, the country's

technology hub centred on Shenzhen. It is now working to develop businesses in cooperation with a number of organisations in the region, including the Hong Kong Science and Technology Parks Corporation's iDM2 and the e-Hub at Qian Hai.

Towards a Sustainable Future

With the COVID-19 pandemic continuing to affect lives around the world, VTech's top priority has been to protect the health and safety of its employees while fulfilling orders. This has meant ensuring a safe working environment at its locations worldwide, in line with government and World Health Organisation recommendations. VTech and its employees have also been supporting children and local communities with financial donations, free online learning, as well as gifts of educational toys, phones and baby monitors.

Looking to the future, last year, VTech set out its pledge to replace fossil-based plastic in all its ELPs with sustainable alternatives by 2030. Later this year, the Group will take an important first step towards this target with the roll-out of a number of eco-friendly ELPs made from plant-based and reclaimed plastics. A new wooden toy line, made with material sourced from responsibly managed forest certified by the Forest Stewardship Council, will also be launched. These innovations represent a significant start to the next phase of the Group's effort to build a better future for the children of today and tomorrow.

[5] MarketWise Consumer Insights, LLC, April 2020 – March 2021

Outlook

The Group's revenue for the financial year 2022 is hard to predict. All of its product lines have a solid order book, but despite the Group's best efforts, the fluid situation in global material supplies may affect its ability to meet demand. Currently, there is a general shortage of electronic components worldwide, in particular of semiconductors and LCD (Liquid Crystal Display) screens. Foundries are struggling to meet a huge increase in demand and not only are lead times much longer, but order fulfilment is erratic. Despite long-term relationships with suppliers and their full support, some of the Group's confirmed orders are not being fulfilled on time. This uncertainty in the supply chain could limit VTech's ability to meet orders.

Gross profit margin, meanwhile, is expected to decline. It will be impacted by higher materials prices owing to tight supply, rising freight costs and a stronger Renminbi. VTech has taken steps to mitigate the effects through diversifying sources of supply, re-engineering products, negotiating new shipping contracts and price increases.

For ELPs, the Group will focus on maintaining its positive momentum through new product launches globally and a return to growth in Asia Pacific.

Platform products will benefit from the launch of new versions of KidiZoom® Smartwatch, KidiBuzz™ and Touch & Learn Activity Desk under the VTech brand, while LeapFrog will introduce a refreshed LeapStart reading system.

In standalone products, VTech will see additions to the core infant, toddler and preschool ranges, expansions to the KidiZoom Camera and Kidi lines, and the launch of Marble Rush™, an easy to construct modular marble run that allows children to build countless configurations. The LeapFrog brand will introduce more items to its popular Blue's Clues & You!™ line, led by Story Time with Blue. The Learning Friends 100 Words Book series, will be augmented by the addition of 100 Words About Places I Go™. These will hit the market alongside LeapLand Adventures™, a TV learning game, the new eco-friendly toys line-up and a series of new role-play toys. The Go! Go! Cory Carson line will be expanded with new models and new content on Netflix.

In Asia Pacific, sales in mainland China are expected to resume growth following a renewed focus on channel management and e-commerce. This will be supported by new product launches, including a new line of Switch & Go Dinos® based on a popular animation series called Mini Force. In Malaysia, to augment its Lazada.com flagship store, the Group has opened its second VTech official online store on Shopee, boosting sales in the country. The Group also plans to open additional online stores on different e-commerce platforms in other South East Asian countries.

In TEL products, VTech aims to launch new products that cater to the continued demand for residential phones and other telecommunication products, as well as a recovery in the commercial phones market.

Sales of residential phones will benefit from the introduction of a series of new products, notably a new premium work-from-home desktop cordless telephone with 5-inch colour display that will be introduced in the second quarter of the financial year 2022. Other telecommunication products will see the launch of Wi-Fi 6 IADs in the first quarter. These provide enhanced performance as compared with the existing products and support dual Wide Area Network connection through 4G LTE (Long Term Evolution). The category will be augmented by a smart Wi-Fi baby monitor under the LeapFrog brand, incorporating health monitoring and baby care app features. In commercial offerings, a new range of Snom products targeting work-from-anywhere users will be launched in the second quarter, driving recovery for the business sector. The consolidation of the hospitality sector, meanwhile, will allow VTech to gain market share, boosted by sales of a new series of handsets. Designed for modern hotel guest rooms, the stylishly slim handsets with elegant colour display come with a compact VoIP (Voice over Internet Protocol) or analog base system and can be mounted anywhere in a guest room.

Although the CMS business is seeing increased demand in most product categories, its ability to meet orders may be impacted by the critical situation in global material supplies. The Group is working closely with customers and suppliers to deal with the issues that arise. The new manufacturing facility in Tecate, Mexico will contribute to CMS revenue in the financial year 2022 through producing QSC branded professional loudspeakers. Utilisation of the facility will rise gradually, as new customers are added. The production capacity of the facility in Muar, Malaysia will be increased, as more existing customers wish to maintain dual manufacturing sites as a contingency.

45th Anniversary

I wish to thank my fellow directors for their counsel, and management and all our colleagues for the hard work they have put in to make it a successful year despite the difficult circumstances. My sincere thanks also go to our customers and suppliers, who have worked with us to overcome the challenges thrown up by the pandemic.

The year 2021 marks the 45th year since VTech's founding. In this time, we have grown from a small Hong Kong enterprise to an ever more global company, operating sales and marketing offices, manufacturing and R&D facilities around the world, with innovative products that sell in over 80 countries and regions.

The strong results we have announced for the financial year 2021 testify to the strength of VTech's business model, based on product innovation, market share gains, geographic expansion and operational excellence. We have a diverse product mix, fully integrated operations and a proven ability to bring innovative products to market consistently. This has given us a growing presence around the world and leadership in many product categories.

The pandemic is accelerating changes in the online-to-offline environment and consumer behaviour. Our brands, technological capabilities, manufacturing know-how and fully integrated operations have put us ahead of this trend and we will continue to benefit from this as we execute our sustainability-led strategy. We are integrating sustainability into all aspects of our business operations, while at the same time putting increasing focus on digitisation, leveraging the insights from our huge customer base, from design through to manufacturing, from marketing through to after-sales service. I am therefore confident that VTech will continue to deliver value to shareholders for decades to come.

Allan Wong Chi Yun
Chairman

Hong Kong, 18 May 2021

Financial Overview

For the year ended 31 March 2021

	2021 US$ million	2020 US$ million	Change US$ million
Revenue	**2,372.3**	2,165.5	206.8
Gross profit	**726.6**	663.6	63.0
Gross profit margin	**30.6%**	30.6%	
Other net income	**4.2**	5.9	(1.7)
Total operating expenses	**(464.6)**	(449.8)	(14.8)
Total operating expenses as a percentage of revenue	**19.6%**	20.8%	
Operating profit	**266.2**	219.7	46.5
Operating profit margin	**11.2%**	10.1%	
Net finance expense	**(7.3)**	(7.4)	0.1
Share of results of an associate	**0.4**	–	0.4
Profit before taxation	**259.3**	212.3	47.0
Taxation	**(28.4)**	(21.6)	(6.8)
Effective tax rate	**11.0%**	10.2%	
Profit for the year and attributable to shareholders of the Company	**230.9**	190.7	40.2
Net profit margin	**9.7%**	8.8%	

Revenue

Group revenue for the year ended 31 March 2021 increased by 9.5% to US$2,372.3 million compared with the previous financial year. The increase in revenue was largely driven by the higher sales in North America, Europe and Asia Pacific, which offset the decrease in revenue in Other Regions.

	2021		2020		Increase / (decrease)	
	US$ million	**%**	US$ million	%	US$ million	%
North America	**995.1**	**41.9%**	989.6	45.7%	5.5	0.6%
Europe	**1,086.3**	**45.8%**	886.3	40.9%	200.0	22.6%
Asia Pacific	**268.4**	**11.3%**	259.4	12.0%	9.0	3.5%
Other Regions	**22.5**	**1.0%**	30.2	1.4%	(7.7)	(25.5%)
	2,372.3	**100.0%**	2,165.5	100.0%	206.8	9.5%

Gross Profit/Margin

Gross profit for the financial year 2021 was US$726.6 million, an increase of US$63.0 million or 9.5% compared to the US$663.6 million recorded in the previous financial year. Gross profit margin for the year was 30.6%, same as the previous financial year. The increase in material prices in the fourth quarter of the financial year, change in product mix, higher direct labour costs and rising freight charges, offset the lower manufacturing overheads and the benefits from further productivity gains.

Operating Profit/Margin

Operating profit for the year ended 31 March 2021 was US$266.2 million, an increase of US$46.5 million or 21.2% compared with the previous financial year. Operating profit margin also increased from 10.1% to 11.2%. The improvement in both operating profit and operating profit margin was mainly due to the increase in gross profit, which offset the increase in total operating expenses. Operating profit for the financial year 2021 also included a fair value loss of US$1.5 million on an investment in a company that designs and distributes integrated circuit products as compared with a fair value gain of US$5.9 million in the same period last year. Government subsidies of US$5.7 million received from various countries in response to COVID-19 were also recorded in the current financial year.

Total operating expenses were US$464.6 million, an increase of 3.3% compared with the last financial year. Nevertheless, total operating expenses as a percentage of Group revenue dropped from 20.8% to 19.6%.

Selling and distribution costs decreased from US$296.3 million to US$295.5 million compared with the same period last year. It was mainly attributable to the decreased spending on advertising and promotional activities by the Group during the financial year. As a percentage of Group revenue, selling and distribution costs also decreased from 13.7% to 12.5%.

Administrative and other operating expenses increased from US$71.8 million to US$82.7 million compared with the same period last year. It was mainly due to the increase in employee related costs. The net exchange gain arising from the Group's global operations in the ordinary course of business was US$0.6 million, as compared with the net exchange loss of US$0.2 million in the last financial year. Administrative and other operating expenses as a percentage of Group revenue increased from 3.3% to 3.5%.

During the financial year 2021, the research and development expenses were US$86.4 million, an increase of 5.8% compared with the previous financial year. It was mainly due to the increase in employee related costs and project expenses. Research and development expenses as a percentage of Group revenue decreased from 3.8% to 3.6%.

Taxation

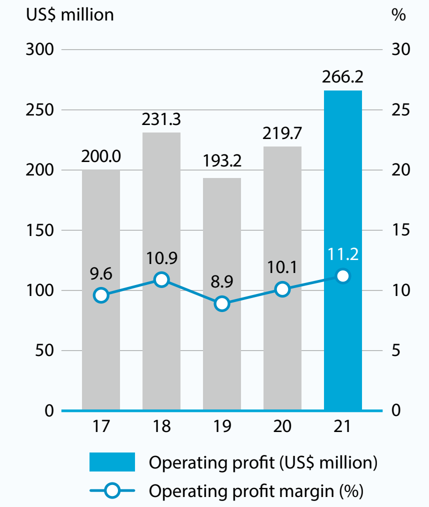
Taxation charges increased from US$21.6 million in the last financial year to US$28.4 million in the financial year 2021. The effective tax rate also increased from 10.2% to 11.0% as the Group recorded a fair value gain of US$5.9 million in the last financial year on an investment which was not subject to tax. In addition, the Group received a tax refund relating to its US operation in the last financial year.

Profit Attributable to Shareholders and Earnings Per Share

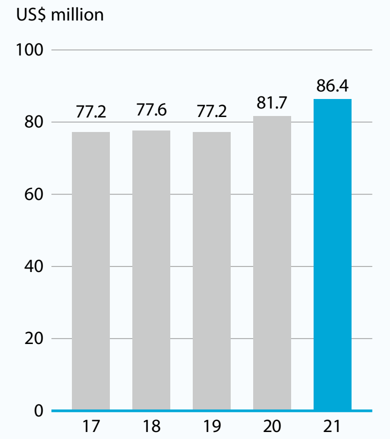
Profit attributable to shareholders of the Company for the year ended 31 March 2021 was US$230.9 million, an increase of US$40.2 million or 21.1% as compared to the last financial year. Net profit margin also increased from 8.8% to 9.7%.

Basic earnings per share for the year ended 31 March 2021 were US91.6 cents as compared to US75.7 cents in the previous financial year.

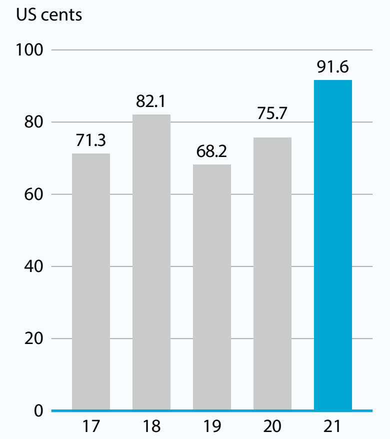
Operating Profit and Operating Profit Margin in Last 5 Years



Group R&D Expenditure in Last 5 Years



Basic Earnings Per Share in Last 5 Years



Dividends

During the financial year 2021, the Group declared and paid an interim dividend of US17.0 cents per share, which aggregated to US$42.8 million. The directors of the Company (the "Directors") have proposed a final dividend of US74.0 cents per share, which is estimated to be US$186.6 million.

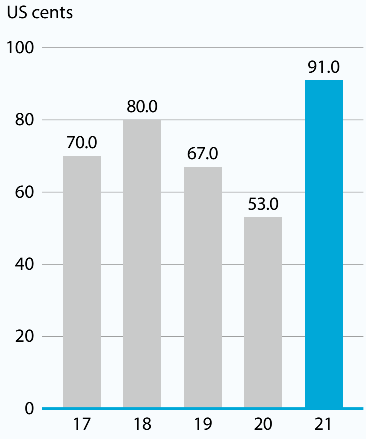
Liquidity and Financial Resources

Shareholders' funds as at 31 March 2021 were US$731.1 million, an increase of 21.5% from US$601.5 million in the last financial year. Shareholders' funds per share increased by 21.3% from US$2.39 to US$2.90.

The Group had no borrowings as at 31 March 2021 and 31 March 2020.

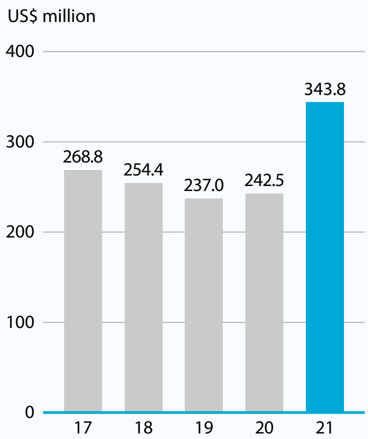
The Group's financial resources remain strong. As at 31 March 2021, the Group had net cash of US$343.8 million, an increase of 41.8% as compared to US$242.5 million as of 31 March 2020. It was mainly due to the increase in cash generated from operating activities, lower dividend payment and the favourable foreign currency exchange movements on the Group's net assets as a result of the appreciation in foreign currencies against United States Dollar during the financial year.

Dividend Per Share in Last 5 Years



Deposits and Cash in Last 5 Years

(As at 31 March)



Analysis of Cash Flow from Operations

	2021 US$ million	2020 US$ million	Change US$ million
Operating profit	**266.2**	219.7	46.5
Depreciation and amortisation	**59.3**	57.2	2.1
EBITDA	**325.5**	276.9	48.6
Loss on disposal of tangible assets	**0.1**	0.1	-
Fair value loss / (gain) on investments	**1.5**	(5.9)	7.4
Share-based payment expenses	**5.0**	3.9	1.1
Working capital change	**(21.2)**	(11.5)	(9.7)
Cash generated from operations	**310.9**	263.5	47.4

The Group's cash generated from operations for the year ended 31 March 2021 was US$310.9 million, as compared to US$263.5 million in the previous financial year. The increase was mainly attributable to the higher EBITDA compared with the previous financial year, which offset the increase in working capital in the financial year 2021.

Working Capital Change

	Balance as at 31 March 2020 US$ million	Hedging and others US$ million	Working capital change per cash flow US$ million	**Balance as at 31 March 2021 US$ million**
Stocks	372.6	–	41.4	**414.0**
Trade debtors	221.5	–	49.2	**270.7**
Other debtors, deposits and prepayments	50.6	(2.9)	0.5	**48.2**
Trade creditors	(195.4)	–	(41.3)	**(236.7)**
Other creditors and accruals	(195.4)	(3.5)	(26.2)	**(225.1)**
Provisions for defective goods returns and other liabilities	(24.2)	–	(2.2)	**(26.4)**
Net (obligations)/assets on defined benefit scheme	(1.8)	8.9	(0.2)	**6.9**
Total working capital	**227.9**	**2.5**	**21.2**	**251.6**

Stocks as of 31 March 2021 were US$414.0 million, increased from US$372.6 million as of 31 March 2020. The turnover days also increased from 102 days to 103 days. The higher stock level was largely due to the increased demand for the Group's product in the first quarter of the financial year 2022 and stock-up of raw materials in view of the unstable supply for the Group's products.

As at 31 March 2021 and 2020 All figures are in US$ million unless stated otherwise	**2021**	2020
Stocks	**414.0**	372.6
Average stocks as a percentage of Group revenue	**16.6%**	17.1%
Turnover days	**103 days**	102 days

Trade debtors as of 31 March 2021 were US$270.7 million, increased from US$221.5 million as of 31 March 2020. Debtor turnover days decreased from 63 days to 61 days. The higher trade debtor balance as at 31 March 2021 was mainly due to increase in revenue in the fourth quarter of the financial year 2021 compared with the corresponding period of the previous financial year. The overdue balances greater than 30 days accounted for 1.3% of the gross trade debtors as of 31 March 2021.

As at 31 March 2021 and 2020 All figures are in US$ million unless stated otherwise	**2021**	2020
Trade debtors	**270.7**	221.5
Average trade debtors as a percentage of Group revenue	**10.4%**	11.2%
Turnover days	**61 days**	63 days

Other debtors, deposits and prepayments as of 31 March 2021 were US$48.2 million, decreased from US$50.6 million as of 31 March 2020. It was mainly attributable to the decrease in fair value gain on forward foreign exchange contracts in the financial year 2021.

Trade creditors as of 31 March 2021 were US$236.7 million, as compared to US$195.4 million as of 31 March 2020. Creditor turnover days decreased from 93 days to 79 days.

As at 31 March 2021 and 2020 All figures are in US$ million unless stated otherwise	2021	2020
Trade creditors	**236.7**	195.4
Turnover days	**79 days**	93 days

Other creditors and accruals as of 31 March 2021 were US$225.1 million, increased from US$195.4 million as of 31 March 2020. It was largely attributable to the increase of fair value losses on forward foreign exchange contracts and the increase in accruals of employee related costs, advertising expenses and other allowances to customers.

Provisions for defective goods returns and other liabilities as of 31 March 2021 were US$26.4 million, as compared to US$24.2 million as of 31 March 2020.

Net assets on defined benefit scheme as of 31 March 2021 were US$6.9 million, as compared to net obligations on defined benefit scheme of US$1.8 million as of 31 March 2020. The increase was mainly due to the re-measurement of net liability on defined benefit scheme.

Treasury Policies

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations. The Group principally uses forward foreign exchange contracts as appropriate to hedge the foreign exchange risks in the ordinary course of business. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Capital Expenditure

For the year ended 31 March 2021, the Group invested US$49.4 million in the purchase of tangible assets including land and buildings, machinery and equipment, leasehold improvements, office equipment, as well as the improvement of manufacturing working environment. This also included capital expenditure for the expansion of manufacturing capacity in Malaysia.

In addition, the Group has completed its acquisition of second manufacturing facility in Penang, Malaysia in July 2020.

All of these capital expenditures were financed from internal resources.

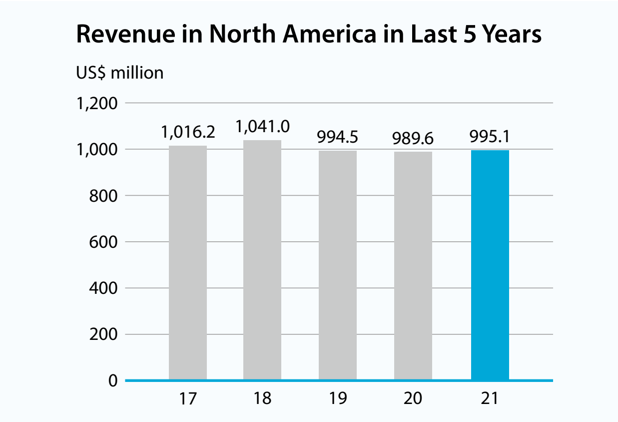
Capital Commitments and Contingencies

Capital commitments in the financial year 2022 for ongoing business operations are expected to be US$49.0 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 rose by 0.6% to US$995.1 million in the financial year 2021 as higher sales of ELPs and TEL products offset lower CMS sales. North America became VTech's second largest market, accounting for 41.9% of Group revenue.

ELPs revenue in North America increased by 8.8% to US$536.9 million, with good growth in Canada. The overall market grew, while VTech's sales to online retailers achieved a double-digit increase. The Group also gained market share and strengthened its position as the number one manufacturer of electronic learning toys from infancy through toddler and preschool in the US[6]. In Canada, VTech strengthened its leadership further and remained the number one supplier in the infant, toddler and preschool toys category[7].

Standalone products performed well, with the pandemic spurring demand for electronic learning toys, as parents and children spend more time at home.

Growth in standalone products came from higher sales of both LeapFrog and VTech brands. The LeapFrog sales increase was especially robust. Preschool items offering overt educational values, including Learning Friends 100 Words Book, 100 Animals Book™ and 2-in-1 LeapTop Touch™, achieved strong sell-through. The Blue's Clues & You! series of licensed products performed strongly, with the Really Smart Handy Dandy Notebook selling particularly well. Sales of LeapBuilders®, however, registered a decline.

VTech standalone products benefited from rising sales of infant and toddler products, KidiZoom cameras, other Kidi line products and the Go! Go! Smart family of products. These increases offset a decline in preschool products. There were innovative additions to the product line-up during the period. Go! Go! Smart Wheels® saw the launch of Ultimate Corkscrew Tower™. Building on the success of the popular robotic toy Myla the Magical Unicorn™, VTech launched Myla's Sparkling Friends™, a line of toys that brings colour play to life using fantastical characters. Go! Go! Cory Carson vehicles and playsets also contributed to sales in the financial year 2021, supporting growth. Seasons 1, 2 and 3 of the associated animation series are now streaming globally on Netflix.

Sales of platform products in North America decreased slightly. At VTech, platform products saw sales decline, as higher sales of Touch & Learn Activity Desk were insufficient to compensate for lower sales of KidiZoom Smartwatches and KidiBuzz. For LeapFrog, the platform products business posted an overall decline. The brand's children's educational tablets and Magic Adventures Globe™ saw sales increases, offsetting declines in interactive reading systems and RockIt Twist™. Subscriptions to the LeapFrog Academy increased substantially during the financial year 2021.

During the 12 months, the Group's ELPs garnered many awards from toy and parenting industry experts, key retailers and toy advisory boards. In addition to those announced at the interim results in November 2020, VTech and LeapFrog branded ELPs scooped multiple "Seal of Approval (Holiday 2020)" awards given by the National Parenting Center, numerous Mom's Choice Awards "Gold Awards" and many citations in The National Parenting Product Awards (NAPPA). Three VTech products, namely Go! Go! Smart Wheels Ultimate Corkscrew Tower, Helping Heroes Fire Station™ and KidiZoom Creator Cam were finalists in the Toy Association's "2021 Toy of the Year (TOTY) Awards". For the third year in a row, KidiZoom Smartwatch was the number one selling item in the Youth Electronics Supercategory in the US from the NPD Group, where it was also the top selling toy in the individual class of Electronic Entertainment[8].

[6] The NPD Group, Retail Tracking Service. Ranking based on total retail sales of VTech and LeapFrog products in the combined toy categories of early electronic learning, toddler figure and playset, walker, electronic entertainment (excluding tablets) and preschool electronic learning for the 12 months ended December 2020

[7] The NPD Group, Retail Tracking Service

[8] The NPD Group, Retail Tracking Service, US, January – December 2020, USD

TEL products revenue in North America saw a 10.9% rise to US$270.5 million. The growth was driven by higher sales of residential phones, commercial phones and other telecommunication products. Sales to online retailers saw a strong increase.

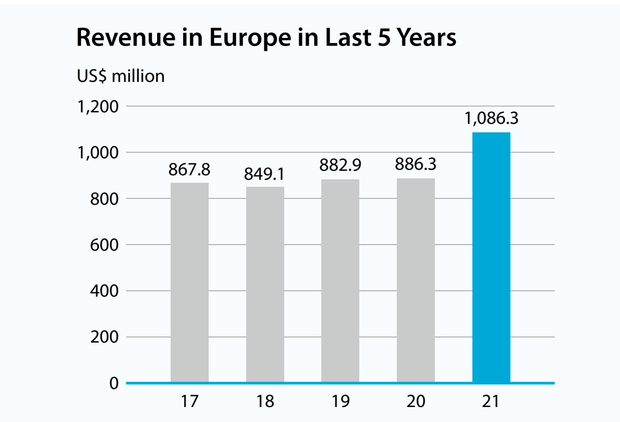
The residential phones market in North America, which had been on a downward trend, saw an uptick during the financial year 2021. Consumers sought to replace and upgrade their fixed-line telephones as working from home became the norm. Both AT&T and VTech branded phones recorded sales increases, with super-long-range and Connect-to-Cell models performing especially well. In the financial year 2021, VTech strengthened its leadership position in the US residential phones market[9].

The best performers among commercial phones and other telecommunication products in North America were also products geared to staying at home. Baby monitors performed especially well, boosted by strong demand for the new series of VTech 1080p High Definition Smart Wi-Fi baby monitors. As a result, VTech baby monitors strengthened their position as the number one brand in the US and Canada[10]. Headsets and the CareLine range of residential phones also achieved higher sales. In contrast, SMB phones, hotel phones and conference phones reported lower sales as they were all affected by the steep fall in business activity and travel. These decreases offset an increase in sales of VoIP phones.

Despite the pandemic, VTech continued to introduce new commercial phones products. In December 2020, the Group launched a powerful expansion module for its Snom IP desk phones with a customisable large colour display that enhances functionality. In January 2021, a new series of designer hotel phones offering flexible installation was launched.

CMS revenue in North America fell by 25.5% to US$187.7 million. All product categories posted lower sales. Demand for commercial professional audio products fell steeply as COVID-19 measures restricted large public gatherings in venues such as churches and concert halls. This was compounded by one major customer experiencing an over-inventory issue. These factors contributed to a sales decrease in this segment, offsetting an increase in demand for professional audio equipment for home use. Sales of industrial products declined on lower orders for coin and note recognition machines. Solid-state lighting saw a sales decline as project-based bidding activity fell sharply due to the pandemic. Medical and health products saw lower orders of hearing aids, as sales activities were significantly affected by the COVID-19 restrictions. Communication products recorded a sales decline as customers phased out their product ranges.

Europe



Group revenue in Europe rose by 22.6% to US$1,086.3 million in the financial year 2021, as higher sales of ELPs and CMS offset lower revenue from TEL products. Europe was VTech's largest market, accounting for 45.8% of Group revenue.

ELPs revenue in Europe increased by 5.4% to US$351.2 million. Growth slowed down in the second half, however, as lockdowns in the region forced the closure of stores selling non-essential items. Geographically, sales increased in France, the UK, Germany and the Netherlands, while Spain experienced a decline. In the calendar year 2020, VTech remained the number one infant and toddler toy manufacturer in France, the UK, Germany and the Benelux countries[11].

[9] MarketWise Consumer Insights, LLC, April 2020 – March 2021

[10] The NPD Group Inc., Retail Tracking Service, US & Canada, Baby Monitors, April 2020 – March 2021 combined vs April 2019 – March 2020 combined

[11] The NPD Group, Retail Tracking Service

In standalone products, both the VTech and LeapFrog brands achieved higher sales. For the VTech brand, growth was led by electronic learning aids, KidiZoom cameras, other Kidi line products and Switch & Go Dinos. This offset declines in the Toot-Toot family of products. Sales of infant, toddler and preschool products were largely stable during the financial year 2021. The new Go! Go! Cory Carson vehicles and playsets were rolled out to the major European markets in September 2020 under the name Toot-Toot Cory Carson®, which supported the growth in standalone products. LeapFrog saw rising sales of infant, toddler and preschool products, with strong sell-through of Learning Friends 100 Words Book and 100 Animals Book. This offset a decline for LeapBuilders/Bla Bla Blocks®.

Platform products saw lower sales, as growth of LeapFrog branded products was insufficient to offset a decline in VTech branded products. For LeapFrog, the revenue increase was driven by higher sales of Magic Adventures Globe and interactive reading systems, which offset declines in RockIt Twist and children's educational tablets. At VTech, higher sales of Touch & Learn Activity Desk were unable to offset lower sales of children's educational tablets and KidiCom™ Max. Sales of KidiZoom Smartwatches remained steady year-on-year.

In the financial year 2021, Speak & Learn Puppy™ and KidiZoom Video Studio HD were named "Best Infant Toy" and "Best High Tech Toy" respectively, in the "Grand Prix du Jouet 2020" awards given by La Revue du Jouet magazine in France. KidiZoom Video Studio HD was named "Toy of the Year 2020" by the Belgian Federation of Toys, while in Spain, Speak & Learn Puppy was named "Best Toy of the Year 2020 (Early Childhood and Preschool Category)" by the Spanish Association of Toy Manufacturers. In the UK, both KidiZoom Studio and Splashtime Submarine won "Creative Play Awards 2020" from Creative Steps magazine.

Revenue from TEL products in Europe fell by 2.8% to US$109.3 million. Higher sales of commercial phones and other telecommunication products were insufficient to offset lower sales of residential phones.

In Europe, the Group sells residential phones to major telephone companies in the region on an original design manufacturing basis. The sales decrease was due to lower orders from an existing customer.

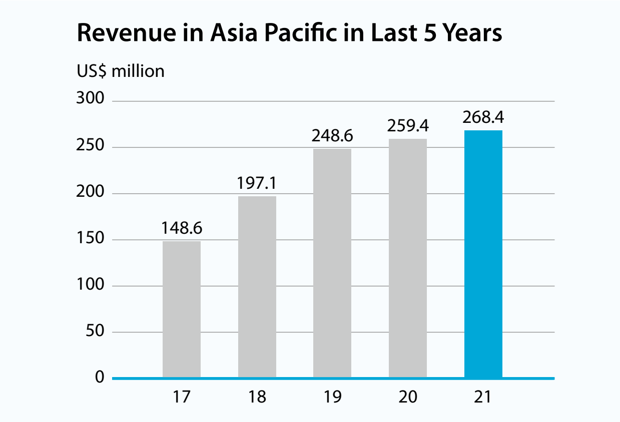
Sales of commercial phones and other telecommunication products increased. Stay-at-home restrictions benefited sales of CAT-iq handsets, the CareLine range of residential phones, IADs and headsets, as consumers sought to upgrade their communication devices. Baby monitors saw sales decline, however, as a major customer reduced orders. The cancellation of trade shows and a slowdown in business activities also resulted in lower orders for VoIP phones, conference phones and hotel phones. This was despite a gradual pick-up in the second half as some business activities resumed.

In the UK, in addition to three top awards from Loved by Parents magazine, VTech's 1080p 7-inch Smart Wi-Fi baby monitor was named "Best Baby Monitor 2021 – Gold Winner" in the Mother & Baby Awards.

CMS revenue in Europe rose strongly by 42.1% to US$625.8 million. Hearables, medical and health products, home appliances, communication products and automotive related products saw higher sales, offsetting declines in professional audio equipment, IoT (Internet-of-Things) products and switching mode power supplies.

Hearables recorded the strongest growth, with demand for headsets boosted by the need to work from home. Orders for these products were also buoyed by a customer moving production of its new version of a true wireless headset to VTech from a competitor. The home appliances business benefited from higher orders from existing customers. The medical and health products business saw sales of health and beauty products rise sharply during the pandemic, offsetting a decline in orders for hearing aids. Communication products saw higher orders of Wi-Fi routers, while sales of smart battery chargers for the automotive industry improved due to the good market response to a new product launch by the customer. In contrast, professional audio equipment posted lower sales, as growing demand for audio interface equipment for home use failed to offset lower orders for audio mixers and amplifiers. The pandemic slowed down the installation of smart meters in the UK, negatively affecting IoT products, though sales of internet-connected thermostats and air-conditioning controls were stable. Sales of switching mode power supplies were lower as a customer transferred production back in-house following a change in ownership.

Asia Pacific



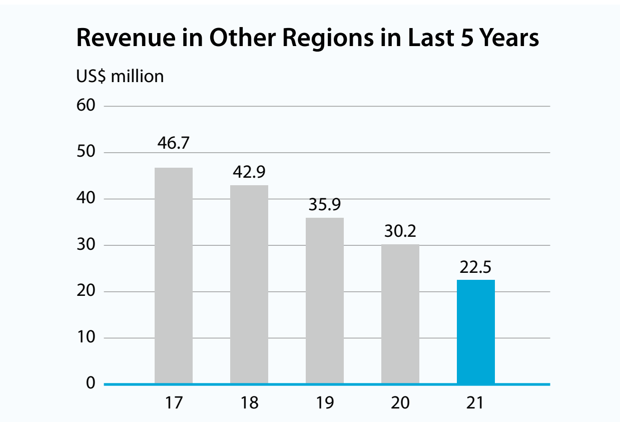
Group revenue in Asia Pacific grew by 3.5% to US$268.4 million in the financial year 2021, as higher sales of TEL products and CMS offset lower revenue from ELPs. The Asia Pacific region represented 11.3% of Group revenue.

Revenue from ELPs in Asia Pacific decreased by 1.4% to US$82.0 million, as growth in Australia was offset by lower sales in mainland China. Australia saw a robust sales increase on strong sell-through of both VTech and LeapFrog branded products, with demand for educational toys rising as children spent more time at home due to the pandemic. In addition, effective channel management drove online-to-offline sales higher, boosting growth in the country. In the calendar year 2020, VTech maintained its position as the number one manufacturer in the infant and toddler toys category in Australia[12]. In mainland China, sales were lower, primarily due to a revenue decrease in offline channels. In Malaysia, the Group recognised a first full-year sales contribution from its flagship store on Lazada.com.

TEL products in Asia Pacific saw revenue increase by 13.6% to US$31.7 million, driven by higher sales in Australia, Japan and Hong Kong. In Australia, growth was mainly attributable to baby monitors, while Hong Kong saw higher sales of IADs. In Japan, orders for residential phones increased as an existing customer increased orders.

CMS revenue in Asia Pacific rose by 4.3% to US$154.7 million. Growth in professional audio equipment and communication products offset lower sales of medical and health products and home appliances. This came despite the production facilities in Muar, Malaysia having to shut for several weeks in April because of government COVID-19 measures. Higher sales of professional audio equipment were mainly attributable to increased sales of DJ equipment and the acquisition of a customer supplying USB streaming microphones for online KOLs (Key Opinion Leaders). Sales of communication products rose on more orders for marine radios as a new generation of products was launched. In contrast to these increases, medical and health products reported lower sales. Orders for diagnostic ultrasound systems declined as hospitals shifted their budgets to purchase COVID-19 related equipment. Sales of home appliances also decreased, as a product reached the end of its life cycle.

Other Regions



Group revenue in Other Regions, comprising Latin America, the Middle East and Africa, fell by 25.5% to US$22.5 million in the financial year 2021. The decrease was attributable to lower sales at all three product lines. Other Regions accounted for 1.0% of Group revenue.

ELPs revenue in Other Regions decreased by 30.6% to US$8.4 million. Higher sales in Africa were offset by lower sales in the Middle East and Latin America.

TEL products revenue in Other Regions was down by 16.9% to US$13.8 million. The decline was attributable to sales decreases in Latin America, which offset increases in the Middle East and Africa.

CMS revenue in Other Regions was US$0.3 million in the financial year 2021, as compared to US$1.5 million in the previous financial year.

[12] The NPD Group, Retail Tracking Service

45 YEARS | A Journey of **Technological Innovation**

VTech was established 45 years ago in 1976, inspired by the passion for electronics of its founders. From a small office in Hong Kong with 40 employees and sales of under US$1 million in its first year, VTech has grown to become a global corporation, with approximately 25,000 employees and sales across more than 80 countries and regions exceeding US$2 billion annually.

It has been a story of pioneering innovation and dedication to the ideal of putting technology into the hands of people. In celebration of our 45th anniversary, we would like to share with you a little about our growth story, beginning with the early years in Hong Kong.

Made in **Hong Kong**

The mid-1970s saw a watershed moment in the electronics industry when in the US Intel developed the world's first microprocessor chip. It was an invention that would revolutionise electronics.

Hong Kong was already home to a number of electronics manufacturers. In many ways, it was an ideal location, with a skilled labour force, good communications, first-rate port facilities, a sound legal system and a government committed to free trade.

Sensing opportunity, in 1976 the founders of the company invested US$40,000 in their new business and set to work. The next year, their first product was launched, a home TV game console called Pong. Over the next two years, VTech incorporated the new Intel chip into its first portable electronic game, soon going on to create a full range of in-house designed LED and LCD games that won many export and design awards.

The next breakthrough came in 1980, when VTech created an entirely new product category – electronic learning aids. In that year we introduced our first electronic learning product (ELP), Lesson One. ELPs was thus the first of the Group's three core businesses, dedicated to bridging the worlds of entertainment and learning.

Initially, Lesson One used a book-type form factor, but taking a design cue from the desktop PCs at the time, a new pale yellow tabletop version was unveiled the following year. This became our first highly successful ELP.

1976

Allan Wong and Stephen Leung established Video Technology Limited.

1977

Developed our first product, a home TV game console.

1978

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

1979

Launched our first portable LCD game.

1980

Launched our first ELP, 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.

New Business, **New Markets**

VTech's vision was to be a brand in its own right. In 1982, we established our first overseas sales subsidiary in Chicago, becoming the first Hong Kong electronics company to design and market its own branded products overseas.

In 1983, we moved to Tai Po in Hong Kong's New Territories, where the headquarters remain today. By this time, we had grown to a few thousand people. In addition to ELPs, we were producing personal computers.

Success in these fields attracted the interest of other consumer electronic brands around the world and some approached the Group to see if we would be interested in manufacturing on their behalf. This led in 1984 to the establishment of our contract manufacturing services (CMS) business, with an order for the manufacture of satellite receivers for a US company.

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 mainland 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 mainland 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.

1989

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

Building a reputation for integrity and customer-focused service, the Group invested significantly in personnel and production capabilities to grow its manufacturing capacity. This enabled VTech to expand into new product areas, including professional audio products and graphic design tablets for customers in the US and UK.

In 1986, VTech became the largest manufacturer of electronic learning aids sold in the US, and also listed on the Hong Kong Stock Exchange. The following year, a sales subsidiary in the UK opened, thereby establishing a foothold in the European market.

This was followed in 1988 by the expansion of operations in North America, with the establishment of an R&D Centre in Vancouver. The Canadian engineering team worked together with the Hong Kong engineers to come up with another iconic product, the fully digital 900MHz cordless telephone. Launched in 1991, this marked the beginning of the telecommunication (TEL) products business.

The potential of the phone was apparent from the very first prototypes. As no other company was working with this advanced technology at the time, VTech had to create its own custom integrated circuits and work with partner manufacturers to create customised filters for the new frequency band. The first model was unveiled at the Consumer Electronics Show in Las Vegas and received overwhelmingly positive feedback. At that point, the decision was made to go into full scale production.

With a significant increase in range and quality, VTech's new 900MHz cordless phones offered a huge performance advantage over all other products on the market. As we continued to improve performance and reduce costs, 900MHz cordless phones quickly displaced the existing low frequency products. Finally, the 910 ADL model achieved a price below US$100, which together with its high performance, turned it into a market-leading success.

1990

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

Expanded distribution of our Laser PCs to the US.

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.

1993

Established an American Depositary Receipt programme.

Acquired the Capsela brand of scientific and construction toys.

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 mainland 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.

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. It won "The Best Overall Toy of the Year" in the US and other top global awards in the following year.

2005
Opened our third manufacturing facilities in mainland China, in Qingyuan city, Guangdong province.

2006
BusinessWeek named VTech in the InfoTech 100.

THE INFOTECH 100 BusinessWeek

2007
For the second consecutive year, BusinessWeek named VTech among the top 100 information technology companies worldwide.

Made by **Hong Kong**

As Hong Kong's economy continued to develop, labour-intensive manufacturing industries began to face two very current problems: increasing rent and labour costs. In addition, the city's relatively small population could not supply enough workers to meet rapidly growing demand from around the world for its electronic products.

To address these challenges, the Group took advantage of the opportunity to relocate production over the border in mainland China. We opened our first mainland manufacturing facilities in 1988, located in Houjie town, Dongguan city, Guangdong province. In 1997, VTech opened its second site, in Liaobu town, also in Dongguan. Later, in 2005, we opened our third facility in mainland China, this time in Qingyuan city in Guangdong. In 2010, VTech employed over 32,000 workers at these three locations.

The New **Millennium**

VTech began the new millennium with the acquisition of 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. This paved the way for VTech to become the market leader in fixed-line residential phones in the US, a position we still retain today.

In 2002, VTech launched the world's first 5.8GHz cordless phone. By the end of the decade, we had branched out into commercial phones, introducing models designed for small to medium sized enterprises in the US.

ELPs, meanwhile, saw the launch of the V.Smile TV Learning System, one of the most successful ELPs in VTech's history. It was named "The Best Overall Toy of the Year" in the US in 2005 and won other top global awards. A key factor in our ELPs' success has been not just innovation, but our reputation for quality and safety, which have throughout been our top priorities.

There was also a new focus in our manufacturing. To raise quality and increase productivity further, we turned increasingly to automation, process improvement and product optimisation – combining commercially available machines with custom-designed in-house-manufactured solutions to meet our specific needs at lower cost.

All-round success meant that not just our products, but VTech itself was by now gaining international recognition. In 2006, *BusinessWeek* named VTech to its "InfoTech 100" list of companies, while in 2009 we were ranked 54th globally and first among Hong Kong companies in the InfoTech 100 list.

2008

Reported our third consecutive year of record revenue and profit.

2009

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.

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.

2016

Acquired LeapFrog Enterprises, Inc. and Snom Technology GmbH.

2017

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

CMS established its own facilities 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 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 the "Vendor of the Year 2018" award and "Toy Supplier of the Year" award presented by 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.

2021

Expanded manufacturing base outside Asia with the acquisition of a production facility in Mexico for professional loudspeakers.

Going Global, Strong Brands, **Market Leadership**

The year 2010 saw VTech become the world's largest manufacturer of cordless phones and during the coming decade the TEL products business used its know-how in radio frequency and cordless phone technology to enter many new product areas – baby monitors, CAT-iq handsets, hotel phones, conference phones, VoIP phones and IADs. To expand the R&D horizons for TEL products, in 2016 we acquired the German company Snom Technology GmbH, a pioneer and leading brand of professional and enterprise VoIP telephones.

ELPs also went from strength to strength, building leadership positions in both Europe and North America that we maintain this day, while expanding into new product categories such as toddler vehicles and playsets. A new brand was added here too, when in 2016 VTech acquired LeapFrog Enterprises, Inc., a leading US developer of educational entertainment for children.

Meanwhile CMS was growing fast, outperforming the global EMS industry to become a world's top 50 EMS provider. More and more product categories were

added, including hearables, industrial products, home appliances, medical and health, as well as Internet of Things products.

The basis for this success has been the trust that comes from delivering customers' products on time and to the high standard of quality they expect. The ability to achieve this comes from years of experience and a deep understanding of the production process, which allows us to anticipate issues before they become problems.

With market leadership in all three product lines, in the financial year 2017, Group revenue surpassed the US$2 billion mark.

The following year, the CMS business acquired a DJ equipment business and the associated production facilities in Malaysia, marking the start of the expansion of VTech's manufacturing base globally.

Today, our headquarters remain in Hong Kong, where we can leverage the city's talent base and access its powerful financial and commercial networks. But we have manufacturing facilities in mainland China, Malaysia and Mexico, supported by R&D operations in Hong Kong, mainland China, Taiwan, Germany, Canada and the US. We are a truly global business.

Shaping a **Sustainable Future**

Digitisation is bringing extraordinary changes to the way we live and work, change that the pandemic has accelerated. People are buying more online and working more flexibly, while their children are accessing 'edutainment' through the internet. All this plays to our strengths.

Our ELPs are ideally suited to this dynamic new environment, and we have a growing portfolio of content that contributes increasingly to top line and bottom line growth, such as LeapFrog Academy and, more recently, Go! Go! Cory Carson and its Netflix animation series. In TEL products, we are expanding our range of products that provide connectivity for the home, office and home-office. CMS is also looking to the future, with its investment in Industry 4.0. This will transform our production facilities into smart factories, as big data and sophisticated software allows processes to be streamlined and monitored in real time, not only by VTech but by the customers we serve.

Above all, thinking about the future means addressing climate change and sustainability. Our sustainability vision is to create sustainable value for the lives of people and protect the planet for the future generations. Last year, we set out our pledges to replace fossil-based plastic in all our ELPs with sustainable alternatives by 2030 – the next phase of our effort to build a better future for the children of today and tomorrow.

VTech's mission is to integrate economic growth, environmental protection and social responsibility in our 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 our stakeholders and communities. It is a journey that continues.

INSPIRE

For decades now, VTech has been inspiring kids to learn by giving them educational toys they just can't wait to play with. From a simple standalone toy to a more sophisticated learning platform, VTech and LeapFrog branded ELPs embrace technology to develop little learners, empowering them to unlock their full potential.

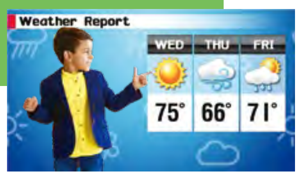
Inspire children
to learn while having fun

Innovation has been the key to VTech's rise to leadership in electronic learning toys. Nothing illustrates this better than KidiZoom Camera and the world of products it has spawned.

The story began with a rugged, easy-to-use camera for budding young photographers. But we realised the basic idea could be adapted to other unmet needs – the sort of thing VTech does best. Inspired by KidiZoom Camera's huge success, there's an ever-growing family of products providing different play values and experiences in a variety of form factors – from the sports camera KidiZoom Action Cam, to the wearable KidiZoom Smartwatch, our handheld communication device KidiBuzz and even a camera-enabled diary, KidiSecret.

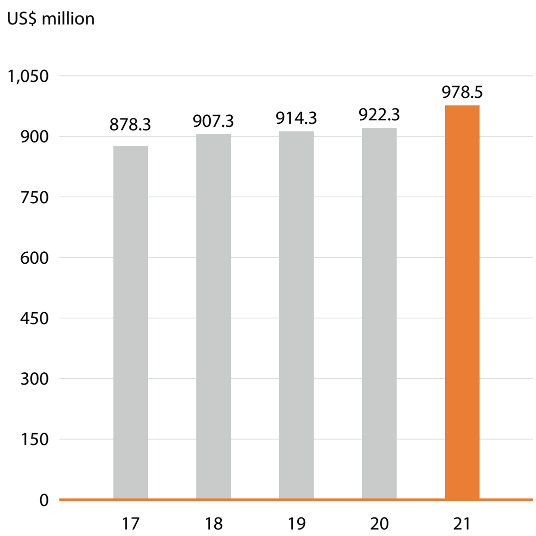
Not that we've forgotten the camera. KidiZoom Camera has been the leading kid's camera in the US and many European markets for more than a decade. We've maintained its dominance through amazing new features that kids love – selfies, movie and voice recording, video games, picture frames, stamps and even wacky effects. Last year we added KidiZoom Creator Cam to the range, giving every kid the chance to become a YouTube sensation!

Today, we're working on exciting new generations of products to inspire kids in tomorrow's world – and keep VTech a market leader for years to come.

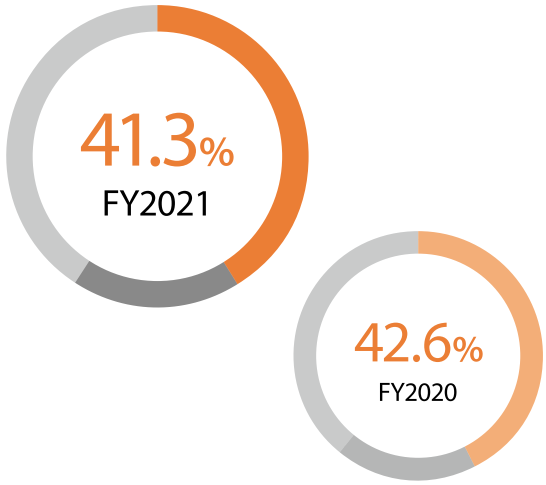


Electronic Learning Products

Revenue in Last 5 Years



As % of Group Revenue



Revenue by Region (US$)

North America
536.9 million ↑ 8.8% (year-on-year)

Europe
351.2 million ↑ 5.4% (year-on-year)

Asia Pacific
82.0 million ↓ 1.4% (year-on-year)

Other Regions
8.4 million ↓ 30.6% (year-on-year)

No. 1

supplier of electronic learning toys from infancy through toddler and preschool globally

No. 1

supplier in infant, toddler and preschool toys category in Canada

60.8

million products shipped in FY2021

83

countries selling the Group's ELPs in 28 languages

Brands

Standalone Products

Age-appropriate and developmental stage-based toys

Platform Products

Various devices for children, with books, cartridges, expansion packs and/or downloadable content for different learning levels

LeapFrog Academy

A subscription-based, interactive learning programme designed by educational experts, offering over 2,000 engaging games and activities for children aged 3 to 6 years

CONNECT

As a pioneer in high frequency cordless telephones, VTech has been putting technology literally into the hands of people for decades. Our VTech and Snom brands now offer a wide range of telephony, baby care and communication products for residential and commercial use. Every day, they not only bring connectivity and productivity to the home, office and home-office, but also put parents' minds at ease.


Hello
snom
06.09.2019
10:25
Steve Fuller
+4930398330
Heidi MacMoran
+4930398331
Line
Conf
Silent
Dialed
Directory
Call History
Call Forward
Info

Connect people
and businesses every day

With living and working patterns changing so rapidly, wouldn't it be great if there was a phone that was ideal for working from home? Well, that's what our engineers thought, and the result is another innovation from VTech that will hit the market later this year – a premium all-in-one work-from-home desktop cordless telephone.

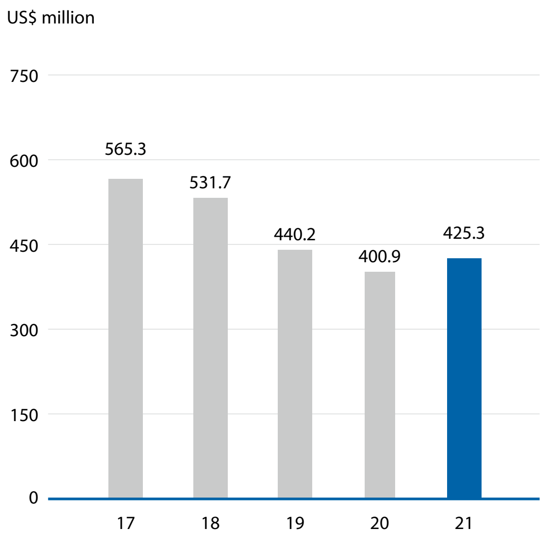
It's packed with all the easy-to-use features and functions a business user wants while working remotely. The 5-inch colour LCD screen has a well-designed user-interface to make menu navigation user-friendly, while users can personalise their frequently accessed functions, such as speed dialling and voice memos, using programmable keys next to the screen. Combined with a base featuring a keypad and a full duplex speakerphone, it's ideal for conference calls. Bluetooth connect-to-cell function make hooking up with headsets and mobile phones simple, while landline and mobile calls can be managed simultaneously by this single device. Expandable to as many as five cordless handsets, the system is never out of reach, while features such as an audio guide for quick installation, call blocker and answering machine add to all-round functionality. It's the ideal phone for today's new world, increasing productivity by supporting collaboration and improving employee engagement.

Big LCD screen enhances user experience

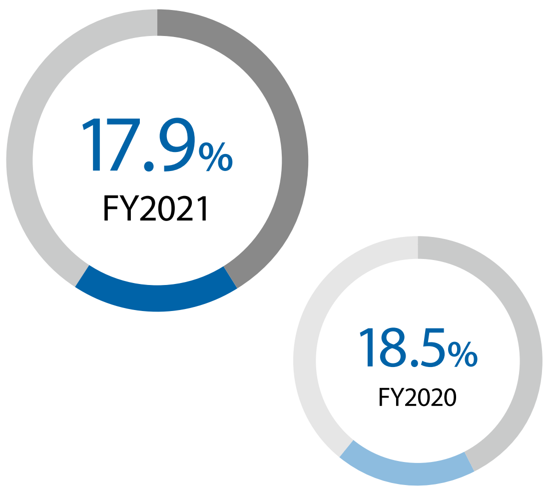
Keypad on base makes conference call easy

Telecommunication Products

Revenue in Last 5 Years



As % of Group Revenue



Revenue by Region (US$)

North America

270.5 million ↑ 10.9% (year-on-year)

Europe

109.3 million ↓ 2.8% (year-on-year)

Asia Pacific

31.7 million ↑ 13.6% (year-on-year)

Other Regions

13.8 million ↓ 16.9% (year-on-year)

No. 1

residential phones manufacturer in the US

No. 1

baby monitor brand in the US and Canada

18.8

million handsets shipped in FY2021

70

countries selling the Group's TEL products

Brands vtech® snom AT&T (Licensed Brand)

Residential Phones

A perfect blend of design and functionality

Commercial Phones

Products specially designed for businesses, from small-to-medium sized operations to enterprise-level corporations, which are easy to install and set up

Other Telecommunication Products

A wide range of products which cater to various needs of home users, making life more comfortable

Products and Services Overview

EXCEL

VTech CMS is a trusted partner for many professional audio, hearables, IoT and medical device companies around the world. With an excellent reputation built on strong manufacturing know-how and outstanding customer service, we provide reliable and high quality services to our clients.

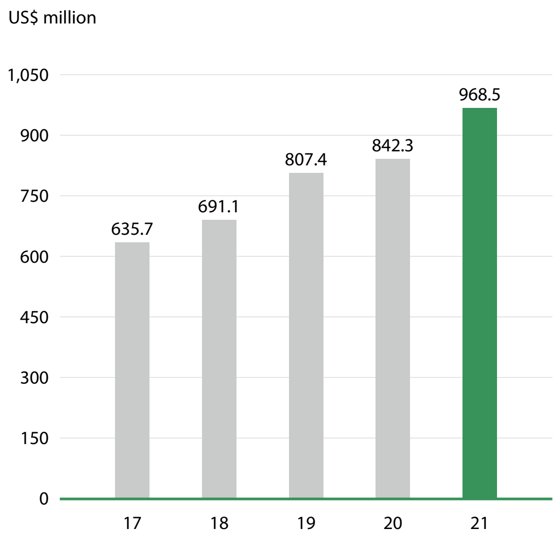
Excel in manufacturing
and customer service

There's a revolution underway in how things are made – Industry 4.0. More data is being collected, in real-time, and machine intelligence can now unleash its full potential in a way that will transform the entire supply chain. The factories and offices of yesterday will become the smart, integrated production networks of tomorrow – a whole new level of automation that promises huge gains in quality, efficiency, sustainability and productivity throughout the supply chain.

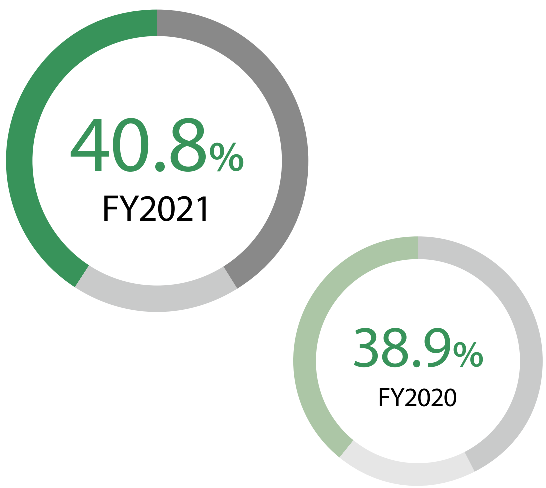
At VTech CMS we're ahead of the curve. For five years already, we've been self-developing a fully-integrated, cyber-physical management system to build data-driven smart factories and supply chains. This will enable our operations to be more predictable, sustainable and repeatable. It will mean real-time visibility of our whole manufacturing process, with each part instantly traceable – raising efficiency and reducing risk not just for us, but for our customers too. It means companies using our contract manufacturing services can bring reliable, high quality products to market faster than ever before – the key to success in today's and tomorrow's world.

Contract Manufacturing Services

Revenue in Last 5 Years



As % of Group Revenue



Revenue by Region (US$)

North America

187.7 million ↓ 25.5% (year-on-year)

Europe

625.8 million ↑ 42.1% (year-on-year)

Asia Pacific

154.7 million ↑ 4.3% (year-on-year)

Other Regions

0.3 million ↓ 80.0% (year-on-year)

24th

among the world's top 50 EMS providers, number one in Hong Kong

19th

consecutive year of sales growth

15.0%

sales growth in FY2021

New plant in

Mexico

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

Professional Audio Equipment

Hearables

IoT Products

Medical & Health Products

Corporate

Sustainability Efforts

VTech Holdings Limited remained a constituent member of the Hang Seng Corporate Sustainability Benchmark Index at a rating of AA- and the FTSE4Good Global Index for the 6th consecutive year. VTech also received a rating of A in the MSCI (Morgan Stanley Capital International) ESG Ratings assessment[13].

In recognition of the continuous contributions to the communities in which it operates, VTech received an "Award of Excellence in Sustainability" from the Chamber of Hong Kong Listed Companies. The Group was also presented the "Outstanding Caring Awards (Enterprise Group)" and "Best Social Impact Award (Enterprise Group)" in the Industry Cares Recognition Scheme organised by the Federation of Hong Kong Industries.

VTech also received the "ESG Leading Enterprises Award" and "Leading ESG Initiative Award" from Bloomberg Businessweek/Chinese Edition and the "InnoESG Prize", which was co-organised by UNESCO HK Glocal Peace Centre, Rotarian Action Group for Peace and SocietyNext Foundation. The Group was also presented the "Best ESG Report – Mid-cap – Grand Award" in Hong Kong ESG Reporting Awards 2020.

VTech Sustainability Report 2020 received "Gold award" in Illustration, "Silver award" in Interior Design and "Bronze award" in Cover Photo/Design in the Annual Report Competition Awards organised by MerComm, Inc.

"Caring Company" Recognition

VTech has been designated a "Caring Company" by the Hong Kong Council of Social Service for the 13th consecutive year.

Community Involvement

VTech has used its worldwide resources to collaborate with Save the Children, an international charitable organisation supporting marginalised and vulnerable children, to organise various events across multiple countries. These included a global toy donation programme with over 4,400 electronic learning toys donated by VTech, and the "Save a Plate" fund-raising event to help lift struggling children out of hunger across the globe. VTech employees in different countries have also participated in the "Letter Writing" campaign to write letters with words of hope and encouragement for children in need of support. During the period from 1 December 2020 to 30 November 2021, VTech will also donate USD1 to Save the Children for every baby monitor or toy sold through its online shops in Canada and Hong Kong, and every baby monitor sold through its online shop in the US.

To stay healthy and fit while keeping social distance in COVID-19 pandemic, VTech employees participated and completed the race distance of the Sowers Action Challenging 12 Hours V-Run in which VTech was the "Bronze Sponsor" for the event.

VTech also made a donation to the "Oxfam Trailwalker – Virtually Together" in which its employees had completed the race distance individually.

In the financial year 2021, VTech extended its Scholarship Programme to grant scholarships to 14 students from The University of Hong Kong, The Hong Kong University of Science and Technology, The Chinese University of Hong Kong, City University of Hong Kong and The Hong Kong Polytechnic University, and 7 students from The Nanchang University, The Shantou University and The Dongguan University of Technology in mainland China.

The Group has also launched the first "Global Green Day" at its Hong Kong headquarters and various overseas offices to promote a healthy and green lifestyle in VTech and the communities. A wide range of activities including tree planting, "zero plastic bag, polystyrene and straw" promotion, hand-made body scrubs workshop with recycled coffee grounds and beach cleaning were organised for the employees across different countries.

[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

Top-selling Toy of the Year

According to the NPD Group, KidiZoom Smartwatch was the number one selling item in the Youth Electronics Supercategory in the US for the third consecutive year. It was also the top selling toy in the individual class of Electronic Entertainment[14].

Grand Prix du Jouet Awards

Speak & Learn Puppy and KidiZoom Video Studio HD were named "Best Infant Toy" and "Best High Tech Toy" respectively in the "Grand Prix du Jouet 2020" awards presented by *La Revue du Jouet* magazine in France.

Award-winning 100 Animals Book

The 100 Animals Book was given multiple awards in the calendar year 2020, including "2020 Best Toy Awards" from the *Good Housekeeping* magazine, and the TTPM's "2020 Holiday Most Wanted Toys" in the Learning and Active Play category.

Other Awards

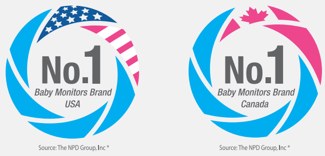
In the financial year 2021, the Group's ELPs received 112 accolades from respected toy and parenting industry experts, toy councils and retailers around the world.

[14] The NPD Group, Retail Tracking Service, US, January – December 2020, USD

Telecommunication Products

No. 1 Baby Monitor Brand

VTech baby monitors strengthened their position as the number one brand in the US and Canada[15].



Best VoIP Device Award

The Snom D735 desk phone received the "Best VoIP Device" award at the Internet Telephony Services Providers Association (ITSPA) Awards.

Award-winning Baby Monitors

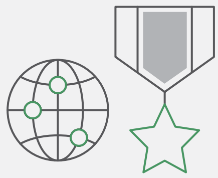
In the UK, the RM7764HD 1080p 7-inch Smart Wi-Fi baby monitor won four top awards, including "Best Baby Monitor – Gold Winner". In Australia, the RM5762 baby monitor picked up two leading awards, while in New Zealand, VTech was named "Best Baby Monitor Brand" in the OHbaby! Awards.

[15] The NPD Group Inc., Retail Tracking Service, US & Canada, Baby Monitors, April 2020 – March 2021 combined vs April 2019 – March 2020 combined

Contract Manufacturing Services

A Global Top 25 EMS Provider

VTech Communications Limited was ranked 24th among the world's "Top 50 EMS Providers", and first in Hong Kong, in *Manufacturing Market Insider* [16] magazine.

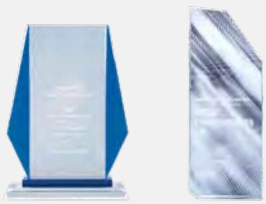


New Manufacturing Facility in Mexico

The Group acquired a new business and production facility in Tecate, Mexico for manufacturing professional loudspeakers.

Service Excellence

VTech Communications Limited received numerous awards from customers, including "Annual Best Service Partner" and "Contract Manufacturer of the Year: USB Interfaces & Digital Mixers" from customers in the field of professional audio equipment.



[16] *Manufacturing Market Insider*, March 2021 Edition

Sustainability

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

Looking back to the financial year 2021, the COVID-19 pandemic has continued its severe and profound impacts on the social lives of people and the global economy. Many countries have been undergoing various degrees of lockdown during the year, while travelling and business activities have continued to be restricted. Children living in under-resourced communities have been particularly affected as schools are closed and they lack the facilities and equipment to learn at home.

During these challenging and turbulent times, with the sustainability strategic direction provided by the Group's Risk Management and Sustainability Committee, together with a strong sustainability management structure and dedicated commitments of its management teams, VTech was able to achieve its sustainability performance targets for the financial year 2021 as set out under the Group's 5-year Sustainability Plan 2025. 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 17 Sustainability Development Goals (SDGs) adopted by the United Nations General Assembly in 2015.

Sustainability Management

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 Group Chief Compliance Officer (Co Sec & Group CCO), as members - a combination of Executive Directors, an INED and senior management.

RSMC is delegated with the authority from 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.

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 17 SDGs have been established accordingly.

Risk Management and Sustainability Committee
Sustainability Sub-Committee

Sustainability Plan 2025 — Five Pillars

Governance and Business Ethics

- 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 throughout the company

Product Responsibilities and Value Chain Management

- 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 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
- 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 carbon emission throughout the transportation process

Our People

- 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, pleasant and healthy workplace for our employees and foster a caring community in our working environment

Society

- Use our expertise and resources to support 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 2025

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 second 5-year Sustainability Plan 2025 with annual measurable objectives and targets for the financial years 2021 to 2025. VTech's sustainability commitments include using sustainable materials in its products and packaging and recycling them in a responsible way, using eco-friendly transportation modes in its supply chain management, increasing the use of renewable energy and reducing the consumption of natural resources in its production process.

VTech has established a strong foundation for its sustainable growth. With the Company's determination and commitment towards sustainability, VTech will continue to implement comprehensive programmes to achieve its sustainability targets for its 5-year Sustainability Plan 2025. VTech also strives to integrate economic growth, environmental protection and social responsibility in its strategic business plan, aiming to drive sustainable value for its customers, employees, shareholders, investors, suppliers and the communities.

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 2021 are available on www.vtech.com/en/sustainability/.

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.

VTech has followed the GRI Standards: Core option and its principles of balance, comparability, accuracy, timeliness, clarity and reliability for the Group's sustainability report preparation. VTech has also made reference to the Stock Exchange of Hong Kong Limited (the Stock Exchange) Environmental, Social and Governance (ESG) Reporting Guide (ESG Guide) to define the report content and satisfy its "comply or explain" and "recommended disclosures" provisions.

Furthermore, VTech has disclosed climate-related initiatives and measures by using the framework of Task Force on Climate-related Financial Disclosures (TCFD). A number of potential physical and transition risks and opportunities related to the climate change, which have impacts on the Company in short, medium and long term, have been identified with development of sustainability initiatives to address in the 5-year Sustainability Plan.

Awards and Recognitions

VTech's dedicated sustainability efforts have received local and international recognitions. VTech has continued to be a constituent member of the Hang Seng Corporate Sustainability Benchmark Index with score at AA- rating, and has also been included in the FTSE4Good Global Index for the 6th consecutive year. VTech also achieved a rating of A in the Morgan Stanley Capital International (MSCI) ESG Rating[17]. In addition, VTech has received the "Awards for Excellence in Sustainability" of the Hong Kong Corporate Governance Excellence Awards organised by the Chamber of Hong Kong Listed Companies for the fourth time. In recognition of its continuous contributions to the Hong Kong community, VTech has been awarded the "Outstanding Caring Awards (Enterprise Group)" by Federation of Hong Kong Industries, and recognised as the "Caring Company" by The Hong Kong Council of Social Service for the 13th consecutive year.

Hang Seng Corporate Sustainability Index Series Member 2020-2021 MSCI FTSE4Good

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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 recognises 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 it meets the requirements of the applicable laws and regulations, industry best practice, global trends, and market expectations.

Corporate Governance Practices

VTech Holdings Limited is incorporated in Bermuda and has its shares listed on the Stock Exchange. The corporate governance rules applicable to the Company are the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Throughout the year ended 31 March 2021, the Company has complied with all the code provisions of the Code and to a large extent the recommended best practices in the Code, except for the deviations from code provision A.2.1 and A.6.7 of the Code as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Allan WONG Chi Yun has the combined role of Chairman and Group Chief Executive Officer. As 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 for the long-term interests of the shareholders.

Under code provision A.6.7 of the Code, independent non-executive directors generally should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Professor KO Ping Keung was unable to attend the 2020 Annual General Meeting (the "2020 AGM") of the Company held on 10 July 2020 due to the travel restrictions arising from the COVID-19 pandemic. The 2020 AGM proceeded smoothly with the attendance of the external auditor and all Directors except Professor KO Ping Keung. Considering that all other Directors (including the other three Independent Non-executive Directors) attended the 2020 AGM, the Board is of the view that the Board as a whole gained and developed a balanced understanding of the views of the shareholders of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules regarding securities transactions for both its Directors and senior management. After having made specific enquiries, all Directors confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 31 March 2021.

VTech is also committed to following the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules. VTech Sustainability Report is published annually and made available for public on www.vtech.com/en/sustainability. A summary of the 2021 Sustainability Report is provided on pages 48 to 50 of this Annual Report.

VTech Code: Compliance and More

VTech considers strong corporate governance as the cornerstone for delivering its strategic business plan and achieving sustainable performance. During the financial year ended 31 March 2021 ("FY2021"), VTech has continued to make enhancements on its corporate governance practices exceeding the compliance requirements in the following areas:

Our Board

- The number of Independent Non-executive Directors in the Board, the Audit Committee and the Remuneration Committee, respectively, are more than the respective minimum requirements set under the Listing Rules.

- VTech's Risk Management Committee was established in 2002, and was renamed to Risk Management and Sustainability Committee on 15 May 2013. In addition to the monitoring and reviewing of the Group's risk management and internal control systems, its roles and responsibilities were expanded to include the reviewing and assessment of the Group's sustainability strategies, performance and activities on a regular basis.

- VTech conducts regular evaluation on the performance of the Board and its Committees. A summary of the evaluation results has been circulated to the Board for review and discussion, and presented to the respective Board Committees for follow-up during the financial year.

- A matrix of Board skills and experience setting out the Directors' attributes and competencies has been included in VTech's annual report since the financial year ended 31 March 2019.

Our Disclosures

- VTech announces its interim financial results within 1.5 months after the end of the 6-month financial period, and its annual financial results within 2 months after the end of the financial year. It also publishes its Interim Report within 2 months after the end of the 6-month financial period, and publishes its Annual Report and Sustainability Report on its website, and sends its Annual Report to the shareholders within 3 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 has published its annual Sustainability Report in accordance with the core option of GRI's guidelines since the financial year ended 31 March 2014. It has also followed the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules since the financial year ended 31 March 2015, and started disclosing its climate related initiatives using the TCFD framework since the financial year ended 31 March 2020.

- For the AGM, VTech gave more than 20 clear business days' notice to all shareholders before the AGM.

- VTech's Continuous Disclosure Policy has been established since 2013 and published on its website. The policy guides the Group in monitoring and disclosing potential inside information.

- VTech's Shareholders Communications Policy has been established since 2016 and published on its website. The policy sets out the procedures to provide shareholders and the investment community with information about the Group.

VTech Code: Compliance and More (Continued)

Our Best Practices in Corporate Governance

- In addition to the Directors of the Group, VTech has adopted the Model Code regarding securities transactions for its senior management, which exceeds the minimum requirements under Listing Rules. This includes the implementation of clearance and approval procedures, as well as the prohibition periods of dealing in VTech securities.

- VTech's Whistleblowing Policy has been established since 2006 and published on its website. The policy provides whistleblowing channel for employees to raise matters of serious concern in confidence without the fear of recrimination. The nature and status of complaints are reported by Group Chief Compliance Officer to the Chairman of the Audit Committee on a quarterly basis. The results of the review of the complaints are also reported to the Audit Committee on a biannual basis.

- Arrangements have been made since 2010 to ascertain shareholders' preferences as to the means of receiving corporate communications, with the aim of enhancing the use of the Group's corporate website as an environmentally friendly platform for shareholder communications.

- At each of the AGM held by the Company since 2017, VTech has sought the shareholders' approval for a general mandate (the "Issue Mandate") to be granted to Directors to issue new shares of the Company 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 no longer proposed to extend the relevant Issue Mandate granted to 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.

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; and

- Stakeholders engagement.

During FY2021, the Board examined and discussed the following items in respect of the five focused areas:

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 business plan and budget review process, the Board considered and approved the Group's business plan and budget for the financial year ending 31 March 2022.

Board's Focus and Activities (Continued)

Risk Management and Internal Control

With the COVID-19 situation, the Board examined the risks faced by each of the Group's product lines and business operations. The Board reviewed the reports from the Audit Committee and the Risk Management and Sustainability Committee on the oversight of the Group's risk management and internal control systems. As cybersecurity is one of the Group's top priority risks, the Board also continuously monitored the cybersecurity-related risks and the progress of initiatives and measures undertaken and reported by the Data Security Governance Board.

Leadership and People

Human resources management including leadership succession plan is crucial to the Company's long-term success. The Board continuously reviews the Group's human resources management progress to attract, develop, retain and motivate key talents across the whole organization. It also encourages management to develop the future 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 the year ended 31 March 2021 and the Group's Interim Report for the six months ended 30 September 2020. In approving the Annual Report and Interim Report, the Board also approved the financial statements and ensured that the statements give a true and fair view of the financial position of the Group.

Stakeholders 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. In order to strengthen the Company's market leadership in the businesses demanding technological advancement, the Board members and management exchanged opinions and agreed on the strategic direction to engage younger generation in product innovation and development. The Company also actively engage with its shareholders and investors through physical and virtual meetings as well as various investment conferences to provide timely information of the Group's business performance 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 business plans, risk management, internal control, sustainability strategies, activities and performance progress against the sustainability target;

– 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.

Commitment to Good Corporate Governance (Continued)

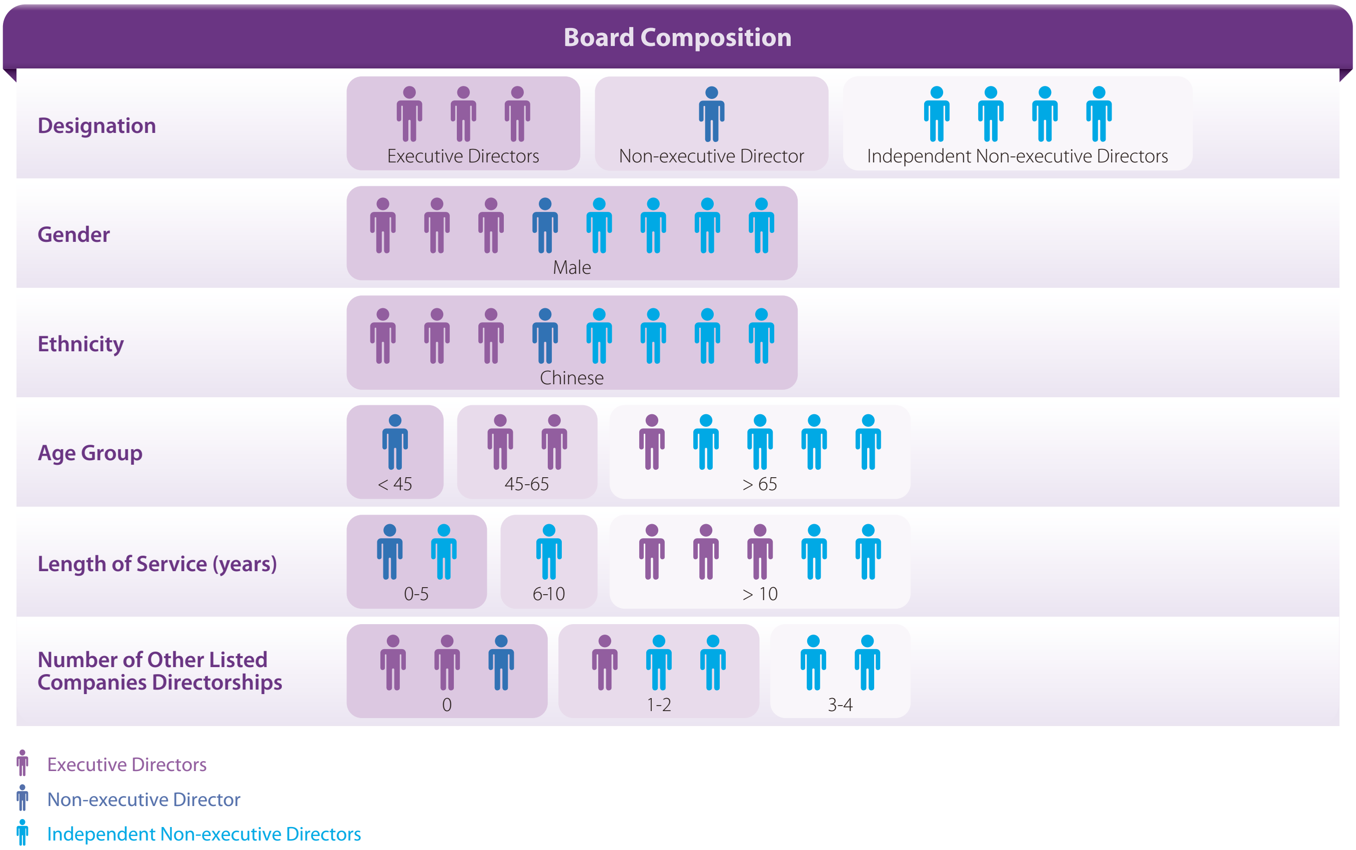
(1) Leadership (Continued)

Board Composition

The Board currently comprises three Executive Directors, one Non-executive Director and four Independent Non-executive Directors. 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 Board meetings.

Details of all Directors and their biographies, including relationship between the Board members are set out on pages 87 to 88 of this Annual Report.

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



Commitment to Good Corporate Governance (Continued)

(1) Leadership (Continued)

Board Composition (Continued)

Board Skills and Experience

		Industry and Manufacturing	Mainland China	Global Business	Technology	Logistics/ Supply Chain	Environmental, Social & Governance	Accounting Professional/ Legal and Compliance
Executive Directors	Allan WONG Chi Yun *(Chariman)*	✓	✓	✓	✓	✓	✓	✓
	PANG King Fai	✓	✓	✓	✓	✓	✓	
	Andy LEUNG Hon Kwong	✓	✓	✓	✓	✓	✓	
Non-executive Director	William WONG Yee Lai	✓		✓	✓			
Independent Non-executive Directors	William FUNG Kwok Lun	✓	✓	✓	✓	✓	✓	
	KO Ping Keung	✓	✓	✓	✓		✓	
	Patrick WANG Shui Chung	✓	✓	✓	✓	✓	✓	✓
	WONG Kai Man	✓	✓	✓	✓		✓	✓
	Total (in number):	**8**	**7**	**8**	**8**	**5**	**7**	**3**
	Total (in percentage):	**100%**	**88%**	**100%**	**100%**	**63%**	**88%**	**38%**

In addition, the Directors disclose to the Company the number and nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved on a biannual basis. Directors are also reminded to notify the Company in a timely manner any changes of such information.

Commitment to Good Corporate Governance

(Continued)

(1) Leadership (Continued)

Board Committees

The Board has delegated authority to various Board Committees to deal with specific matters. An Audit Committee, a Nomination Committee, a Remuneration Committee, and a Risk Management and Sustainability Committee were established with defined terms of reference which are no less exacting than those set out in the 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

Executive Board consists of three Executive Directors. It is responsible for overseeing the 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

Executive Committee 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 Group 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
- Stakeholders Engagement

Board Committees

Audit Committee

Mr. WONG Kai Man*
(Chairman)
Dr. William FUNG Kwok Lun*
Professor KO Ping Keung*
Dr. Patrick WANG Shui Chung*

Roles and Responsibilities

- oversees and reviews financial and internal audit reporting;
- reviews Sustainability Report;
- reviews and evaluates the Group's risk management and internal control systems, corporate governance functions, and internal auditing processes; and
- ensures that the Group complies with all applicable laws and regulation.

Nomination Committee

Dr. William FUNG Kwok Lun*
(Chairman)
Professor KO Ping Keung*
Dr. Patrick WANG Shui Chung*
Mr. WONG Kai Man*
Dr. Allan WONG Chi Yun+

Roles and Responsibilities

- recommends Board appointment or re-appointment;
- reviews the structure, size and diversity of the Board, and the Nomination Policy and Board Diversity Policy;
- assesses the independence of the Independent Non-executive Directors; and
- oversees succession planning for Directors and senior management.

Remuneration Committee

Dr. Patrick WANG Shui Chung*
(Chairman)
Dr. William FUNG Kwok Lun*
Professor KO Ping Keung*
Mr. WONG Kai Man*

Roles and Responsibilities

- reviews all elements of incentives and recommends remuneration for the Executive Directors and senior management; and
- reviews the granting of share options and share award to employees under the Company's share option scheme and share purchase scheme.

Risk Management and Sustainability Committee

Dr. Allan WONG Chi Yun+
(Chairman)
Dr. PANG King Fai+
Mr. Andy LEUNG Hon Kwong+
Mr. WONG Kai Man*
Mr. Hillson CHEUNG Hoi#
Ms. Shereen TONG Ka Hung#
Mr. CHANG Yu Wai#

Roles and Responsibilities

- provides vision and strategic direction for the Group's sustainability activities;
- reviews and assesses the Group's sustainability policies, performance progress and activities against the goals and targets; and
- evaluates the Group's risk appetite profile and reports to the Audit Committee.

Executive Board

- Comprises three Executive Directors;
- Oversees the daily operations of the Group under the Board's delegation;
- 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;
- Operate day-to-day business and activities of the Group 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)

(1) Leadership (Continued)

Board, Board Committees and Shareholders' Meetings

Four Board meetings at approximately quarterly intervals are scheduled 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. 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 date of the meetings. Directors are advised to inform the Chairman of the Board and Board Committees before the 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 3 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 the 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 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 are kept by the Company Secretary of the Company (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.

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 the financial year is set out below:

		Meetings attended/Eligible to attend					
		BM	ACM	NCM	RCM	RMSCM	AGM
Executive Directors	Allan WONG Chi Yun *(Chairman)*	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
	KO Ping Keung	4/4	2/2	1/1	1/1	–	0/1
	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 during the financial year.

Commitment to Good Corporate Governance

(Continued)

(2) Effectiveness

Board Evaluation

The Board recognises the importance and benefits of conducting regular evaluation 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.

During FY2021, Board evaluation was conducted in the form of questionnaire by all members of the Board and Board Committees anonymously with the aim of improving the effectiveness of the Board and the Board Committees. The scope of the evaluation focused on the composition and diversity, as well as effectiveness of the performance of the Board and the Board Committees. The evaluation questionnaire consisted of both quantitative element based on the ratings to each question, as well as qualitative recommendations on any areas of improvement.

A summary of the 2021 evaluation results, which was anonymous and prepared by the Company Secretary, was presented to Board for review and discussion at the Board meeting in May 2021. The summary indicated that the members of the Board and Board Committees broadly agreed that the Board and Board Committees had operated satisfactorily. They were also satisfied, in general, with the composition and effectiveness of each Board Committee. The evaluation results with recommendations were also presented to the respective Board Committees for their follow-up actions of improvement.

As for the diversity of the Board, the Directors were satisfied, in general, with diversity of the Board and each Board Committee in accordance with the Board Diversity Policy. The Directors also recognised that the Board diversity could be further enhanced in the areas of gender and age group. They would continue to take initiatives to identify suitable candidates to strengthen the Board diversity.

Appointment and Re-election of Directors

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

Independence of Independent Non-executive Directors

The Board has received from each Independent Non-executive Director a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that the four 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 confirmation from each of the Independent Non-executive Directors of his independence also covered his immediate family members (as defined under the Listing Rules).

When assessing the independence of the Independent Non-executive Directors, the Board and the Nomination Committee will consider the character and judgement demonstrated by the Director's commitment and contribution to the Board and other relevant factors such as expertise, experience, and stability to the Board. Notwithstanding that some Independent Non-executive Directors have served as Board members for more than nine years, this does not and would not affect their independent judgement as they have been providing objective view and independent opinion to the Company over the years, and have continued to demonstrate a firm commitment to their independent roles. There is no business or other relationships or circumstances that are likely to affect their independent judgement.

Commitment to Good Corporate Governance

(Continued)

(2) Effectiveness (Continued)

Independence of Independent Non-executive Directors (Continued)

Any further reappointment of an Independent Non-executive Director who has served the Board for more than nine years are subject to a separate resolution to be approved by shareholders. Reasons will be given in the circular to shareholders to explain why the Board believes those Independent Non-executive Directors are still independent and should be re-elected. If the Independent Non-executive Director will be holding his seventh (or more) listed company directorship, the Board will explain in the circular why he will still be able to devote sufficient time to the Board.

Directors' Training and Professional Development

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment.

During the financial year, the Company has organised a one-day training session as part of the continuous professional development conducted by qualified professionals on accounting, taxation, anti-corruption and Listing Rules requirements for the Directors and relevant staff to develop and refresh their knowledge and skills. The Directors also received an annual update by 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 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 training which they have received during the financial year. The records are maintained by the Company Secretary for annual review by the Audit Committee.

A summary of their records of training during the financial year is as follows:

Directors	Attending briefings, trainings, seminars, conference or giving speech	Reading articles, researches, journals and updates
Executive Directors		
Allan WONG Chi Yun *(Chairman)*	✓	✓
PANG King Fai	✓	✓
Andy LEUNG Hon Kwong	✓	✓
Non-executive Director		
William WONG Yee Lai	✓	✓
Independent Non-executive Directors		
William FUNG Kwok Lun	✓	✓
KO Ping Keung	✓	✓
Patrick WANG Shui Chung	✓	✓
WONG Kai Man	✓	✓

Note: *Training areas include information related to the Company or electronic manufacturing industry, laws, rules and regulations, accounting standards and business management.*

(3) Accountability

Responsibilities in respect of Financial Statements

The Directors are responsible for overseeing the preparation of the consolidated financial statements for the year ended 31 March 2021 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 the 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.

Commitment to Good Corporate Governance
(Continued)

(3) Accountability (Continued)

Responsibilities in respect of Financial Statements (Continued)

The management shall provide the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

The statement by the external auditor of the Company regarding their responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 93 to 97 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.

Internal Control

The Directors have the overall responsibility for internal control, including risk management, and set appropriate policies having regard to the objectives of the Group. During FY2021, the Board, through the Audit Committee and the Risk Management and Sustainability Committee, reviewed the overall effectiveness of the Group's system of internal control over financial, operational and compliance issues, risk management process, information systems security and effectiveness of financial reporting and compliance with the Listing Rules.

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 internal audit function monitors the 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 the Group's businesses and their performance.

Internal Control – 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. The Internal Audit Department reviews the effectiveness of the internal control system. Every three years, the Internal Audit Department carries out a risk assessment on each identified audit area and devises a three-year audit plan according to the nature of business and risk exposures, and the scope of work includes financial and operational reviews.

The three-year audit plan is further divided into three annual audit plans. Every year, the Internal Audit Department reviews the upcoming annual audit plan and makes adjustments to it where appropriate. The three-year audit plan and the annual audit plans, with subsequent adjustments where appropriate, are reviewed and agreed by the Audit Committee. In addition to the agreed 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 periodically while the results of internal audit reviews and responses to the recommended corrective actions are also reported to the Executive Directors and Senior Management. The Internal Audit Department is also responsible for following up the corrective actions to ensure that satisfactory controls are maintained.

Internal Control – Other Control and Management

Code of Conduct

The Company's policy on Code of Conduct is also an important part of the Group's internal control process. The Code of Conduct is a written statement of the core standards of behavior expected by the Group, includes provisions in 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 government, environmental protection, occupational health and safety, respect of labour and human rights, and equal opportunities.

Commitment to Good Corporate Governance

(Continued)

(3) Accountability (Continued)

Internal Control – Other Control and Management (Continued)

Code of Conduct (Continued)

Employees are required to strictly follow the Code of Conduct to ensure 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. The policy is reinforced and monitored by an annual confirmation of compliance in writing.

Full details of VTech's Code of Conduct Policy are available on www.vtech.com/en/investors/corporate-governance/code-of-conduct

Whistleblowing Policy

The Group maintains a Whistleblowing Policy to facilitate the raising of matters of serious concern by employees in confidence without the fear of recrimination. Procedures are established for employees to report complaints and suspected internal malpractices directly to the Group Chief Compliance Officer, who will review the complaints and determine the appropriate mode of investigation and subsequent corrective action. Recommendations on improvements are communicated to the respective department's senior management for implementation. The Group Chief Compliance Officer reports to the chairman of the Audit Committee the nature and status of complaints received on a quarterly basis, and the results of his review of the complaints to the Audit Committee on a biannual basis. No incident of fraud or misconduct was considered to have material effect on the Group's financial statements or overall operations.

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

Risk Register

The Company maintains the Risk Register to record the major and identifiable risks in the critical functions in the operation of the Company. The Risk Register is being reviewed by the Risk Management and Sustainability Committee on a biannual basis. At management level, department representatives of each key business unit/function maintain a risk register documenting the key risks and the response measures of the relevant risk. To facilitate the review of the Risk Register by the Risk Management and Sustainability Committee, the Internal Audit Department will review the operation of the risk management framework, including the effectiveness of reporting to the highest levels, and the continuing operation of appropriate risk responses.

Liability Insurance for the Directors

The Company purchases annually the 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.

(4) Shareholders Engagement

Continuous Disclosure Policy

The Company has established a Continuous Disclosure Policy to set out the Company'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 sensitive information disclosure requirement under the Securities and Futures Ordinance and the Listing Rules.

Full details of VTech's Continuous Disclosure Policy are available on www.vtech.com/en/investors/corporate-governance/continuous-disclosure-policy

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.

Commitment to Good Corporate Governance (Continued)

(4) Shareholders Engagement (Continued)

Shareholders' Rights (Continued)

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 one-tenth 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).

Procedure for shareholders to propose resolution at AGM

Shareholders holding not less than one-twentieth 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 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 23rd Floor, Tai Ping Industrial Centre, Block 1, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.

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 under Investors section of the Company's website.

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 23rd Floor, Tai Ping Industrial Centre, Block 1, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.

AGM

VTech's AGM is held in the month of July each year. The AGM, which is attended by its 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 Group's shareholders have sufficient time to review the AGM notices, annual report and financial statements, all the AGM related documents are dispatched to the shareholders more than 20 clear business days before the AGM.

VTech also conducts all voting at AGM by poll with whole process scrutinized 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. Poll results are announced and posted on the websites of the Stock Exchange and the Company at www.vtech.com.

VTech held its 2020 AGM at Marco Polo Hongkong Hotel. The matters resolved at the 2020 AGM with affirmative votes at or above 95% were set out as follows:

– Receipt and consideration of the audited consolidated financial statements and the Reports of Directors and the Auditor for the year ended 31 March 2020;

– Consideration and declaration of a final dividend in respect of the year ended 31 March 2020;

– Re-election of Dr. PANG King Fai as Executive Director;

– Re-election of Mr. William WONG Yee Lai as Non-executive Director;

– Re-election of Mr. WONG Kai Man as Independent Non-executive Director;

– Fixing the Directors' fee (including the additional fee payable to chairman and members of the Audit Committee, Nomination Committee and Remuneration Committee) for the year ended 31 March 2021;

– Re-appointment of KPMG as Auditor and authorization given to the Board of Directors to fix its remuneration;

– Granting of a general mandate to repurchase shares representing up to 10% of the issued share capital of the Company as at the date of the 2020 AGM; and

– Granting of a general mandate to allot, issue and deal with additional shares representing up to 10% of the issued share capital of the Company at the date of the 2020 AGM, and the discount for any shares to be issued not to be more than 10% to the benchmarked price.

Commitment to Good Corporate Governance

(Continued)

(4) Shareholders Engagement (Continued)

AGM (Continued)

VTech's 2020 AGM was held successfully in spite of the COVID-19 pandemic in Hong Kong. The following special arrangements and precautionary measures to protect the health and safety of all attendees were also put in place:

- Accommodating the attendees in partitioned areas with video and audio link facilities;
- Special seating arrangement to allow appropriate social distancing;
- No provision of refreshments or drinks;
- Compulsory body temperature detection and submission of health declaration form by the attendees prior to entry; and
- Compulsory wearing of surgical face mask by attendees.

In light of the uncertain development of the COVID-19 situation, instead of attending the 2020 AGM in person, shareholders were encouraged to exercise their rights and indicate how they would like the proxy to vote on their behalves by submitting a form of proxy to appoint the Chairman of the 2020 AGM as their proxy for voting.

As for the AGM in 2021, which is scheduled to be held on 13 July 2021 (the "2021 AGM"), in order to ensure the health and safety of the shareholders attending the meeting, VTech will continue to implement precautionary measures in accordance with the prevailing guidelines published by the Hong Kong Government and/or regulatory authorities. Details of the measures will be announced in due course.

Changes in Constitutional Documents

There is no change in the Company's constitutional documents during FY2021.

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.

Shareholders and the investment community may at any time make a request for publicly available Company information by email to investor_relations@vtech.com, by post addressed to the Company's principal office, via the contact form on the Company's website or through the Company's share registrar.

Full details of VTech's Shareholders Communication Policy are available on www.vtech.com/en/investors/corporate-governance/shareholders-communication-policy

Financial Key Dates

The financial calendar highlighting important dates for shareholders in 2021 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 has established a Dividend Policy to set out the guidelines for the Board to determine (i) whether dividends are to be declared and paid; and (ii) the level of the dividend to be paid to the shareholders. It is the policy to allow the shareholders to participate in the Company's profits whilst to retain adequate reserves for future growth.

Normally, the Company pays dividends twice a year, which are the interim dividend and final dividend. In determining and recommending the frequency, amount and form of any dividends in any financial year/period, the Board shall consider the following factors:

- the actual and expected financial performance of the Group;
- global economic conditions and other factors that may have an impact on the business 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 aspect of the business;
- any restrictions on payment of dividends in the Company's Bye-laws or may be imposed by the Group's lenders; and
- any other factors that the Board deems appropriate.

Audit Committee Report

Committee Members

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

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 and auditing processes. It 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.

Mr. WONG Kai Man, as the chairman of the Audit Committee, has the appropriate financial management expertise as required under the Listing Rules. The Audit Committee has held two meetings during the financial year. In addition to the Audit Committee members, the meetings were attended by the Group Chief Executive Officer, the Company Secretary and Group Chief Compliance Officer, the Group Chief Financial Officer and the external auditor.

Terms of Reference

The terms of reference of the Audit Committee are available on www.vtech.com/en/investors/corporate-governance/board-committees

Highlights of the Committee's Work in FY2021

The work performed by the Audit Committee during FY2021 included, but not limited to, reviewing the following before recommending them to the Board for consideration and approval:

– Group's audited consolidated financial statements and reports for the year ended 31 March 2020;

– report from the external auditor for the year ended 31 March 2020;

– corporate governance report setting out the corporate governance policies and practices in the 2020 Annual Report in compliance with the Code;

– training and continuous professional development of the Directors and senior management for the year ended 31 March 2020;

– adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions for the year ended 31 March 2020;

– fee level and nature of non-audit work performed by the external auditor for the year ended 31 March 2020;

– re-appointment of the external auditor and its remuneration for the year ended 31 March 2021;

– 2020 Sustainability Report;

– Group's unaudited Interim Financial Report for the six months ended 30 September 2020;

– 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 2020;

– corporate governance section setting out the corporate governance policies and practices in the 2020/2021 Interim Report in compliance with the Code;

– accounting principles and practices adopted by the Group;

– respective audit plans of the internal and external auditors;

– significant findings by the Internal Audit Department and recommendations for corrective actions; and

– reports made under the Whistleblowing Policy.

Highlights of the Committee's Work in FY2021 (Continued)

On the date of this Annual Report, the Audit Committee met to review the Group's audited consolidated financial statements and reports for the year ended 31 March 2021 in conjunction with the Company's external auditor and senior management before recommending them to the Board for consideration and approval. The financial results of the Group for the year ended 31 March 2021 have been reviewed with no disagreement by the Audit Committee. The Audit Committee has also reviewed the key Environmental, Social and Governance ("ESG") issues and the related risks and strategies, and approved the 2021 Sustainability Report.

In addition to the above, the Audit Committee assisted the Board in meeting its responsibilities for maintaining an effective system of internal control during the financial year. It reviewed the process by which the Group evaluates its control environment and risk assessment procedures, and the way in which business and control risks are managed on a regular basis.

It should be noted that a system of internal control, no matter how well it is designed and operated, can only provide reasonable but not absolute assurance that the objectives of the system of internal control, such as safeguarding assets from inappropriate use, material transactions being executed according to Group's Policies or ensuring compliance with regulations, are met. As a result, it should not be expected that a system of internal control will prevent or detect all errors and frauds.

Based on the information received from the management, 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 system, and the internal audit function of the Group continued to be effective and adequate.

The Audit Committee has also been given the responsibility to oversee 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.

External Auditor

The Audit Committee reviews and monitors the external auditor's independence and objectivity. It also meets with the external auditor to review the nature, scope and results of their audit with senior management. The external audit engagement partner is subject to periodical rotation of not more than seven years.

During the financial year, the fees in respect of audit services and tax services provided by KPMG, the external auditor, are summarised below:

	2021 US$ million	2020 US$ million
Audit services	**0.9**	0.8
Audit related services	**0.1**	0.1
Tax services	**0.6**	0.8

Nomination Committee Report

Committee Members

The Nomination Committee is chaired by Dr. William FUNG Kwok Lun with 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 diversity of the Board, identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and professional experience, assessing the independence of the Independent Non-executive Directors, assessing the ability of a proposed Independent Non-executive Director to devote sufficient time to the Board and the length of service according to the requirements of the Listing Rules, making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, and reviewing the Nomination Policy and the Board Diversity Policy periodically, and recommending revisions to the Board.

Nomination Policy

The Nomination Policy sets out the selection criteria and procedures for the Nomination Committee to select and recommend suitable candidates for directorship with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements 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;
- 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;
- compliance with the criteria of independence under the Listing Rules for the appointment of Independent Non-executive Director; and
- any other relevant factors as may be considered by the Nomination Committee from time to time.

If the Board recognises the need to appoint a new Director subject to the provisions in the Company's Bye-laws, the Nomination Committee, with or without assistance from external agencies, shall identify candidates in accordance with the selection criteria set out in the Nomination Policy, evaluate the candidates and recommend to the Board the appointment of the appropriate candidate for directorship. The Board decides the appointment based upon the recommendation of the Nomination Committee and the Board has the final authority on determining suitable Director candidate for directorship.

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.

Roles and Responsibilities (Continued)

Board Diversity Policy

The Board Diversity Policy sets out the approach to achieve diversity on the Board. The Nomination Committee monitors the implementation of the Board Diversity Policy and has the responsibility in leading the progress for Board appointments. In designing the Board's composition, Board diversity has been 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.

Selection of candidates for Board appointments will be considered taking into account a range of aspects set out in the Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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. Having reviewed the Board composition, the Nomination Committee recognises the importance and benefits of the gender diversity among the Board members for the Group's strategic and sustainable development. It has set out the Board's commitment to take initiatives to identify suitable candidate(s) to enhance the gender diversity of the Board.

Terms of Reference

The terms of reference of the Nomination Committee are available on www.vtech.com/en/investors/corporate-governance/board-committees

Highlights of the Committee's Work in FY2021

The Nomination Committee has held one meeting during the financial year. The work performed by the Nomination Committee during the financial year included, but not limited to discussing the following:

– structure, size and diversity of the Board;

– succession planning for the Directors and senior management;

– individuals suitably qualified for appointment as Director;

– measurable objectives under the Board Diversity Policy and its progress;

– independence of the Independent Non-executive Directors; and

– re-election of retiring Directors at the 2021 AGM, including the assessment on the ability to devote sufficient time to the Board and the length of service of the proposed Independent Non-executive Director according to the requirements of the Listing Rules.

The Nomination Committee was also satisfied with the Board diversity in terms of independence, skills, industry and professional experiences, cultural and educational background as well as length of services of the Board members. As for the gender and age composition, the Committee considered that enhancement in gender and age diversities should be beneficial to the Group's sustainable development. It agreed to take initiatives to identify suitable candidate(s) with priority on enhancing the gender diversity in the near future.

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 recommending to the Board. It reviews the emoluments of Executive Directors and senior management based on skills, knowledge and performance, together with reference to the profitability of the Company, and prevailing market conditions. In addition, the Company has established a share option scheme and a share purchase scheme to provide incentives and rewards to eligible participants for their continuous contribution to the Group.

Terms of Reference

The terms of reference of the Remuneration Committee are available on www.vtech.com/en/investors/corporate-governance/board-committees

Highlights of the Committee's Work in FY2021

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

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

– annual salaries increment and remuneration packages for Executive Directors and senior management, including the share option scheme and the share purchase scheme for Executive Directors and senior management; and

– proposed revision of Directors' fees for the year ending 31 March 2022.

It also reviewed and approved the shares to be awarded to the management staff under the share purchase scheme, which is subject to the respective performance conditions.

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 at the respective Board committees. The review of the Directors' fees is also conducted with reference to, among other things, the average annual remuneration of the 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 2020 (which was subsequent to the review conducted in 2015). However, due to the uncertain economic situation arising from the COVID-19 pandemic, in 2020, the Board decided that the Directors' fees should remain unchanged and the review of the Directors' fees should be conducted by the Remuneration Committee in 2021.

After reviewing the business performance of the Group for FY2021, the increase in regulatory and compliance requirements, as well as the level of responsibilities of the Board Committee members, the Board accepted the recommendation by the Remuneration Committee to propose an increase in the Directors' fees payable to the Directors 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	**35,000**	30,000
Audit Committee		
Chairman	**10,000**	5,000
Member	**5,000**	3,000
Nomination Committee		
Chairman	**5,000**	3,000
Member	**3,000**	2,000
Remuneration Committee		
Chairman	**5,000**	3,000
Member	**3,000**	2,000

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 all Executive Directors, an Independent Non-executive Director, the TEL President, the Group Chief Financial Officer, and the Company Secretary and Group Chief Compliance Officer.

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 to the Audit Committee of any significant findings on a biannual basis.

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 in the event of disruptions. 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 has held two meetings during the financial year to review the Group's risk management and internal control systems, and its sustainability strategies, policies and activities.

Terms of Reference

The terms of reference of the Risk Management and Sustainability Committee are available on:
www.vtech.com/en/investors/corporate-governance/board-committees

Highlights of the Committee's Work in FY2021

The Risk Management and Sustainability Committee has developed a framework for the management and control of risks in the Group. Risks are being formally identified and recorded in a risk register (the "Risk Register") for key operations. This Risk Register is updated regularly and the major risks are being reviewed from time to time by the Risk Management and Sustainability Committee.

Risk Management and Sustainability Committee Report (Continued)

Highlights of the Committee's Work in FY2021 (Continued)

During FY2021, the Risk Management and Sustainability Committee has reviewed the following major risks and the respective risk mitigation measures reported in the Risk Register:

Major Risks	Risk Description	Risk Mitigation Measures
Legal and Regulatory Compliance	Regulatory 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 of the Group's reputation. Trade Embargo and Compliance: The increasing uncertainty and concerns over the political environment and changes in laws and regulations in one or several countries may increase the cost of operations and expose the Group to potential liabilities and criminal penalties. Patents and Intellectual Property ("IP") Rights: VTech not only needs to protect the patents and IP rights for the products designed and developed by the Group, but also ensures that it does not infringe the patents or IP rights of any third parties.	• Engage external counsels to provide regular updates and legal guidance on the compliance with the latest applicable laws and regulations; • Regularly update the list of trade embargo and sanctioned entity list to cover the prohibition and restriction of transactions and business dealings, directly or indirectly, for the list of identified territories and entities; • Take appropriate legal measures to protect technological know-how and trade secrets, apply for and register patents, trademarks and IP rights; • Provide regular trainings for staff who are responsible for ensuring compliance with the relevant laws and regulations.
Information Technology ("IT")	Cybersecurity and IT Risks: Cyber-attacks and data security breaches may disrupt the Group's operations and damage its reputation. Potential exposure of customer personal data due to cyber-attack may lead to liability claim, loss of revenue and violation of personal data regulations, as well as incurring monetary penalty.	• Regularly review the cyber security risks and continuously upgrade the technologies to mitigate the risk; • Engage external professionals to conduct cyber security audit and deep-dive review on the Group's IT systems and network on a regular basis; • Provide regular cyber security trainings for staff.
Geo-political	US Tariff against China Exports: The on-going US-China trade tensions have increased the political uncertainties and cost of products manufactured in China with US tariff imposed on products exported from China.	• In addition to the manufacturing facilities in China and Malaysia, the Group continuously expands its global footprint of manufacturing site strategically outside Asia.
Business Continuity	Risk of Business Disruption: With sales and operation activities around the world, VTech needs to identify any potential events of business disruption and proactively implement risk mitigation measures in order to ensure smooth and sustainable business operations across the Group, as well as timely recovery of operations from disruption.	• VTech has a BCM system in place to identify potential event 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 Business Continuity Plan; • Responsible management team in each office and factory of the Group regularly reviews and updates the Business Continuity Plan in order to mitigate the business disruption risk of the Group; • Disaster recovery drills are carried out periodically.

Highlights of the Committee's Work in FY2021 (Continued)

Major Risks	Risk Description	Risk Mitigation Measures
Operational	Procurement & Supplier Management: The Group has a wide range of products, some of which may be reliant on a few component suppliers for production. Disruption of supply of any of its critical component parts may affect the Group's product availability.	• Continuously identify and assess the risks of shortage in supply of critical components; • Ensure broad supplier sourcing and avoid single source of supply whenever practicable; • Continuously monitor and proactively work with the critical suppliers on the longer term of components delivery schedule; • Effective supplier risk management framework to reduce risk due to safety, quality failure or non-compliance with regulatory requirements.
	Logistics & Supply Chain Management: Global shortage of containers and vessels may affect the Group's supply chain and delivery of products to its customers.	• Continuously work closely with different shipping carriers and logistic services providers to arrange advance booking of containers, and optimise the efficiency with different shipping routes to overseas countries.
	Human Resources Management: Due to the ever-changing market environment and the technological innovation requirement 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 working environment, including the precautionary measures to protect the health and safety of employees in COVID-19 pandemic; • 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.
	Sales Management: The Group's ongoing success is dependent on the smooth running of all aspects of its operations to deliver the sales performance. It requires the Group's cross functional teams to support and collaborate with each other to mitigate the risk of disruption in operations.	• Engagement of cross-functional teams with integrated activities in the areas of demand forecasting, manufacturing resources planning, order fulfilment and inventory management to facilitate a smooth and reliable production and order delivery to the customers.
	Climate-related Risks: 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.	• VTech has established a 5-year Sustainability Plan 2025 with projects and initiatives in place to minimise its impacts on the environment and mitigate the 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 transportation modes in its supply chain management; • Details of the climate-related risks of the Group are set out on pages 42 to 43 of 2021 Sustainability Report.

Risk Management and Sustainability Committee Report (Continued)

Highlights of the Committee's Work in FY2021 (Continued)

Major Risks	Risk Description	Risk Mitigation Measures
Financial	Financial Risks: As the Group operates globally, it is exposed to a variety of financial risks, primarily the credit risk and currency risk. Credit Risk: It 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. Currency Risk: It is mainly arising from the sales and purchases that are denominated in the 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.	• 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.
Reputational	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 effect 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 the product quality and reliability starting from the product development stage on an on-going basis. These include inspection of incoming materials, quality audit in manufacturing process, quality evaluation of finished products and after-sales quality management; • All VTech's manufacturing facilities in China are certified with ISO9001, which are required to uphold the highest quality standards for its products.
	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 customers globally.
Business Ethics	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 transaction, leakage of confidential information, non- compliance with the Group's policies and regulatory requirements.	• Whistleblowing channel is available to report and investigate misconduct and non-compliance issues; • Provide regular Code of Conduct and anti-corruption trainings for the management and staff; • Conduct regular audit 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 around transactions and payments to third parties.

Risk Management and Sustainability Committee Report (Continued)

Highlights of the Committee's Work in FY2021 (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 the 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 the active monitoring on the progress of the improvement 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 CMS Chief Executive Officer, the TEL President, the Group Chief Financial Officer, the Company Secretary and Group Chief Compliance Officer, 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 for the compliance with the latest privacy ordinances and data protection regulations in the respective countries during the year. It has also reviewed the implementation progress of the additional preventive measures, technologies enhancement and staff trainings for the mitigation of cybersecurity risks of the Group. In addition, the Data Security Governance Board has reviewed and monitored the remedial actions of the identified security related issues which have been brought to its attention.

During the financial year 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 process owner of each function and the respective management teams, the Risk Management and Sustainability Committee considered that for FY2021:

- Ongoing process is in place for identifying, evaluating and monitoring the major risks faced by the Group and functioning effectively;

- Risk mitigation measures have been developed to ensure that the major emerging and existing risks identified and reported to the Committee are managed effectively to mitigate the risks of disruption on the Group's business and operations.

Sustainability Performance

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 on a biannual basis.

During the financial year and up to the date of this Annual Report, it has reviewed and approved the Group's 2021 Sustainability Report, which informs the Group's stakeholders of its sustainability strategies and activities, and the performance progress against its sustainability targets and 5-year Sustainability Plan 2025. The relevant disclosures in the Group's Annual Report 2021 has also been reviewed by the Committee before recommending them to the Audit Committee for consideration and approval.

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	FY2021 Score
Hang Seng Corporate Sustainability Benchmark Index	**AA-**
FTSE4Good Global Index	**3.5**
MSCI ESG Ratings	**A**

Product Responsibilities and Value Chain Management

VTech strives not only to provide high quality products and comply with the highest international and local quality and safety standards, but also incorporate sustainability concepts into product design in order to enhance the well-being of its customers and benefit the society. VTech's management approach continues to focus on two key management principles – "Design for Excellence" and "Design for People". VTech is dedicated to continuing improvement on its products to make them more sustainable and eco-friendly.

The designers and engineers are required to follow the requirements on the Life Cycle Analysis 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 examples, in order to minimise the environmental impact of the colouring process, the Company has extended the use of waterborne paint in the products and packaging and adopted the over-molding and inkjet printing technologies. Vacuum Plasma Spray technology has been adopted to reduce Volatile Organic Compounds (VOCs) emission. VTech is also 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.

Eco-labels

With its sustainability pledge to replace fossil based plastics with sustainable alternatives by FY2030, VTech has started the development of a number of green ELPs made of sustainable materials, which will be launched in the coming FY2022. These include four new vehicles in the popular Go! Go! Smart Wheels® line made from plant-based plastic, the Sort & Recycle Ride-on Truck™ made from reclaimed plastic, and the Choppin' Fun Learning Pot™ with vegetable accessories made from plant-based plastic. VTech has also sourced materials from responsibly managed forests certified by Forest Stewardship Council® for two new wooden toys, Touch & Learn Nature ABC Board™ and Interactive Wooden Animal Puzzle™. With regard to TEL products, hotel phones made from recycled plastic will be launched in FY2022. The Company has continued to develop Digital Enhanced Cordless Telecommunication cordless phones with Blue Angel eco-label, and upgraded the power adaptor to the level VI standard with Energy Star eco-label. VTech CMS has also produced the Power Conversion Unit which can be used to store solar power for conversion into electricity.

Power Conversion Unit

Green Electrontic Learning Products

As for the packaging of ELPs, currently 94% of the packaging materials is recyclable, while about 85% of the packaging is made from recycled materials. VTech has also replaced the fossil-based blister packaging with plant-based alternative in all new ELPs packaging. In addition, it has eliminated plastic packaging in over 20% of the baby monitor products. The use of waterborne paint has also been extended to product packaging to mitigate the impacts to the environment in the manufacturing process.

In order to support circular economy initiatives in its major markets for recycling products and packaging in a responsible way, VTech has engaged in various post-consumer packaging recycling programmes in the US, the UK, Australia and New Zealand. Packaging recycling labels such as How2Recycle® and "OPRL" the On-Pack Recycling label have also been placed on the product packaging of its electronic learning products for consumers' easy reference.

Packaging Recycling Programmes in the US, the UK, Australia and New Zealand

To encourage post-consumer product recycling, VTech has partnered with leading international recycling companies such as TerraCycle® in the US and Electronic Products Recycling Association in Canada. 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 electronic learning products in the respective countries. VTech will continue to explore opportunity for a wider end-of-life product collection and recycling scheme and extending the post-consumer recycling programmes to the rest of the key markets.

Product Recycling Programmes in the US, Canada and Europe

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.

As a global leader in the electronic learning products and residential telephony industry, VTech strives to develop and supply high quality and innovative products for the well-being of its customers and benefit of the society. VTech has launched various new learning toy products to inspire the creativity of children. These include the Learn & Groove Rainbow Lights Piano™, an interactive product designed to teach kids colours and numbers through musical play, and Marble Rush Launch Pad Set, a building set featuring a spinning Ferris wheel, a musical light-show cone, fast tracks and more that easily connect together.

VTech has also upgraded its baby monitor app with built-in "Parenting & Baby Health Info Center" features, which includes practical parenting guidance for the users and new parents. VTech CMS also produced the Health Monitoring System for its customer, which is used for monitoring users' health and providing medication reminders.

A sustainable supply chain management is also crucial for the Group's sustainable operations. VTech has a well-established "Supply Chain Management System" to monitor the quality of its suppliers as well as their environmental and ethical performance in accordance with VTech's Corporate Social Responsibility (CSR) requirements. In FY2021, VTech continued to conduct annual supplier engagement workshop for its key suppliers virtually. The Company provided hands-on training and guidance for suppliers to meet its CSR requirements and achieve continuous improvement in their sustainability performance.

Environment

As an environmentally conscious and sustainable company, VTech is committed to protecting the environment and easing the impacts of climate change with target towards a circular economy. It recognises that climate change could create uncertainties in its business development. In the 5-year Sustainability Plan 2025, 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 the coming five years.

Application of Solar Technology

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. The Company 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 statutory 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. VTech has started the use of renewable energy by installing solar panels on the rooftop of a dormitory and solar lamps in the operating sites. Moving forward, VTech will continue to apply solar technology in its operating sites, including the installation of solar panels on the rooftop of a factory building in FY2022.

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, VTech has also further reduced the Green House Gas (GHG) emissions. These included relocations of the distribution centers in the US, Canada and Australia to enhance the logistic efficiency. With the continuous implementation of green manufacturing and logistic programmes, VTech has managed to reduce CO_2 emission per production output in the assembly factories and plastic plants by 15.6% and 4.4% respectively compared with FY2020.

VTech has also continuously worked with different government bodies to minimise the environmental impact of the production facilities. 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 FY2021 for the eighth consecutive year. It has also been recognised as the "Dongguan Environmentally Friendly Enterprise" by the Dongguan, Guangdong Province Environmental Protection Bureau in mainland China in FY2021 for the seventh consecutive year. 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 at manufacturing area, to reuse rainwater for watering the gardens and green roofs, and toilet flushing. It has extended the rainwater harvesting system to the living area to further reduce the water consumption. 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 water consumption per production output by 11.0% compared with FY2020.

VTech aims to minimise unnecessary waste of materials from the product design stage and reduce the use of packaging materials. In FY2021, it started to reuse the industrial waste as the building materials. Furthermore, in order to reduce the plastic waste generated in fabrication of jig and fixture, the Company replaced computer numerical control machining on board panel with 3D printing. With all these waste reduction and recycling projects in place, VTech achieved recycling rate of 80.8% in FY2021.

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

- Comply with all relevant environmental, legal and other statutory requirements
- Maintain an Environmental Management System in line with the requirements of ISO 14001
- Quantify and monitor the significant environmental impacts of our activities, products and services and set specific targets for improvement where appropriate, and review these annually
- Integrate environmental objectives into our business decisions in a cost effective manner
- Require all staff to address environmental responsibilities within normal operating procedures
- Enhance awareness of environmental and resource efficiency issues amongst our customers, suppliers, staff and stakeholders through improvement projects and programmes in the respective areas

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.

Lean Manufacturing and Low Cost Automation

Our People

VTech aims to provide a supportive, pleasant and healthy workplace for its employees, and to foster a caring community in the working environment. 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.

The 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.

Protecting the health and safety of employees especially under the COVID-19 pandemic 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, and offer work-from-home arrangement for the employees whenever necessary. In Hong Kong office, VTech has adopted flexible working hours and work-from-home arrangements during the severe COVID-19 spread period. It has also continued to monitor body temperatures for visitors and staff who enter the workplace, and encourage staff to reduce or postpone all non-essential overseas travelling.

A comprehensive set of preventive measures and guidelines has also been put in place at all VTech factories in mainland China and Malaysia. The Company has provided health protection and personal hygiene guidelines to the workers, monitored their physical condition while they are working in the factories, and maintained social distance in the canteens and dormitories. Work-from-home arrangement is also in place for overseas staff in the lockdown environment.

Staff Activities

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. Staff Association continues to organise various activities including leisure, social events and outing for the employees.

VTech encourages its employees to develop and advance their careers in the Company. It also actively promotes continuous learning initiatives and develops a wide range of training programmes for the employees. With the effort in promoting continuous learning, the average training hours per employee increased by 8.2% compared with FY2020. VTech is also committed to respecting the labour and human rights of all the staff with clearly defined human resources management policies. 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.

As for the working environment, VTech always puts workplace safety as the number one priority. It also has Employee Health and Safety teams at all the manufacturing sites to conduct the regular health and safety audit, and provide different training programmes for the employees. 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, CMS's New Product Introduction Centre in Shenzhen, China, which was designed with corporate social responsibility concepts, was opened in FY2021. It provides staff with a modern style of working environment, including a comfortable pantry for them to take a rest and enjoy their lunch.

Environment for Our People

Society

As a responsible corporate citizen, VTech uses its expertise and resources to support 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 FY2021, VTech had recruited over 2,500 volunteers and contributed over 12,500 volunteering hours for the communities. The decrease in volunteering hours compared to last year was due to the social distancing policy implemented in various countries for COVID-19 prevention.

The COVID-19 pandemic has posed unprecedented challenges on a global scale. Under-resourced children have been particularly affected as schools are closed and they lack the facilities and equipment to learn at home. As a global leader in electronic learning products, VTech has used its worldwide resources to collaborate with Save the Children, an international charitable organisation supporting marginalised and vulnerable children, to organise various events across multiple countries.

VTech's charitable events with Save the Children included a worldwide toy donation programme with over 4,400 electronic learning toys donated by VTech. It also made donations through the participation in the "Letter Writing" and "Save a Plate" campaigns. VTech's employees across the world wrote letters with words of hope and encouragement for children in need of support. As for the "Save a Plate" fund-raising event, VTech hosted a global virtual table for employees around the world to join and connect. While the employees had enjoyed this fun programme organised in Christmas time, it had also helped lift struggling children out of hunger across the globe. VTech also partnered with Save the Children and launched the "#LearnThroughThis" campaign in Australia. For every drawing that sent a message of hope and positivity to vulnerable families, it donated a toy to the families in need.

A charitable donation event is also underway. During the period from 1 December 2020 to 30 November 2021, VTech will donate USD1 to Save the Children for every baby monitor or toy sold through its online shops in Canada and Hong Kong, and every baby monitor sold through its online shop in the US.

Collaboration with Save the Children

VTech also collaborated with local charities to support various charitable activities around the world. 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 and the Company was the proud recipient of the "Outstanding Caring Awards (Enterprise Group)" and "The Best Social Impact Award (Enterprise Group)" presented by Federation of Hong Kong Industries in FY2021. VTech has also been awarded the "Caring Company" by The Hong Kong Council of Social Service for the 13th consecutive year in recognition of the continuous contribution to the Hong Kong community. VTech Canada volunteer team has also participated in the fund raising campaigns run by Movember Foundation for the seventh year.

In FY2021, VTech's Chairman donated HK$5 million to support the construction of school buildings in China. VTech also made charitable and other donations of over US$213,000.

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 has also extended the scholarship programmes to cover more universities in Hong Kong and mainland China. Scholarship was awarded to 14 students from The University of Hong Kong, The Hong Kong University of Science and Technology, The Chinese University of Hong Kong, City University of Hong Kong and The Hong Kong Polytechnic University, and 7 students from The Nanchang University, The Shantou University and The Dongguan University of Technology in mainland China. In FY2021, we continued to provide Management Trainees and Graduate Engineers Programme for the young talents.

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 spite of the challenges posed by the COVID-19 pandemic, VTech managed to organise the first "Global Green Day" on 12 Mar 2021 with different kinds of activities to promote a healthy and green lifestyle with employees all over the world. These included tree planting, "zero plastic bag, polystyrene and straw" promotion, hand-made body scrubs workshop with recycled coffee grounds, beach cleaning and the like. These activities not only help preserve the environment but also raise the employees' awareness of environmental protection.

Clockwise: Upcycling Workshop; Global Green Day in Hong Kong, Mainland China, the UK, the US and Australia

Investor Relations

VTech makes continuous efforts to strengthen its relationships with shareholders and investors, engaging with them in meetings and calls throughout the year, as well as participating in investment conferences and roadshows. This ensures investors have an up-to-date understanding of the Group's business activities and development.

Shareholder Value

We aim to create sustainable value over the long term for our shareholders through a total return based on regular dividend payments and share price performance. Our success in achieving this and in sustainability has led to our inclusion in a number of key indexes.

Dividend Payments

The Group's dividend payout ratio is determined by various factors, including the actual and expected financial performance of the Group, global economic conditions, the Group's business strategies, liquidity position and capital requirements.

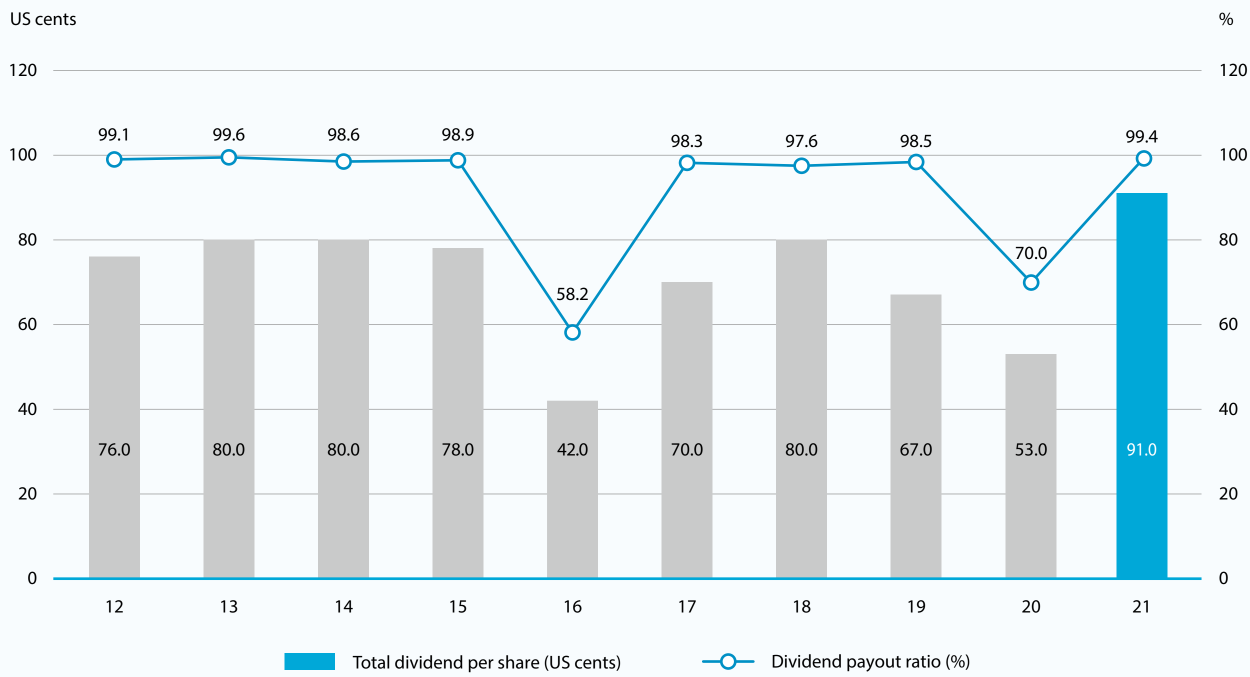
We are committed to returning value to shareholders through dividend payments and a consistently high dividend payout ratio. In eight of the past ten years, VTech has typically returned over 90% of its earnings to shareholders through dividend payments. In total, dividend payments during the past decade have amounted to US$1,766.8 million.

The Group has reduced the dividend payout ratio only in response to unusual or special events. This occurred in the financial year 2016 following the LeapFrog acquisition and again in the financial year 2020 during the COVID-19 crisis, when the payout ratios were reduced to 58.2% and 70.0% respectively.

In the financial year 2021, the dividend payout ratio increased to 99.4% of the profit attributable to shareholders of the Company, against 70.0% in the financial year 2020. Despite its high dividend payout ratio, VTech has consistently maintained a strong balance sheet, with a net cash position.

Further details of the Group's dividend policy are set out in the Corporate Governance Report on page 65.

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

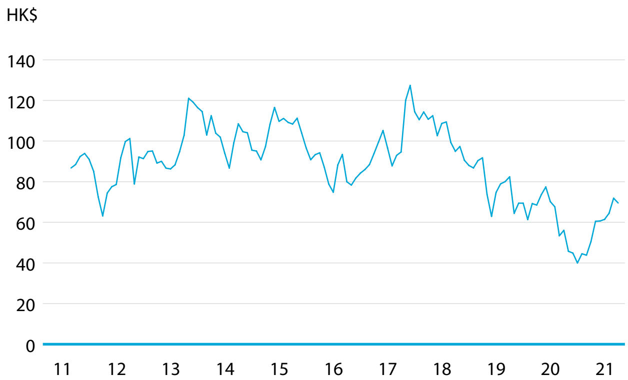


Share Price Performance

For the year ended 31 March	2021	2020
Highest closing price	**HK$72.3** (11 March 2021)	HK$82.6 (1 April 2019)
Lowest closing price	**HK$41.1** (27 July 2020)	HK$54.2 (30 March 2020)

VTech Share Price in Last 10 Years

(1 April 2011 – 31 March 2021)



Source: Bloomberg L.P.

Index Recognition

VTech Holdings Limited is a constituent stock of the Hang Seng High Dividend Yield Index, Hang Seng Corporate Sustainability Benchmark Index and FTSE4Good Global Index. The Company received ratings of AA- and A respectively in the Hang Seng Corporate Sustainability Benchmark Index and MSCI (Morgan Stanley Capital International) ESG Ratings assessment. This is a recognition of our high levels of environmental, social and corporate governance performance.

Corporate Governance

We believe that high standards of corporate governance underpin the effective execution of corporate strategy and, in consequence, our ability to generate increasing value for shareholders over the long term. Details of our progress in this respect can be found in the Corporate Governance Report on pages 51 to 75.

Investor Communications

The Group's investor communications are governed by a Shareholders Communication Policy, which is available on the Group's website. The policy sets out procedures for providing shareholders and investors with equal and timely access to information about the Company that is both accurate and readily understandable.

In response to the pandemic and social distancing measures, the Group quickly changed how it interacts with investors, moving all communications online so as to maintain the open dialogue it enjoys with the investment community. The annual and interim results announcements are hosted as live webcasts. Virtual meetings and conference calls are used to keep investors informed of the latest market conditions and developments in the Group's businesses. VTech management continues to attend investment conferences and post-results roadshows, all of which have also been moved online. Investors can also access all key financial and corporate information on VTech's website and send enquiries via the specially designated email that makes communication easier and more efficient.

Share Listing

Shares of VTech Holdings Limited are:

- Listed on the Stock Exchange of Hong Kong Limited
- On the list of Southbound trading through 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 2021: 252,129,133 shares

Dividend

Dividend per ordinary share for the year ended 31 March 2021

- Interim dividend: US17.0 cents per share
- Final dividend: US74.0 cents per share

Financial Calendar	
8 – 13 July 2021 (Both days inclusive)	Closure of Register of Members – Annual General Meeting
13 July 2021	2021 Annual General Meeting
19 July 2021	Closure of Register of Members – Payment of Final Dividend
28 July 2021	Payment of Final Dividend
November 2021	2021/2022 Interim Results Announcement
May 2022	FY2022 Annual Results Announcement

Share Registrars

Principal

MUFG Fund Services (Bermuda) Limited
4th Floor North
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41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong Branch

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Directors and Senior Management

Biographical Details of Directors

Allan WONG Chi Yun, GBS, MBE, JP, aged 70, Chairman, Executive Director and Group Chief Executive Officer, 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 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. He was an independent non-executive director of MTR Corporation Limited (2015-2020) and Li & Fung Limited (1999-2020). Dr. WONG is the father of Mr. William WONG Yee Lai, a Non-executive Director.

PANG King Fai, aged 65, Executive Director and President of the Group, holds a BSc (Eng) from The University of Hong Kong, an MPhil from Imperial College of Science, Technology and Medicine, London and a PhD (EE) 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, aged 62, Executive Director and Chief Executive Officer of Contract Manufacturing Services, holds a Bachelor of Science degree in Electrical and Electronic Engineering from the University of Newcastle upon Tyne in the United Kingdom and an MBA 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 rejoined in 1991. He became the Chief Executive Officer of Contract Manufacturing Services in 2002 after serving as the General Manager for 9 years. Mr. LEUNG has over 20 years of experience in the electronics and manufacturing industry.

William WONG Yee Lai, aged 41, appointed as a Non-executive Director in 2019. Mr. WONG attended Southern Methodist University in Computer Science. Mr. WONG is the founder and the CEO 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 CEO of Ality Limited, a company which developed an internet connected digital photo frame with instant messenger client and web content streaming and its products were sold at well-known retail chain stores. Mr. WONG is the son of Dr. Allan WONG Chi Yun, the Chairman, Executive Director and Group Chief Executive Officer.

William FUNG Kwok Lun, SBS, OBE, JP, aged 72, appointed as an Independent Non-executive Director in 2001. Dr. FUNG holds a Bachelor of Science degree in Engineering from Princeton University and an MBA 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 Global Brands Group Holding Limited, a non-executive director of Convenience Retail Asia Limited and an independent non-executive director of Sun Hung Kai Properties Limited and The Hongkong and Shanghai Hotels, Limited. 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.

KO Ping Keung, JP, aged 70, appointed as an Independent Non-executive Director in 2018. Professor KO 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 Q Technology (Group) Company Limited and a director of Beken Corporation, the shares of which are listed on Shanghai Stock Exchange.

Patrick WANG Shui Chung, SBS, JP, aged 70, appointed as an Independent Non-executive Director in 2001. Dr. WANG 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, USA. 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 Clinical Governance Committee of the Hong Kong Sanatorium & Hospital Limited.

WONG Kai Man, BBS, JP, aged 70, appointed as an Independent Non-executive Director in 2012. Mr. WONG holds a Bachelor of Science degree in Physics from The University of Hong Kong and an MBA degree from The Chinese University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants, 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). He was a non-executive director of the Securities and Futures Commission (2009-2015) and a member of the Financial Reporting Council (1 December 2014-Present). 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, aged 53, President of Telecommunication Products, 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 the City University of Hong Kong and an MBA degree from The Hong Kong University of Science and Technology.

CHU Chorng Yeong, aged 61, Group Chief Technology Officer, 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, a MS and a PhD in Electrical Engineering from Stanford University.

Shereen TONG Ka Hung, aged 52, Group Chief Financial Officer, is responsible for the Group accounting and tax, treasury 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, an MBA degree from Manchester Business School, UK, a Master of Science degree in Information Systems from The Hong Kong Polytechnic University and a Bachelor of Laws degree from Manchester Metropolitan University, UK. She is an associate member of the Chartered Institute of Bankers, UK, the Chartered Institute of Management Accountants, UK and a fellow member of the Hong Kong Institute of Certified Public Accountants.

CHANG Yu Wai, aged 61, Company Secretary and Group Chief Compliance Officer, 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, aged 65, International President, is responsible for the Electronic Learning Products in the United States, Europe, Australia, Latin America and South Africa. He is also responsible for the support centre in Holland 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 Kenner-Parker, Spear's Games, Ideal Toys and Majorette. Since January 2015, he has served as the vice president of the French Federation of Toys Industries. Mr. SAUTIER holds a Bachelor degree in Law from the University of Paris and an MBA degree from L'ESSEC, a French business school.

Andrew Seth KEIMACH, aged 59, President of VTech Electronics North America, L.L.C., is responsible for the Electronic Learning Products in the United States. Mr. KEIMACH joined the Group in 2018. Prior to joining the Group, he was the president of Munchkin, Inc., a leading infant products manufacturers in the United States. Mr. KEIMACH has over 35 years of experience in global consumer products. Since February 2021, he has served as a member of Chairperson's Advisory Board, The Toy Association, Inc. Mr. KEIMACH holds a Bachelor's degree in Finance from the University of Maryland.

Gordon CHOW, aged 65, President of VTech Technologies Canada Ltd., is responsible for both the Telecommunication Product in North America and Electronic Learning Products in Canada. He established the Canadian operations in 1986. Mr. CHOW is 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, aged 53, President of VTech Communications, Inc., 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 degree in Business from California State University, San Bernardino.

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 2021.

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 2021 are set out in the consolidated statement of profit or loss on page 98.

An interim dividend of US17.0 cents (2020: US17.0 cents) per ordinary share was paid to shareholders on 14 December 2020. The Board has recommended the payment of a final dividend of US74.0 cents (2020: US36.0 cents) per ordinary share in respect of the year ended 31 March 2021, payable on 28 July 2021 to the shareholders whose names appear on the register of members of the Company as at the close of business on 19 July 2021 subject to the approval of the shareholders of the Company at the 2021 AGM.

The final dividend will be payable in United States dollars save that those shareholders with a registered address in Hong Kong will receive an equivalent amount in Hong Kong dollars which will be calculated at the rate of exchange as quoted to the Company by The Hong Kong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 15 July 2021.

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 86 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 2021 Sustainability Report, which is available on the Company's website: www.vtech.com.

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 137.

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 and Share Options

Details of the movements in share capital and share options 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 page 100 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 about US$213,000.

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
KO Ping Keung
Patrick WANG Shui Chung
WONG Kai Man

At the 2021 AGM, Mr. Andy LEUNG Hon Kwong, Dr. William FUNG Kwok Lun and Professor KO Ping Keung shall retire as Directors by rotation in accordance with Bye-law 112 of the Company's Bye-laws. All of the above three Directors, being eligible, shall offer themselves for re-election as Directors at the 2021 AGM.

Brief biographical details of the Directors and the senior management are set out on pages 87 to 88 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.

The Director's service contract entered into between the Company and Dr. Allan WONG Chi Yun in 1999 has no expiry date, but can be terminated by the giving of two months' prior notice, and is exempt from shareholders' approval requirement under Rule 13.68 of the Listing Rules.

Directors' Interests in Contracts

No transactions, arrangements and contracts of significance to which the Company, its subsidiaries, its holding companies, its controlling shareholder, or the subsidiaries of its controlling shareholder was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the financial year.

Directors' Rights to Acquire Shares or Debentures

Save for the share option scheme and the share purchase 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 subsidiaries or its holding companies, a party to any arrangement which enables 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 (the "2011 Scheme") approved on 22 July 2011 and a share purchase scheme (the "Share Purchase Scheme") approved on 30 March 2011 (the "Adoption Date") for the purpose of providing incentives and rewards to the eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2011 Scheme and Share Purchase Scheme include directors, officers and employees of any member of the Group as the Remuneration Committee may determine or approve.

Share Option Scheme

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2011 Scheme is 23,145,913 shares. Under the 2011 Scheme, the Directors may, at their discretion, at any time during 10 years from the date of adoption of the 2011 Scheme, invite directors, officers and employees of any member of the Group to subscribe for shares of the Company in accordance with the terms of the 2011 Scheme. The new shares, when issued and fully paid, will rank pari passu among themselves and with the shares currently in issue, pursuant to the 2011 Scheme.

Details of the 2011 Scheme is set out in note 21(b) to the consolidated financial statements.

The 2011 Scheme will expire on 21 July 2021. The Board proposed to adopt a new share option scheme (the "2021 Scheme") subject to the approval of the Company's shareholders. The terms of the 2021 Scheme are expected to be substantially the same as those of the 2011 Scheme. A proposal will be made at the 2021 AGM to seek the shareholders' approval of the adoption of the 2021 Scheme and the termination of the 2011 Scheme.

Details of the proposal are set out in the circular enclosed with this Annual Report to be despatched to the shareholders.

Share Purchase Scheme

The Share Purchase Scheme shall be valid and effective for a term of 20 years from the Adoption Date. The shares to be awarded pursuant to the Share Purchase Scheme (the "Awarded Shares") will be granted to the eligible participants at no consideration subject to the applicable conditions and vesting period as determined by the Remuneration Committee.

On 26 March 2013, the Company adopted an Addendum to the Share Purchase Scheme for the eligible French employees of the Group (the "French Subplan"). The Awarded Shares will be granted to the eligible French employees of the Group pursuant to the Share Purchase Scheme and the French Subplan subject to the defined vesting period. The vesting period applicable under the French Subplan is currently not less than 1 year following the date of the award and a further 1 year sales restriction period as calculated from the date of the Awarded Shares being transferred to the eligible French employees.

On 19 May 2015, the Company further amended and extended the Share Purchase Scheme such that the Company may furnish the trustee of the Share Purchase Scheme with cash to subscribe for new shares under the general mandate of the Company (as approved by the annual general meeting of the Company from time to time) and hold such new shares in trust for the selected participants (not being connected persons of the Company) under the Share Purchase Scheme. The new shares, when issued and fully paid, will rank pari passu among themselves and with the shares currently in issue, pursuant to the Share Purchase Scheme.

During the year ended 31 March 2021, 306,000 shares (2020: 141,000 shares) were purchased on the Stock Exchange pursuant to the Share Purchase Scheme. The total amount paid to purchase such shares during the financial year was approximately US$2.3 million (2020: US$1.2 million). Further, 350,000 new shares (2020: 207,000 shares) were issued under the general mandate of the Company pursuant to the Share Purchase Scheme.

Details of the Share Purchase Scheme and the French Subplan are set out in note 21(c) to the consolidated financial statements.

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

As at 31 March 2021, the interests and short positions of the Directors and chief executives 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 10 to the Listing Rules as adopted by the Company, were as follows:

Name of Director	Number of ordinary shares: Personal interest	Family interest	Other interest	Number of ordinary shares remained unvested under the Share Purchase Scheme	Total	Approximate percentage of shareholding *(Note 8)*
Allan WONG Chi Yun	13,623,076	–	74,101,153 *(Note 1)*	–	87,724,229	34.79%
PANG King Fai	327,300	–	–	60,000 *(Note 2)*	387,300	0.15%
Andy LEUNG Hon Kwong	491,000	–	–	100,000 *(Note 3)*	591,000	0.23%
William WONG Yee Lai	–	–	74,101,153 *(Notes 1&4)*	–	74,101,153	29.39%
William FUNG Kwok Lun	449,430	5,000 *(Note 5)*	592,200 *(Note 6)*	–	1,046,630	0.42%
Patrick WANG Shui Chung	162,000	–	–	–	162,000	0.06%

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

Notes:

(1) The 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"). Conquer Rex was wholly owned by Honorex. Each of Conquer Rex, Honorex and Twin Success was wholly owned by Surplus Assets Limited ("Surplus Assets"). Surplus Assets was wholly owned by Credit Suisse Trust Limited ("Credit Suisse") which acts as the trustee of The Allan Wong 2011 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun, a Director, is the founder. Surplus Assets was therefore deemed to have an aggregate indirect interest in 74,101,153 shares and Honorex was also deemed to have an indirect interest in the 65,496,225 shares. Surplus Assets was wholly owned by Credit Suisse which was deemed to be interested in such shares by virtue of the SFO.

(2) An aggregate of 60,000 Awarded Shares were granted to Dr. PANG King Fai pursuant to the Share Purchase Scheme during the financial year. The Awarded Shares were purchased on the Stock Exchange by the trustee of the Share Purchase Scheme and would be vested on 20 May 2021 subject to the achievement of certain performance conditions for the year ended 31 March 2021.

(3) An aggregate of 100,000 Awarded Shares were granted to Mr. Andy LEUNG Hon Kwong pursuant to the Share Purchase Scheme during the financial year. The Awarded Shares were purchased on the Stock Exchange by the trustee of the Share Purchase Scheme and would be vested on 20 May 2021 subject to the achievement of certain performance conditions for the year ended 31 March 2021.

(4) Mr. William WONG Yee Lai was deemed to be interested in 74,101,153 shares under the SFO by virtue of him being one of the discretionary beneficiaries of The Allan Wong 2011 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun is the founder.

(5) The shares were held by Pacific Fame Worldwide Limited which was beneficially owned by the spouse of Dr. William FUNG Kwok Lun.

(6) The shares were held by Golden Step Limited which was beneficially owned by Dr. William FUNG Kwok Lun.

(7) All the interests stated above represented long positions.

(8) The approximate percentage of shareholding is calculated based on 252,129,133 shares of the Company in issue as at 31 March 2021.

Save as disclosed above, as at 31 March 2021, none of the Directors and chief executives of the Company had any interest 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) which were 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 2021, other than the interests of the Directors and chief executives of the Company as disclosed above, shareholders who had interests or short positions in the shares or 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 shares held**	**Approximate percentage of shareholding** *(Note 3)*
Credit Suisse Trust Limited	Trustee *(Note 1)*	74,101,153	29.39%
Surplus Assets Limited	Interest of controlled corporation *(Note 1)*	74,101,153	29.39%
Honorex Limited	Interest of controlled corporation *(Note 1)*	65,496,225	25.98%
	Beneficial owner *(Note 1)*	1,416,325	0.56%
Conquer Rex Limited	Beneficial owner *(Note 1)*	65,496,225	25.98%

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) All the interest stated above represented long positions.

(3) The approximate percentage of shareholding is calculated based on 252,129,133 shares of the Company in issue as at 31 March 2021.

Save as disclosed above, as at 31 March 2021, the Company had not been notified by any person (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company 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 2021 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 2021.

Securities Purchase Arrangements

At the 2020 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 Shares

The Company and its subsidiaries have not redeemed any of its shares during the financial year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the financial year, except that the trustee of the Share Purchase Scheme, pursuant to the rules and trust deed of the Share Purchase Scheme, purchased on the Stock Exchange a total of 306,000 Company's shares at a consideration of approximately US$2.3 million.

Major Customers and Suppliers

For the year ended 31 March 2021, 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 14.8% of the Group's revenue and the Group's five largest customers in aggregate accounted for approximately 47.3% of the Group's revenue during the financial year.

Dr. Allan WONG Chi Yun has an interest in 1,288 shares (representing less than 0.001% of the total issued shares) in the parent company of one of the Group's five largest customers.

Mr. Andy LEUNG Hon Kwong has an interest in 1,000 shares (representing less than 0.001% of the total issued shares) in the parent company of a company which is the Group's largest customer and also the largest supplier.

Dr. William FUNG Kwok Lun has interests in 500 shares, 30,000 shares and 33,500 shares (each representing less than 0.001%, less than 0.01% and less than 0.01% of the total issued shares, respectively) in the respective parent companies of the three companies which are the Group's five largest customers.

Save as disclosed above, 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 and the suppliers 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, who shall retire and, being eligible, offer itself for re-appointment at the 2021 AGM.

On behalf of the Board

Allan WONG Chi Yun
Chairman

Hong Kong, 18 May 2021

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 98 to 136, which comprise the consolidated statement of financial position as at 31 March 2021, 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 to the consolidated financial statements, including a summary of significant accounting policies.

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 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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") 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)* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Assessing the valuation of stocks

Refer to note 14 to the consolidated financial statements and the accounting policies on page 107.

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 consumer demand frequently changing. The Group typically sells or disposes of slow moving stocks at a markdown from the original price. Accordingly, the actual future selling prices of some items of stocks may fall below their cost. Management assesses the net realisable value of slow moving and excess stocks with reference to the stock ageing report, anticipated future selling prices and/or sales forecasts. Stocks are written down to their net realisable value where this falls below their cost. We identified the valuation of stocks as a key audit matter because determining appropriate stock write-downs and provisions involves predicting the excess quantities of stocks which will remain unused or unsold after the end of the reporting period and the markdowns necessary to sell such slow moving stocks, which can be inherently uncertain and which 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 and provision policy with reference to the requirements of the prevailing accounting standards; • assessing whether the stock write-downs and provisions made at the reporting date were consistent with the Group's stock write-down and provision policy by recalculating the stock write-downs and provisions based on the relevant parameters in the policy; • examining the subsequent utilisation or release of provisions recorded as at 31 March 2020 and additional provisions made in the current year in respect of stocks on hand as at 31 March 2020 to assess whether the judgement made by management in estimating the provisions 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 documentation; • enquiring of the director of each division and senior members of the sales team about any expected changes in plans for markdowns or disposals of slow moving stocks and comparing their representations with actual production and sales transactions subsequent to the reporting date; 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 2021.

Assessing potential impairment of goodwill

Refer to note 10 to the consolidated financial statements and the accounting policies on page 104.

The Key Audit Matter	How the matter was addressed in our audit
Management performs impairment assessments of the goodwill which arose from business combinations. In performing such impairment assessments, management compares the carrying value of each of the separately identifiable cash-generating units ("CGUs") to which goodwill had been allocated with their respective recoverable amounts, being the higher of fair value less costs of disposal and value in use, to determine if any impairment loss should be recognised. Value in use is assessed based on discounted cash flow forecasts. The preparation of discounted cash flow forecasts for the purpose of assessing value in use involves estimating future cash flows, growth rates and discount rates which can be inherently uncertain. We identified the assessment of potential impairment of goodwill as a key audit matter because the year end goodwill impairment assessments performed by management contain certain judgemental assumptions which could be subject to management bias.	Our audit procedures to assess potential impairment of goodwill included the following: • assessing the management's identification of CGUs, the allocation of assets to each CGU and the methodology adopted by management in its impairment assessments of goodwill with reference to the requirements of the prevailing accounting standards; • evaluating the assumptions adopted in the preparation of the cash flow forecasts for the purpose of the impairment assessments of goodwill, including projected future growth rates for income and expenses, with reference to our understanding of the business, historical trends and available industry information and available market data; • assessing whether the discount rates applied in the discounted cash flow forecasts prepared for the purpose of assessing potential impairment of goodwill were within a reasonable range by comparison with data for companies operating in the same industries; • comparing the cashflow forecasts prepared at the end of last year for the purpose of impairment assessments with the actual performance of the businesses for the current year and make enquiries of management as to the reasons for any significant variations identified, to assess whether the judgement made by management in the preparation of the cash flow forecasts in the prior year indicated possible management bias; and • assessing the impact of changes in the key assumptions, including projected profitability and the discount rates, adopted in the discounted cash flow forecasts on the conclusions reached in the impairment assessments and assessing whether there were any indicators of management bias in the selection of these assumptions.

Assessing the expected credit loss allowance for trade debtors

Refer to notes 15 and 23(a) to the consolidated financial statements and the accounting policies on pages 105 to 107.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 March 2021, the Group's gross trade debtors totalled US$278.3 million, against which allowances for expected credit losses ("ECL") of US$7.6 million were recorded. The Group's loss allowances are based on management's estimate of the lifetime ECL of the trade debtors, 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 reporting date. Such assessment involves a significant degree of management judgement. We identified the ECL allowance for trade debtors as a key audit matter because determining the level of loss allowance requires the exercise of significant management judgement.	Our audit procedures to assess the ECL allowance for trade debtors included the following: • obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to credit control, debt collection and estimation of ECL; • evaluating the Group's policies for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard; • assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation; • obtaining an understanding of the key parameters and assumptions of the ECL model adopted by the management, including historical default data and management's estimated loss rates; • assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic condition and forward-looking information; and • reperforming the calculation of the loss allowance as at 31 March 2021 based on the Group's credit loss allowance policies.

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 IFRSs 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 Leung Sze Kit Roy.

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

18 May 2021

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

For the year ended 31 March 2021

	Note	**2021 US$ million**	2020 US$ million
Revenue	1	**2,372.3**	2,165.5
Cost of sales		**(1,645.7)**	(1,501.9)
Gross profit		**726.6**	663.6
Other net income	2	**4.2**	5.9
Selling and distribution costs		**(295.5)**	(296.3)
Administrative and other operating expenses		**(82.7)**	(71.8)
Research and development expenses		**(86.4)**	(81.7)
Operating profit	1(b)	**266.2**	219.7
Net finance expense	2	**(7.3)**	(7.4)
Share of results of an associate		**0.4**	–
Profit before taxation	2	**259.3**	212.3
Taxation	4	**(28.4)**	(21.6)
Profit for the year and attributable to shareholders of the Company		**230.9**	190.7
Earnings per share (US cents)	6		
– Basic		**91.6**	75.7
– Diluted		**91.6**	75.7

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	2021 US$ million	2020 US$ million
Profit for the year	**230.9**	190.7
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Effect of remeasurement of net assets/obligations on defined benefit scheme, net of deferred tax	**8.0**	(3.7)
	8.0	(3.7)
Items that may be reclassified subsequently to profit or loss:		
Fair value (losses)/gains on hedging, net of deferred tax	**(2.7)**	3.3
Realisation of hedging reserve, net of deferred tax	**(3.3)**	(5.4)
Exchange translation differences	**27.6**	(13.2)
	21.6	(15.3)
Other comprehensive income for the year	**29.6**	(19.0)
Total comprehensive income for the year	**260.5**	171.7

The notes and principal accounting policies on pages 102 to 136 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 2021

	Note	2021 US$ million	2020 US$ million
Non-current assets			
Tangible assets	7	**92.2**	76.0
Deposit for acquisition of tangible assets	7	**–**	1.4
Right-of-use assets	8	**193.1**	154.8
Intangible assets	9	**16.8**	17.7
Goodwill	10	**36.1**	36.1
Interest in an associate	11	**3.4**	3.0
Investments	12	**6.8**	8.3
Net assets on defined benefit scheme	20(b)	**6.9**	–
Deferred tax assets	13(b)	**10.0**	8.3
		365.3	305.6
Current assets			
Stocks	14	**414.0**	372.6
Debtors, deposits and prepayments	15	**318.9**	272.1
Taxation recoverable	13(a)	**3.6**	2.6
Deposits and cash	16	**343.8**	242.5
		1,080.3	889.8
Current liabilities			
Creditors and accruals	17	**(461.8)**	(390.8)
Provisions for defective goods returns and other liabilities	18	**(26.4)**	(24.2)
Lease liabilities	19	**(17.5)**	(17.9)
Taxation payable	13(a)	**(17.3)**	(9.0)
		(523.0)	(441.9)
Net current assets		**557.3**	447.9
Total assets less current liabilities		**922.6**	753.5
Non-current liabilities			
Net obligations on defined benefit scheme	20(b)	**–**	(1.8)
Deferred tax liabilities	13(b)	**(2.9)**	(2.9)
Lease liabilities	19	**(188.6)**	(147.3)
		(191.5)	(152.0)
Net assets		**731.1**	601.5
Capital and reserves			
Share capital	21(a)	**12.6**	12.6
Reserves		**718.5**	588.9
Total equity		**731.1**	601.5

Approved and authorised for issue by the Board of Directors on 18 May 2021.

Allan WONG Chi Yun
Director

PANG King Fai
Director

The notes and principal accounting policies on pages 102 to 136 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Note	Attributable to shareholders of the Company						
		Share capital US$ million	Share premium US$ million	Shares held for Share Purchase Scheme US$ million	Exchange reserve US$ million	Hedging reserve US$ million	Revenue reserve US$ million	Total equity US$ million
At 1 April 2019		12.6	154.3	(1.5)	(21.5)	5.4	457.7	607.0
Effect of adoption of IFRS 16		–	–	–	–	–	(11.2)	(11.2)
Adjusted balance at 1 April 2019		12.6	154.3	(1.5)	(21.5)	5.4	446.5	595.8
Changes in equity for the year ended 31 March 2020								
Comprehensive income								
Profit for the year		–	–	–	–	–	190.7	190.7
Other comprehensive income								
Fair value gains on hedging, net of deferred tax		–	–	–	–	3.3	–	3.3
Realisation of hedging reserve, net of deferred tax		–	–	–	–	(5.4)	–	(5.4)
Exchange translation differences		–	–	–	(13.2)	–	–	(13.2)
Effect of remeasurement of net assets/obligations on defined benefit scheme, net of deferred tax		–	–	–	–	–	(3.7)	(3.7)
Other comprehensive income for the year		–	–	–	(13.2)	(2.1)	(3.7)	(19.0)
Total comprehensive income for the year		–	–	–	(13.2)	(2.1)	187.0	171.7
Final dividend in respect of the previous year		–	–	–	–	–	(125.9)	(125.9)
Interim dividend in respect of the current year	5	–	–	–	–	–	(42.8)	(42.8)
Shares issued under Share Purchase Scheme	22(b)	–	1.9	(1.9)	–	–	–	–
Shares purchased for Share Purchase Scheme	21(c)&22(b)	–	–	(1.2)	–	–	–	(1.2)
Vesting of shares of Share Purchase Scheme	21(c)&22(b)	–	–	3.9	–	–	–	3.9
At 31 March 2020 and 1 April 2020		12.6	156.2	(0.7)	(34.7)	3.3	464.8	601.5
Changes in equity for the year ended 31 March 2021								
Comprehensive income								
Profit for the year		–	–	–	–	–	230.9	230.9
Other comprehensive income								
Fair value losses on hedging, net of deferred tax		–	–	–	–	(2.7)	–	(2.7)
Realisation of hedging reserve, net of deferred tax		–	–	–	–	(3.3)	–	(3.3)
Exchange translation differences		–	–	–	27.6	–	–	27.6
Effect of remeasurement of net assets/obligations on defined benefit scheme, net of deferred tax		–	–	–	–	–	8.0	8.0
Other comprehensive income for the year		–	–	–	27.6	(6.0)	8.0	29.6
Total comprehensive income for the year		–	–	–	27.6	(6.0)	238.9	260.5
Final dividend in respect of the previous year	5	–	–	–	–	–	(90.8)	(90.8)
Interim dividend in respect of the current year	5	–	–	–	–	–	(42.8)	(42.8)
Shares issued under Share Purchase Scheme	22(b)	–	2.1	(2.1)	–	–	–	–
Shares purchased for Share Purchase Scheme	21(c)&22(b)	–	–	(2.3)	–	–	–	(2.3)
Shares lapsed under Share Purchase Scheme	22(b)	–	–	(0.1)	–	–	0.1	–
Vesting of shares of Share Purchase Scheme	21(c)&22(b)	–	–	5.0	–	–	–	5.0
At 31 March 2021		**12.6**	**158.3**	**(0.2)**	**(7.1)**	**(2.7)**	**570.2**	**731.1**

The notes and principal accounting policies on pages 102 to 136 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Note	2021 US$ million	2020 US$ million
Operating activities			
Operating profit		**266.2**	219.7
Depreciation of tangible assets	2	**36.6**	37.8
Depreciation of right-of-use assets	2	**21.8**	18.5
Amortisation of intangible assets	2	**0.9**	0.9
Fair value loss/(gain) on investments measured at fair value through profit or loss	2	**1.5**	(5.9)
Loss on disposal of tangible assets	2	**0.1**	0.1
Share-based payment expenses	2	**5.0**	3.9
Increase in stocks		**(41.4)**	(2.7)
(Increase)/Decrease in debtors, deposits and prepayments		**(49.7)**	44.7
Increase/(Decrease) in creditors and accruals		**67.5**	(53.1)
Increase/(Decrease) in provisions for defective goods returns and other liabilities		**2.2**	(0.7)
Decrease in net assets/Increase in net obligations on defined benefit scheme		**0.2**	0.3
Cash generated from operations		**310.9**	263.5
Interest paid		**–**	(1.7)
Interest on lease liabilities		**(7.3)**	(5.7)
Taxes paid		**(23.3)**	(19.1)
Net cash generated from operating activities		**280.3**	237.0
Investing activities			
Purchase of tangible assets		**(48.0)**	(33.2)
Deposit for acquisition of tangible assets		**–**	(1.4)
Proceeds from disposal of tangible assets		**0.2**	0.1
Net cash used in investing activities		**(47.8)**	(34.5)
Financing activities			
Capital element of lease rentals paid	19(b)	**(19.8)**	(17.1)
Payment for shares acquired for Share Purchase Scheme	21(c)	**(2.3)**	(1.2)
Dividends paid	5	**(133.6)**	(168.7)
Net cash used in financing activities		**(155.7)**	(187.0)
Effect of exchange rate changes		**24.5**	(10.0)
Increase in cash and cash equivalents		**101.3**	5.5
Cash and cash equivalents at 1 April		**242.5**	237.0
Cash and cash equivalents at 31 March	16	**343.8**	242.5

The notes and principal accounting policies on pages 102 to 136 form part of these financial statements.

Principal 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 all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related Interpretations promulgated by the International Accounting Standards Board ("IASB").

These financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group:

- Amendment to IFRS 3, *Definition of a business*
- Amendment to IFRS 16, *Covid-19-related rent concessions*

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 2021 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 as modified by the revaluation of derivative financial instruments and investments at their fair value as explained in the accounting policies set out below.

The preparation of the financial statements in conformity with IFRSs 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 IFRSs 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, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. 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 Purchase Scheme Trust, are included in the Group's consolidated statement of financial position and the shares held by the VTech Share Purchase Scheme Trust are presented as a deduction from equity as Shares held for Share Purchase 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, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

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 Company has significant influence but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Principal Accounting Policies (Continued)

D Basis of Consolidation (Continued)

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes (H) and (N)(iii)). Any acquisition date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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 profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

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.

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.

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.

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

(i) Revenue from the sale of goods is recognised when the customer takes possession of and accepts the products. Revenue is stated net of sales taxes, returns, rebates and discounts.

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

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

(iv) Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

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 as an expense in the period in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible, the attributable expenditure is separately identifiable and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads which are directly attributable to development activities. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note (N)(iii)). Development expenditure that does not meet the above criteria is recognised as an expense in the period in which it is incurred.

Amortisation is calculated to write off capitalised development costs on a straight-line basis over their estimated useful lives, commencing from the date when the products are put into commercial production.

G Translation of Foreign Currencies

Foreign currency transactions during the year are translated into United States dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transactions dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Principal Accounting Policies (Continued)

G Translation of Foreign Currencies (Continued)

The results of foreign operations are translated into United States dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into United States dollars at the closing foreign exchange rates at the end of the reporting period.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

H Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note (N)(iii)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

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 acquire 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

Tangible assets are stated at cost less accumulated depreciation and impairment losses (see note (N)(iii)).

Depreciation is calculated to write off the cost of assets on a straight-line basis over their estimated useful lives which 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

Where parts of a tangible asset have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of tangible assets are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss on the date of retirement or disposal.

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

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Brand	30 years
Technology	5 years

Both the period and method of amortisation are reviewed annually.

M Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease 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 short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense 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 calculated 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 hence are charged to profit or loss in the accounting period in which they are 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 plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes 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, discounted to their present value, 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)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group 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.

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).

Financial assets measured at fair value, including equity securities measured at fair value through profit or loss ("FVPL") and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

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

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

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

Loss allowances for trade debtors are always measured at an amount equal to lifetime ECLs. ECLs on trade debtors are estimated using a provision matrix based on the Group's historical 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 reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower 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 (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Principal Accounting Policies (Continued)

N Credit Losses and Impairment of Assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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 (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group 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 within trade and other creditors 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 recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "creditors and accruals" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. 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

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- tangible assets;
- right-of-use assets;
- construction in progress;
- intangible assets;
- goodwill;
- interest in an associate, and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset 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 the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

N Credit Losses and Impairment of Assets (Continued)

(iii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised as an expense in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

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

Investments in debt and equity 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 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) Investments other than equity investments

Non-equity investments held by the Group 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. Interest income from the investment is calculated using the effective interest method (see note (E)).

– 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. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECLs, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– Fair value through 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 equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is 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 in accordance with the policy set out in note (E).

P Stocks

Stocks are stated 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 expenses.

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.

Principal Accounting Policies (Continued)

Q Trade and Other Debtors

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note (Y)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (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, 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note (N)(i).

S Trade and Other Creditors

Trade and other creditors are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note (N)(ii), trade and other creditors are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

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.

U Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

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. Contributions relating to the defined contribution schemes are charged to profit or loss as incurred.

Principal Accounting Policies (Continued)

V Employee Benefits (Continued)

(ii) Defined benefit scheme

The Group's net obligation in respect of defined benefit retirement scheme is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any scheme assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. 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 reductions in future contributions to the scheme.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and are allocated by function as part of "cost of sales", "selling and distribution costs" or "administrative and other operating expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a scheme are changed, or when a scheme is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the scheme amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) 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 net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement scheme are recognised in other comprehensive income and reflected immediately in revenue reserve. Remeasurements comprise actuarial gains and losses, the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iii) Equity and equity related compensation benefits

For share options granted under the 2011 Scheme and shares of the Company granted under the Shares Purchase 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 Purchase 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 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 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 Purchase 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 Purchase 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 option is exercised (when it is transferred to the share premium account) or the 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 Purchase Scheme.

W Shares held for Share Purchase Scheme

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

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

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).

Principal Accounting Policies (Continued)

X Derivative Financial Instruments (Continued)

Cash flow hedges (Continued)

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affects profit or loss (such as when a forecast sale occurs).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then the hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, 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 transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

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 has become 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 would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be 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 and performance assessment.

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 are from contracts with customers within the scope of IFRS 15 and recognised at a point in time.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products and regions is as follows:

Year ended 31 March 2021	**North America US$ million**	**Europe US$ million**	**Asia Pacific US$ million**	**Other Regions US$ million**	**Total US$ million**
Electronic Learning Products	**536.9**	**351.2**	**82.0**	**8.4**	**978.5**
Telecommunication Products	**270.5**	**109.3**	**31.7**	**13.8**	**425.3**
Contract Manufacturing Services	**187.7**	**625.8**	**154.7**	**0.3**	**968.5**
Total	**995.1**	**1,086.3**	**268.4**	**22.5**	**2,372.3**

Year ended 31 March 2020	North America US$ million	Europe US$ million	Asia Pacific US$ million	Other Regions US$ million	Total US$ million
Electronic Learning Products	493.7	333.3	83.2	12.1	922.3
Telecommunication Products	243.9	112.5	27.9	16.6	400.9
Contract Manufacturing Services	252.0	440.5	148.3	1.5	842.3
Total	989.6	886.3	259.4	30.2	2,165.5

The Group's customer base is diversified and include three (2020: two) customers with whom transactions have exceeded 10% of the Group's revenue. The revenue from these three customers accounted for approximately 15%, 12% and 12% of the Group's revenue for the year ended 31 March 2021 respectively. For the year ended 31 March 2020, approximately 12% and 10% of the Group's revenue are derived from two external customers. 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.

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 net obligations on defined benefit scheme with the exception of taxation payable and deferred tax liabilities.

1 Revenue and Segment Information (Continued)

(b) Segment Information (Continued)

Year ended 31 March 2021	**North America US$ million**	**Europe US$ million**	**Asia Pacific US$ million**	**Other Regions US$ million**	**Total US$ million**
Reportable segment revenue	**995.1**	**1,086.3**	**268.4**	**22.5**	**2,372.3**
Reportable segment profit	**137.7**	**80.0**	**44.4**	**4.1**	**266.2**
Depreciation and amortisation	**3.4**	**3.2**	**52.7**	**–**	**59.3**
Reportable segment assets	**180.1**	**103.6**	**1,085.2**	**–**	**1,368.9**
Reportable segment liabilities	**(83.7)**	**(36.7)**	**(573.9)**	**–**	**(694.3)**

Year ended 31 March 2020	North America US$ million	Europe US$ million	Asia Pacific US$ million	Other Regions US$ million	Total US$ million
Reportable segment revenue	989.6	886.3	259.4	30.2	2,165.5
Reportable segment profit	113.1	57.5	43.6	5.5	219.7
Depreciation and amortisation	3.4	3.6	50.2	–	57.2
Reportable segment assets	160.3	114.0	845.1	–	1,119.4
Reportable segment liabilities	(83.0)	(35.2)	(463.8)	–	(582.0)

(iii) Reconciliations of reportable segment assets and liabilities

	Note	**2021 US$ million**	2020 US$ million
Assets			
Reportable segment assets		**1,368.9**	1,119.4
Intangible assets	9	**16.8**	17.7
Goodwill	10	**36.1**	36.1
Interest in an associate	11	**3.4**	3.0
Investments	12	**6.8**	8.3
Taxation recoverable	13(a)	**3.6**	2.6
Deferred tax assets	13(b)	**10.0**	8.3
Consolidated total assets		**1,445.6**	1,195.4
Liabilities			
Reportable segment liabilities		**(694.3)**	(582.0)
Taxation payable	13(a)	**(17.3)**	(9.0)
Deferred tax liabilities	13(b)	**(2.9)**	(2.9)
Consolidated total liabilities		**(714.5)**	(593.9)

2 Profit Before Taxation

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

	Note	2021 US$ million	2020 US$ million
Staff related costs			
– salaries and wages		**343.8**	326.2
– pension costs: defined contribution schemes	20(a)	**17.3**	20.2
– pension costs: defined benefit scheme	20(b)	**1.4**	1.5
– severance payments		**2.2**	1.6
– share-based payment expenses	21(c)	**5.0**	3.9
		369.7	353.4
Cost of inventories	14(b)	**1,645.7**	1,501.9
Fair value loss/(gain) on investments measured at fair value through profit or loss *(note (i))*		**1.5**	(5.9)
Government subsidies *(note (i) & (ii))*		**(5.7)**	–
Depreciation of tangible assets	7	**36.6**	37.8
Depreciation of right-of-use assets	8	**21.8**	18.5
Amortisation of intangible assets	9	**0.9**	0.9
Loss on disposal of tangible assets		**0.1**	0.1
Auditors' remuneration			
– audit services		**0.9**	0.8
– audit related services		**0.1**	0.1
– tax services		**0.6**	0.8
Loss allowance for trade debtors	23(a)	**1.2**	2.0
Reversal of loss allowance for trade debtors	23(a)	**(1.4)**	(0.6)
Royalties		**14.5**	13.6
Interest on lease liabilities *(note (iii))*		**7.3**	5.7
Other interest expenses, net *(note (iii))*		**–**	1.7
Provision for defective goods returns	18	**19.0**	19.4
Net foreign exchange (gain)/loss		**(0.6)**	0.2
Net (gain)/loss on forward foreign exchange contracts			
– Net gain on cash flow hedging instruments reclassified from equity		**(3.6)**	(5.9)
– Net loss/(gain) on forward foreign exchange contracts		**1.2**	(1.1)

Notes:

(i) Included in other net income in the consolidated statement of profit or loss.

(ii) This represented employment subsidies received from various governments in response to the outbreak of COVID-19.

(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 US$ million	Total US$ million
For the year ended 31 March 2021						
Executive Directors *(i)*						
Allan WONG Chi Yun *(ii)*	–	1.1	2.8	0.1	–	4.0
PANG King Fai *(iii)*	–	0.6	0.8	0.1	0.5	2.0
Andy LEUNG Hon Kwong *(iii)*	–	0.6	1.5	0.1	0.8	3.0
Non-executive Director						
William WONG Yee Lai *(iv)*	–	–	–	–	–	–
Independent Non-executive Directors						
William FUNG Kwok Lun *(v)*	–	–	–	–	–	–
KO Ping Keung *(vi)*	–	–	–	–	–	–
Patrick WANG Shui Chung *(vii)*	–	–	–	–	–	–
WONG Kai Man *(viii)*	–	–	–	–	–	–
	–	2.3	5.1	0.3	1.3	9.0

3 Directors' Emoluments and Individuals with Highest Emoluments (Continued)

	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 US$ million	Total US$ million
For the year ended 31 March 2020						
Executive Directors *(i)*						
Allan WONG Chi Yun *(ii)*	–	1.1	2.0	0.1	–	3.2
PANG King Fai *(iii)*	–	0.6	0.6	–	0.5	1.7
Andy LEUNG Hon Kwong *(iii)*	–	0.6	1.3	–	0.9	2.8
Non-executive Director						
William WONG Yee Lai *(iv)*	–	–	–	–	–	–
Independent Non-executive Directors						
William FUNG Kwok Lun *(v)*	–	–	–	–	–	–
KO Ping Keung *(vi)*	–	–	–	–	–	–
Patrick WANG Shui Chung *(vii)*	–	–	–	–	–	–
WONG Kai Man *(viii)*	–	–	–	–	–	–
	–	2.3	3.9	0.1	1.4	7.7

Notes:

(i) The Directors' fee paid to each executive Director, except for Dr. Allan WONG Chi Yun, was US$30,000 (2020: US$30,000) per annum. The Directors' fee paid to Dr. Allan WONG Chi Yun was US$32,000 (2020: US$32,000) per annum.

(ii) Included in the emoluments paid to Dr. Allan WONG Chi Yun, a housing benefit of HK$4,800,000 for the year ended 31 March 2021 (2020: HK$4,800,000), 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, a Director, is the founder.

(iii) Included in the emoluments paid to Dr. PANG King Fai and Mr. Andy LEUNG Hon Kwong, an aggregate of 60,000 shares (2020: 60,000 shares) and 100,000 shares (2020: 100,000 shares) were granted to Dr. PANG King Fai and Mr. Andy LEUNG Hon Kwong respectively pursuant to the Share Purchase Scheme during the year.

(iv) The Directors' fee paid to Mr. William WONG Yee Lai was US$30,000 per annum (2020: US$11,589 for the period from his date of appointment on 12 November 2019 to 31 March 2020).

(v) The Directors' fee paid to Dr. William FUNG Kwok Lun was US$38,000 (2020: US$38,000) per annum.

(vi) The Directors' fee paid to Professor KO Ping Keung was US$37,000 (2020: US$37,000) per annum.

(vii) The Directors' fee paid to Dr. Patrick WANG Shui Chung was US$38,000 (2020: US$38,000) per annum.

(viii) The Directors' fee paid to Mr. WONG Kai Man was US$39,000 (2020: US$39,000) per annum.

Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2020: three) are Directors whose emoluments are set out above. The aggregate of the emoluments in respect of the other two (2020: two) individuals are as follows:

	2021 US$ million	2020 US$ million
Salaries, allowances and benefits in kind	**0.8**	0.9
Discretionary bonuses	**0.9**	1.0
Share-based payment	**0.7**	0.4
	2.4	2.3

The emoluments fell within the following bands:

	2021 Individuals	2020 Individuals
US$		
1,025,001 – 1,089,000	**–**	1
1,089,001 – 1,153,000	**1**	–
1,217,001 – 1,281,000	**–**	1
1,281,001 – 1,345,000	**1**	–
	2	2

During the years ended 31 March 2021 and 31 March 2020, 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:

	2021 Individuals	2020 Individuals
US$		
193,001 – 257,000	**1**	1
321,001 – 385,000	**–**	1
385,001 – 449,000	**1**	–
449,001 – 513,000	**–**	1
513,001 – 577,000	**1**	–
577,001 – 641,000	**1**	–
641,001 – 705,000	**1**	1
769,001 – 833,000	**–**	1
897,001 – 961,000	**1**	–
1,025,001 – 1,089,000	**–**	1
	6	6

4 Taxation

	Note	2021 US$ million	2020 US$ million
Current tax			
– Hong Kong		**20.9**	13.8
– Overseas		**9.9**	8.2
(Over)/Under-provision in respect of prior years			
– Hong Kong		**–**	0.1
– Overseas		**(0.3)**	(0.6)
Deferred tax			
– Origination and reversal of temporary differences	13(b)	**(2.1)**	0.1
		28.4	21.6
Current tax		**30.5**	21.5
Deferred tax		**(2.1)**	0.1
		28.4	21.6

(a) Hong Kong Profits Tax has been calculated at the rate of 16.5% (2020: 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 2021 was 11.0% (2020: 10.2%). The effective income tax rate is reconciled to the statutory domestic income tax rate as follows:

	2021 %	2020 %
Statutory domestic income tax rate	**16.5**	16.5
Difference in overseas income tax rates	**1.4**	1.5
Tax effect of non-temporary differences	**(6.9)**	(7.8)
Effective income tax rate	**11.0**	10.2

5 Dividends

	Note	2021 US$ million	2020 US$ million
Interim dividend of US17.0 cents (2020: US17.0 cents) per share declared and paid	22(b)	**42.8**	42.8
Final dividend of US74.0 cents (2020: US36.0 cents) per share proposed after the end of the reporting period	22(b)	**186.6**	90.8

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 18 May 2020, the Directors proposed a final dividend of US36.0 cents per ordinary share for the year ended 31 March 2020, which was estimated to be US$90.6 million at the time calculated on the basis of the ordinary shares in issue as at 31 March 2020. The final dividend was approved by shareholders at the annual general meeting on 10 July 2020. The final dividend paid in respect of the year ended 31 March 2020 totaled US$90.8 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$230.9 million (2020: US$190.7 million).

The calculation of basic earnings per share is based on the weighted average of 252.0 million (2020: 251.8 million) ordinary shares in issue during the year after adjusting for shares held for Share Purchase Scheme.

The calculation of diluted earnings per share for the year ended 31 March 2021 was based on 252.0 million ordinary shares (2020: 251.8 million) which is the weighted average number of ordinary shares in issue during the year after adjusting for shares held for Share Purchase Scheme and the number of dilutive potential Awarded Shares under the Company's Share Purchase 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 2019	49.9	27.8	344.6	156.0	6.9	585.2
Additions	–	2.2	25.9	5.1	–	33.2
Disposals	–	(0.1)	(7.6)	(4.1)	–	(11.8)
Effect of changes in exchange rates	(1.1)	(1.3)	(3.5)	(4.1)	–	(10.0)
At 31 March 2020 and 1 April 2020	48.8	28.6	359.4	152.9	6.9	596.6
Additions	11.2	1.5	30.7	6.0	–	49.4
Disposals	–	(1.2)	(4.6)	(5.1)	–	(10.9)
Effect of changes in exchange rates	1.5	2.0	7.4	6.7	–	17.6
At 31 March 2021	**61.5**	**30.9**	**392.9**	**160.5**	**6.9**	**652.7**
Accumulated depreciation						
At 1 April 2019	36.4	15.2	304.0	138.4	6.9	500.9
Charge for the year	0.8	2.1	27.0	7.9	–	37.8
Written back on disposals	–	(0.1)	(7.5)	(4.0)	–	(11.6)
Effect of changes in exchange rates	(0.4)	(0.7)	(2.3)	(3.1)	–	(6.5)
At 31 March 2020 and 1 April 2020	36.8	16.5	321.2	139.2	6.9	520.6
Charge for the year	1.4	1.8	26.3	7.1	–	36.6
Written back on disposals	–	(1.2)	(4.5)	(4.9)	–	(10.6)
Effect of changes in exchange rates	0.2	1.3	5.9	6.5	–	13.9
At 31 March 2021	**38.4**	**18.4**	**348.9**	**147.9**	**6.9**	**560.5**
Net book value at 31 March 2021	**23.1**	**12.5**	**44.0**	**12.6**	**–**	**92.2**
Net book value at 31 March 2020	12.0	12.1	38.2	13.7	–	76.0

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 2019	8.7	41.2	49.9
Effect of changes in exchange rates	(0.3)	(0.8)	(1.1)
At 31 March 2020 and 1 April 2020	8.4	40.4	48.8
Additions	11.2	–	11.2
Effect of changes in exchange rates	0.8	0.7	1.5
At 31 March 2021	**20.4**	**41.1**	**61.5**
Accumulated depreciation			
At 1 April 2019	2.3	34.1	36.4
Charge for the year	0.1	0.7	0.8
Effect of changes in exchange rates	–	(0.4)	(0.4)
At 31 March 2020 and 1 April 2020	2.4	34.4	36.8
Charge for the year	0.7	0.7	1.4
Effect of changes in exchange rates	0.1	0.1	0.2
At 31 March 2021	**3.2**	**35.2**	**38.4**
Net book value at 31 March 2021	**17.2**	**5.9**	**23.1**
Net book value at 31 March 2020	6.0	6.0	12.0
Net book value of land and buildings at 31 March 2021 comprises:			
Hong Kong			
Medium-term leasehold land and buildings (less than 50 years but not less than 10 years)	**1.1**	**–**	**1.1**
Overseas			
Medium-term leasehold land and buildings	**16.1**	**–**	**16.1**
Short-term leasehold buildings	**–**	**5.9**	**5.9**

Deposit for acquisition of tangible assets

At 31 March 2020, deposit for acquisition of tangible assets of US$1.4 million represented deposit for acquisition of land and buildings in Malaysia. The acquisition was completed during the year ended 31 March 2021.

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 2019	4.5	130.6	135.1
Additions	–	42.8	42.8
Effect of changes in exchange rates	(0.3)	(5.1)	(5.4)
At 31 March 2020 and 1 April 2020	4.2	168.3	172.5
Additions	–	51.6	51.6
Effect of changes in exchange rates	0.4	9.8	10.2
At 31 March 2021	**4.6**	**229.7**	**234.3**
Accumulated depreciation			
At 1 April 2019	–	–	–
Charge for the year	0.1	18.4	18.5
Effect of changes in exchange rates	(0.1)	(0.7)	(0.8)
At 31 March 2020 and 1 April 2020	–	17.7	17.7
Charge for the year	0.1	21.7	21.8
Effect of changes in exchange rates	–	1.7	1.7
At 31 March 2021	**0.1**	**41.1**	**41.2**
Net book value at 31 March 2021	**4.5**	**188.6**	**193.1**
Net book value at 31 March 2020	4.2	150.6	154.8

Notes:

(i) Included in leasehold land held for own use is the amount of US$2.9 million (2020: US$2.7 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. During the year ended 31 March 2021, the Group has exercised the extension options of certain tenancy agreements and reassessed the future lease payments payable for these tenancy agreements following a market rent review.

(iii) For the year ended 31 March 2021, additions to right-of-use assets include amount of US$2.5 million (2020: US$42.8 million) related to the capitalised lease payments payable under new tenancy agreement and amount of US$49.1 million (2020: US$ Nil) related to reassessment of certain tenancy agreements following the exercise of extension options (Note (ii)). Details of the maturity analysis of lease liabilities and total cash outflow for leases are set out in notes 19(a) and 19(c) respectively.

(iv) For the year ended 31 March 2021, expenses related to short-term leases amounted to US$6.9 million (2020: short-term leases and other leases with remaining lease term ending on or before 31 March 2020 amounted to US$10.7 million).

9 Intangible Assets

	Brand US$ million	Technology US$ million	Total US$ million
Cost			
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	**20.0**	**1.1**	**21.1**
Accumulated amortisation			
At 1 April 2019	2.0	0.5	2.5
Charge for the year	0.7	0.2	0.9
At 31 March 2020 and 1 April 2020	2.7	0.7	3.4
Charge for the year	0.7	0.2	0.9
At 31 March 2021	**3.4**	**0.9**	**4.3**
Net book value at 31 March 2021	**16.6**	**0.2**	**16.8**
Net book value at 31 March 2020	17.3	0.4	17.7

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 2019, 31 March 2020, 1 April 2020 and 31 March 2021	**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 cash generating units ("CGU") identified as follows:

	2021 US$ million	2020 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% (2020: not more than 1%). The discount rate used of approximately 14.9% (2020: 14.6%) 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% (2020: not more than 1%). The discount rate used of approximately 15.0% (2020: 15.4%) 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% (2020: not more than 1%). The discount rate used of approximately 15.9% (2020: 15.5%) 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:

	2021 US$ million	2020 US$ million
The carrying amount of this associate company in the consolidated financial statements	**3.4**	3.0
The amount of the Group's share of the associate's		
Post-tax profit	**0.4**	–
Other comprehensive income	**–**	–
Total comprehensive income	**0.4**	–

12 Investments

At 31 March 2021, investments of US$6.8 million (2020: US$8.3 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 in the consolidated statement of financial position represents:

	2021 US$ million	2020 US$ million
Provision for profits tax for the year	**(30.8)**	(22.0)
Provisional profits tax paid	**18.7**	17.5
	(12.1)	(4.5)
Balance of profits tax payable relating to prior years	**(1.6)**	(1.9)
	(13.7)	(6.4)
Represented by:		
Taxation recoverable *(note)*	**3.6**	2.6
Taxation payable *(note)*	**(17.3)**	(9.0)
	(13.7)	(6.4)

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)

(b) The components of deferred tax assets/(liabilities) and the movements for the years ended 31 March 2021 and 31 March 2020 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 2019		1.6	(2.2)	2.6	3.0	5.0
(Charged)/Credited to consolidated statement of profit or loss	4	(0.1)	0.1	–	(0.1)	(0.1)
Credited to other comprehensive income		–	–	–	0.5	0.5
At 31 March 2020 and 1 April 2020		1.5	(2.1)	2.6	3.4	5.4
(Charged)/Credited to consolidated statement of profit or loss	4	(0.5)	0.1	1.3	1.2	2.1
Charged to other comprehensive income		–	–	–	(0.4)	(0.4)
At 31 March 2021		**1.0**	**(2.0)**	**3.9**	**4.2**	**7.1**

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:

	2021 US$ million	2020 US$ million
Deferred tax assets	**10.0**	8.3
Deferred tax liabilities	**(2.9)**	(2.9)
	7.1	5.4

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$8.2 million (2020: US$10.6 million) arising from unused tax losses sustained in the operations of certain subsidiaries of US$43.5 million (2020: US$55.1 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 2021.

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 ending before 1 January 2019 expire up to 20 years after the relevant accounting year end date in which they arose, depending on the relevant jurisdictions.

14 Stocks

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

	2021 US$ million	2020 US$ million
Raw materials	**171.5**	136.5
Work in progress	**48.8**	50.6
Finished goods	**193.7**	185.5
	414.0	372.6

Stocks carried at net realisable value at 31 March 2021 amounted to US$24.2 million (2020: US$39.2 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:

	2021 US$ million	2020 US$ million
Carrying amount of stocks sold	**1,636.2**	1,493.1
Write-down of stocks	**12.1**	11.0
Reversal of write-down of stocks	**(2.6)**	(2.2)
	1,645.7	1,501.9

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	2021 US$ million	2020 US$ million
Trade debtors (Net of loss allowance of US$7.6 million (2020: US$8.5 million))	15(a)& 23(a)	**270.7**	221.5
Other debtors, deposits and prepayments		**47.1**	45.4
Financial assets measured at amortised cost		**317.8**	266.9
Forward foreign exchange contracts held as cash flow hedging instruments	23(b), (d)&(e)	**1.1**	5.2
		318.9	272.1

All of other debtors, deposits and prepayments apart from the amounts of US$6.7 million (comprised largely of rental deposits) (2020: US$7.2 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:

	2021 US$ million	2020 US$ million
0-30 days	**178.3**	141.2
31-60 days	**58.9**	48.1
61-90 days	**25.7**	23.1
>90 days	**7.8**	9.1
Total	**270.7**	221.5

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

	2021 US$ million	2020 US$ million
Short term bank deposits	**2.1**	2.1
Cash at bank and in hand	**341.7**	240.4
	343.8	242.5

Deposits and cash as at 31 March 2021 include US$19.0 million (2020: US$23.9 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	2021 US$ million	2020 US$ million
Trade creditors	17(a)	**236.7**	195.4
Contract liabilities	17(b)	**13.4**	14.8
Other creditors and accruals	17(c)& 23(d)	**206.5**	180.2
Forward foreign exchange contracts held as cash flow hedging instruments	23(b), (d)&(e)	**5.2**	0.4
		461.8	390.8

(a) Ageing Analysis

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

	2021 US$ million	2020 US$ million
0-30 days	**104.2**	66.6
31-60 days	**47.7**	36.0
61-90 days	**58.6**	44.1
>90 days	**26.2**	48.7
Total	**236.7**	195.4

(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$14.8 million (2020: US$11.6 million) were recognised as revenue during the year ended 31 March 2021 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 2021, provisions of US$26.4 million (2020: US$24.2 million) include provision for defective goods returns of US$18.2 million (2020: US$17.4 million) and other liabilities of US$8.2 million (2020: US$6.8 million).

Movement of provision for defective goods returns is as follows:

	2021 US$ million	2020 US$ million
At 1 April	17.4	17.8
Additional provision charged to consolidated statement of profit or loss	19.0	19.4
Utilised during the year	(18.2)	(19.8)
At 31 March	**18.2**	17.4

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) At 31 March 2021, the lease liabilities were repayable as follows:

	2021 US$ million	2020 US$ million
Within 1 year	17.5	17.9
After 1 year but within 2 years	14.7	13.2
After 2 years but within 5 years	46.4	30.7
After 5 years	127.5	103.4
	188.6	147.3
	206.1	165.2

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

	2021 US$ million	2020 US$ million
At 1 April	165.2	144.4
Changes from financing cash flows:		
– Capital element of lease rentals paid	(19.8)	(17.1)
Exchange adjustments	9.1	(4.9)
Other change:		
– Increase in lease liabilities from entering into new leases or reassessments during the year	51.6	42.8
At 31 March	**206.1**	165.2

(c) Total cash outflow for leases

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

	2021 US$ million	2020 US$ million
Within operating cash flows	14.2	16.4
Within financing cash flows	19.8	17.1
	34.0	33.5

20 Pension Schemes

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.

(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$16.3 million (2020: US$19.2 million) and US$1.0 million (2020: US$1.0 million) respectively.

(b) Defined benefit scheme

For the defined benefit 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 2021 using the projected unit credit method.

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

	2021 US$ million	2020 US$ million
Fair value of Scheme assets	37.8	31.5
Present value of funded defined benefit obligations	(30.9)	(33.3)
Net assets/(obligations) on defined benefit scheme recognised in the consolidated statement of financial position	6.9	(1.8)

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$1.1 million in contributions to defined benefit retirement scheme in the year ending 31 March 2022.

20 Pension Schemes (Continued)

(b) Defined benefit scheme (Continued)

(ii) Movement in fair value of Scheme assets:

	2021 US$ million	2020 US$ million
At 1 April	**31.5**	36.0
Interest income on Scheme assets	**0.3**	0.5
Return on Scheme assets excluding interest income	**7.3**	(2.3)
Actual Group's contributions	**1.2**	1.2
Actual benefits paid	**(2.4)**	(3.8)
Administrative expenses paid from Scheme assets	**(0.1)**	(0.1)
At 31 March	**37.8**	31.5

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

	2021 US$ million	2020 US$ million
At 1 April	**33.3**	33.4
Actuarial (gains)/losses arising from changes in liability experience	**(0.4)**	0.2
Actuarial (gains)/losses arising from changes in financial assumptions	**(1.3)**	1.6
Actuarial losses arising from changes in demographic assumptions	**0.1**	–
Interest cost	**0.2**	0.5
Current service cost	**1.4**	1.4
Actual benefits paid	**(2.4)**	(3.8)
At 31 March	**30.9**	33.3

The weighted average duration of the defined benefit obligations is 5.5 years (2020: 6.1 years).

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

	Note	2021 US$ million	2020 US$ million
Current service cost		**1.4**	1.4
Net interest income on net defined benefit asset		**(0.1)**	–
Administrative expenses paid from Scheme assets		**0.1**	0.1
Amounts recognised in profit or loss	2	**1.4**	1.5
Actuarial (gains)/losses		**(1.6)**	1.8
Return on Scheme assets excluding interest income		**(7.3)**	2.3
Amounts recognised in other comprehensive income		**(8.9)**	4.1
Total defined benefit (income)/expense		**(7.5)**	5.6

(v) Scheme assets consist of the following:

	2021 US$ million	2020 US$ million
Equity securities:		
– Financial institutions	**4.1**	3.8
– Non-financial institutions	**13.2**	8.7
	17.3	12.5
Bonds:		
– Government	**8.6**	8.5
– Non-government	**10.4**	9.4
	19.0	17.9
Cash and others	**1.5**	1.1
	37.8	31.5

(vi) The significant actuarial assumptions used as at 31 March 2021 (expressed as weighted average) and sensitivity analysis are as follows:

	2021	2020
Discount rate	**0.9%**	0.6%
Future salary increases	**3.5%**	3.5%

The below analysis shows how the net assets on defined benefit scheme as at 31 March 2021 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	**0.4**	**(0.4)**
Future salary increases	**(0.4)**	**0.4**

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 Options and Share Purchase Scheme

(a) Share Capital

	2021 US$ million	2020 US$ million
Authorised		
Ordinary shares: 400,000,000 (2020: 400,000,000) of US$0.05 each	**20.0**	20.0

	2021		2020	
	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	**251,779,133**	**12.6**	251,572,133	12.6
Issue of new shares under general mandate pursuant to the Share Purchase Scheme	**350,000**	**–**	207,000	–
As at 31 March	**252,129,133**	**12.6**	251,779,133	12.6

The Company's issued and fully paid shares as at 31 March 2021 included 337,700 shares (2020: 273,220 shares) held in trust by the trustee under the Share Purchase Scheme, of which 36,200 shares (2020: 33,900 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, details of which are set out in note 21(c).

The company level statement of financial position can be found in note 26.

(b) Share Options

The Company operates the 2011 Scheme approved on 22 July 2011 for the purpose of providing incentives and rewards to the eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2011 Scheme include directors, officers and employees of any member of the Group as the Remuneration Committee may determine or approve. Under the 2011 Scheme, the Directors may, at their discretion, at any time during 10 years from the date of adoption of the 2011 Scheme, invite directors, officers and employees of any member of the Group to subscribe for the shares of the Company in accordance with the terms of the 2011 Scheme at prices to be determined by the Directors in accordance with the requirements of the Listing Rules. The basis of determination of the exercise price shall be the higher of the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

Pursuant to Chapter 17 of the Listing Rules, the Company can issue options so that the number of shares that may be issued upon exercise of all options to be granted under the scheme and any other schemes does not in aggregate exceed 10% of the relevant class of shares in issue as at the date of adoption of the 2011 Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular. The Company may also seek separate shareholders' approval for granting options beyond the 10% limit to the eligible participants specifically identified by the Company, subject to shareholders' approval and the issue of a circular. The Company can issue options so that shares to be issued upon exercise of all outstanding options does not exceed 30% of the relevant class of shares in issue from time to time. Subject to the further restrictions in the Listing Rules concerning grant of options to substantial shareholders, the total number of shares issued and to be issued upon exercise of options granted and to be granted to any one eligible participant in any 12-month period must not exceed 1% of the relevant class of shares in issue. The Company can grant further options in excess of this limit, subject to shareholders' approval (with that eligible participant and his associates abstaining from voting) and the issue of a circular.

The offer of a grant of options may be accepted within 30 days from the date of offer, upon payment of a non-refundable sum of HK$1 by the grantee. The period within which the options must be exercised will be specified by the Company at the time of grant, and must expire no later than 10 years from the date of grant. The Company may specify any minimum period(s) for which an option must be held before it can be exercised. The 2011 Scheme does not contain any such minimum period. The 2011 Scheme has a life of 10 years and will expire on 21 July 2021. On 24 March 2021, the Board resolved to adopt the 2021 Scheme subject to the approval of the Company's shareholders at the 2021 AGM. The terms of the 2021 Scheme are expected to be substantially the same as those of the 2011 Scheme. As at the date of this Annual Report, the number of shares which may be issued upon exercise of options to be granted under the 2011 Scheme is 23,145,913 shares, which represented approximately 9.2% of the issued share capital of the Company as at the date of the Annual Report. The new shares, when issued and fully paid, will rank pari passu among themselves and with the shares currently in issue, pursuant to the 2011 Scheme. During the financial year and since the adoption of the 2011 Scheme, no options were granted, exercised, cancelled or lapsed under the 2011 Scheme.

21 Share Capital, Share Options and Share Purchase Scheme (Continued)

(c) Share Purchase Scheme

On the Adoption Date, the Company adopted the Share Purchase Scheme, which is a share incentive award scheme for the purpose of incentivising employees and attracting suitable personnel for the continuous development of the Group. Eligible participants of the Share Purchase Scheme include directors, officers and employees of any member of the Group as the Remuneration Committee may determine or approve. The Awarded Shares will be the existing shares, which will be purchased on the Stock Exchange by the independent trustee with funds provided by the Company, and will be awarded in such manner as the Remuneration Committee may determine or approve. The maximum number of shares that can be held by the trustee under the Share Purchase Scheme is limited to 3% of the issued share capital of the Company from time to time (excluding shares which have already been transferred to employees on vesting). The Share Purchase Scheme shall be valid and effective for a term of 20 years from the Adoption Date. The Awarded Shares will be granted to the eligible participants at no consideration subject to the applicable conditions and vesting period as determined by the Remuneration Committee.

On 26 March 2013, the Company adopted the French Subplan. The Awarded Shares will be granted to the eligible French employees of the Group pursuant to the Share Purchase Scheme and the French Subplan subject to the defined vesting period. The vesting period applicable under the French Subplan is currently not less than 1 year following the date of the award and a further 1 year sales restriction period as calculated from the date of the Awarded Shares being transferred to the eligible French employees.

On 19 May 2015, the Company further amended and extended the Share Purchase Scheme such that the Company may furnish the trustee of the Share Purchase Scheme with cash to subscribe for new shares under the general mandate of the Company (as approved by the annual general meeting of the Company from time to time) and hold such new shares in trust for the selected participants (not being connected persons of the Company) under the Share Purchase Scheme. The new shares, when issued and fully paid, will rank pari passu among themselves and with the shares currently in issue, pursuant to the Share Purchase Scheme.

During the year ended 31 March 2021, 306,000 shares (2020: 141,000 shares) were purchased on the Stock Exchange pursuant to the Share Purchase Scheme. The total amount paid to purchase such shares during the financial year was approximately US$2.3 million (2020: US$1.2 million). Further, 350,000 new shares (2020: 207,000 shares) were issued under the general mandate of the Company pursuant to the Share Purchase Scheme.

Details of the Awarded Shares (including those awarded pursuant to the French Subplan) which have been granted to the executive Directors, senior management and eligible employees during each of the years ended 31 March 2021 and 31 March 2020, respectively, are as follows:

Date of Award *(note 1)*	**Number of Awarded Shares granted**	**Vesting Period for Awarded Shares granted under Share Purchase Scheme**	**Vesting Period for Awarded Shares granted under French Subplan**	**Cost of Related Awarded Shares for the year ended 31 March 2021 US$ million**
Year ended 31 March 2021				
23 June 2020	224,220 *(note 5)*	23 June 2020 to 29 June 2020	–	1.5 (2020: –)
16 July 2020	106,400 *(notes 5&6)*	16 July 2020 to 22 July 2020	16 July 2021 to 22 July 2021	0.7 (2020: –)
15 January 2021	269,000 *(note 2)*	20 May 2021 to 26 May 2021	–	2.1 (2020: –)
Year ended 31 March 2020				
21 May 2019	49,000 *(note 3)*	31 May 2019 to 6 June 2019	–	– (2020: 0.4)
24 June 2019	221,480 *(notes 5&6)*	24 June 2019 to 30 June 2019	24 June 2020 to 30 June 2020	– (2020: 2.1)
16 January 2020	269,000 *(notes 3&4)*	19 May 2020 to 25 May 2020	–	0.7 (2020: 1.4)

Notes:

(1) The date of award refers to the date on which the Company issued the letter of award to the eligible participants for the entitlement to the Awarded Shares.

(2) 160,000 Awarded Shares and 109,000 Awarded Shares were granted to certain executive Directors and senior management on 15 January 2021 respectively. These Awarded Shares were purchased on the Stock Exchange by the trustee of the Share Purchase Scheme.

(3) 49,000 Awarded Shares and 109,000 Awarded Shares were granted to senior management on 21 May 2019 and 16 January 2020 respectively. These Awarded Shares were purchased on the Stock Exchange by the trustee of the Share Purchase Scheme, of which 1,300 Awarded Shares granted on 21 May 2019 were not vested during the financial year as certain performance conditions were not met.

(4) 160,000 Awarded Shares were granted to certain executive Directors on 16 January 2020. These Awarded Shares were purchased on the Stock Exchange by the trustee of the Share Purchase Scheme.

(5) These Awarded Shares included the new shares allotted and issued by the Company to the trustee of the Share Purchase Scheme for the selected participants (not being connected persons of the Company).

(6) These Awarded Shares included 36,200 Awarded Shares (2020: 28,100 Awarded Shares) granted under the French Subplan during the financial year.

(7) 5,800 Awarded Shares granted on 22 June 2018 under the French Subplan lapsed during the financial year.

(8) No Awarded Shares were granted to non-executive Directors during the financial year.

(9) Except for note (7), no Awarded Shares lapsed or were cancelled during the financial year.

21 Share Capital, Share Options and Share Purchase Scheme (Continued)

(c) Share Purchase Scheme (Continued)

As at 31 March 2021, a total of 337,700 shares (2020: 273,220 shares) were held in trust by the trustee under the Share Purchase Scheme of which 36,200 shares (2020: 33,900 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. The trustee can exercise the voting rights of the shares held in trust in any general meetings as shareholder as it sees fit (and the Company has no power to influence how the trustee should exercise this discretion). Dividends derived from the shares held under the said trust will be reinvested to acquire further shares.

During the year ended 31 March 2021, share-based payment expenses US$5.0 million (2020: US$3.9 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 2021 and 31 March 2020. 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 2021 and 31 March 2020 is as follows:

	2021 US$ million	2020 US$ million
Total equity	**731.1**	601.5
Less: Proposed dividends	**(186.6)**	(90.6)
	544.5	510.9

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 2021 and 31 March 2020 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 Purchase Scheme US$ million	Exchange reserve US$ million	Revenue reserve US$ million	Total equity US$ million
At 1 April 2019		12.6	154.3	(1.5)	(1.0)	243.8	408.2
Changes in equity for the year ended 31 March 2020							
Comprehensive income							
Profit for the year		–	–	–	–	156.3	156.3
Total comprehensive income for the year		–	–	–	–	156.3	156.3
Final dividend in respect of the previous year		–	–	–	–	(125.9)	(125.9)
Interim dividend in respect of the current year	5	–	–	–	–	(42.8)	(42.8)
Shares issued under Share Purchase Scheme		–	1.9	(1.9)	–	–	–
Shares purchased for Share Purchase Scheme	21(c)	–	–	(1.2)	–	–	(1.2)
Vesting of shares of Share Purchase Scheme	21(c)	–	–	3.9	–	–	3.9
At 31 March 2020 and 1 April 2020		12.6	156.2	(0.7)	(1.0)	231.4	398.5
Changes in equity for the year ended 31 March 2021							
Comprehensive income							
Profit for the year		–	–	–	–	212.4	212.4
Total comprehensive income for the year		–	–	–	–	212.4	212.4
Final dividend in respect of the previous year	5	–	–	–	–	(90.8)	(90.8)
Interim dividend in respect of the current year	5	–	–	–	–	(42.8)	(42.8)
Shares issued under Share Purchase Scheme		–	2.1	(2.1)	–	–	–
Shares purchased for Share Purchase Scheme	21(c)	–	–	(2.3)	–	–	(2.3)
Shares lapsed under Share Purchase Scheme		–	–	(0.1)	–	0.1	–
Vesting of shares of Share Purchase Scheme	21(c)	–	–	5.0	–	–	5.0
At 31 March 2021		**12.6**	**158.3**	**(0.2)**	**(1.0)**	**310.3**	**480.0**

Reserves of the Company available for distribution to shareholders amounted to US$310.3 million (2020: US$231.4 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.

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, 11.8% (2020: 11.2%) and 41.0% (2020: 39.6%) 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 2021 and 31 March 2020:

	31 March 2021		
	Expected loss rate %	**Gross carrying amount US$ million**	**Loss allowance US$ million**
Current (not past due)	**0.1%**	**257.1**	**(0.3)**
1-30 days past due	**22.2%**	**17.6**	**(3.9)**
31-60 days past due	**90.5%**	**2.1**	**(1.9)**
61-90 days past due	**100.0%**	**0.6**	**(0.6)**
More than 90 days past due	**100.0%**	**0.9**	**(0.9)**
	2.7%	**278.3**	**(7.6)**

	31 March 2020		
	Expected loss rate %	Gross carrying amount US$ million	Loss allowance US$ million
Current (not past due)	0.1%	199.8	(0.1)
1-30 days past due	7.5%	22.6	(1.7)
31-60 days past due	83.6%	5.5	(4.6)
61-90 days past due	100.0%	0.4	(0.4)
More than 90 days past due	100.0%	1.7	(1.7)
	3.7%	230.0	(8.5)

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 2021, the overall expected loss rate was 2.7% (2020: 3.7%) 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:

	2021 US$ million	2020 US$ million
At 1 April	**8.5**	7.7
Amounts written off during the year	**(1.0)**	(0.5)
Loss allowance recognised	**1.2**	2.0
Reversal of loss allowance	**(1.4)**	(0.6)
Effect of changes in exchange rates	**0.3**	(0.1)
At 31 March	**7.6**	8.5

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 2021, the notional principal amounts of these outstanding forward foreign exchange contracts were US$200.6 million (2020: US$211.1 million) with net negative fair value of US$1.0 million (2020: net positive fair value of US$3.8 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 2021, the notional principal amounts of these outstanding forward foreign exchange contracts for hedging highly probable forecast transactions were US$283.3 million (2020: US$292.4 million) with net negative fair value of US$3.1 million (2020: net positive fair value of US$1.0 million) recognised as derivative financial instruments.

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 2021 and 2020, 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:

	2021		2020	
	Foreign currency million	**US$ million**	Foreign currency million	US$ million
Notional amount				
– Sell AUD	**13.0**	**9.9**	0.9	0.6
– Sell CAD	**50.7**	**39.9**	11.0	8.4
– Sell GBP	**34.6**	**47.4**	7.5	9.9
– Sell EUR	**87.7**	**103.4**	170.9	192.2
– Buy RMB	**1,863.4**	**283.3**	2,088.8	292.4

	2021 US$ million	2020 US$ million
Carrying amount *(note)*		
– Asset	**1.1**	5.2
– Liability	**(5.2)**	(0.4)

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:

	2021	2020
AUD to USD	**0.75843**	0.70000
USD to CAD	**1.26985**	1.30700
GBP to USD	**1.37015**	1.31800
EUR to USD	**1.17888**	1.12435
USD to RMB	**6.57754**	7.14369

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:

	2021 US$ million	2020 US$ million
Balance at 1 April	**3.3**	5.4
Effective portion of the cash flow hedge recognised in other comprehensive income	**(6.5)**	(2.3)
Related tax	**0.5**	0.2
Balance at 31 March	**(2.7)**	3.3
Change in fair value of the derivative instruments during the year	**(7.7)**	(1.2)
Hedging ineffectiveness recognised in profit or loss	**1.2**	(1.1)
Effective portion of the cash flow hedge recognised in other comprehensive income	**(6.5)**	(2.3)

(ii) Sensitivity analysis

A sensitivity analysis was performed at 31 March 2021 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 2021 and 31 March 2020.

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 2020.

(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

	2021		2020	
	Effective interest rate	**US$ million**	Effective interest rate	US$ million
Variable rate	**0.29%**	**341.7**	0.51%	240.4
Fixed rate	**0.50%**	**2.1**	2.04%	2.1

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$0.4 million for the years ended 31 March 2021 and 31 March 2020, 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 2020.

(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 2021							
Trade creditors	17	**236.7**	**236.7**	**236.7**	**–**	**–**	**–**
Other creditors and accruals	17	**206.5**	**206.5**	**206.5**	**–**	**–**	**–**
Lease liabilities	19(a)	**206.1**	**265.1**	**25.7**	**23.4**	**65.5**	**150.5**
Derivatives settled gross:							
Forward foreign exchange contracts							
– cash flow hedge	23(b)(i)						
– outflow			**484.9**	**484.9**	**–**	**–**	**–**
– inflow			**(480.8)**	**(480.8)**	**–**	**–**	**–**
At 31 March 2020							
Trade creditors	17	195.4	195.4	195.4	–	–	–
Other creditors and accruals	17	180.2	180.2	180.2	–	–	–
Lease liabilities	19(a)	165.2	214.1	24.1	18.7	45.1	126.2
Derivatives settled gross:							
Forward foreign exchange contracts							
– cash flow hedge	23(b)(i)						
– outflow			499.6	499.6	–	–	–
– inflow			(504.4)	(504.4)	–	–	–

(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 US$ million	Fair value measurements categorised into Level 1 US$ million	Level 2 US$ million	Level 3 US$ million
At 31 March 2021				
Assets:				
Forward foreign exchange contracts	**1.1**	**–**	**1.1**	**–**
Investments	**6.8**	**–**	**–**	**6.8**
Liabilities:				
Forward foreign exchange contracts	**(5.2)**	**–**	**(5.2)**	**–**
At 31 March 2020				
Assets:				
Forward foreign exchange contracts	5.2	–	5.2	–
Investments	8.3	–	–	8.3
Liabilities:				
Forward foreign exchange contracts	(0.4)	–	(0.4)	–

During the years ended 31 March 2021 and 31 March 2020, 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 2021 and 30 March 2020, the fair value of investment is determined using net asset value and adjusted for the marketability discount.

As at 31 March 2021, it is estimated that with other variables held constant, an increase/decrease of 5% (2020: 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 2021 US$ million	2020 US$ million
Fair value of the Business	5%	**0.3**	0.4
Net Assets	(5%)	**(0.3)**	(0.4)
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:

	2021 US$ million	2020 US$ million
Investments:		
At 1 April	**8.3**	5.4
Transfer out *(note)*	**–**	(3.0)
Fair value (loss)/gain	**(1.5)**	5.9
At 31 March	**6.8**	8.3

Note: During the year ended 31 March 2020, the Group exercised the convertible option to convert a convertible instrument into equity interest in an unlisted company and the investee has become an associate of the Group.

24 Commitments

(a) Capital commitments for property, plant and equipment

	2021 US$ million	2020 US$ million
Authorised but not contracted for	**42.3**	31.9
Contracted but not provided for	**6.7**	15.7
	49.0	47.6

(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 2021 amounted to US$1.2 million (2020: US$4.5 million), of which US$1.1 million is payable in the financial year ending 31 March 2022 and the remaining US$0.1 million is payable before the financial year ending 31 March 2026.

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. 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 2021, 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 (2020: US$323.9 million). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was US$Nil.

As at 31 March 2021, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

26 Company-level Statement of Financial Position

	Note	2021 US$ million	2020 US$ million
Non-current asset			
Investments in subsidiaries	26(a)	**227.5**	227.5
Current assets			
Amounts due from subsidiaries		**480.7**	383.0
Deposits and cash		**0.8**	0.9
		481.5	383.9
Current liabilities			
Amounts due to subsidiaries		**(228.0)**	(211.8)
Creditors and accruals		**(1.0)**	(1.1)
		(229.0)	(212.9)
Net current assets		**252.5**	171.0
Net assets		**480.0**	398.5
Capital and reserves			
Share capital	21(a)	**12.6**	12.6
Reserves	22(b)	**467.4**	385.9
Total equity		**480.0**	398.5

Approved and authorised for issue by the Board of Directors on 18 May 2021.

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 2021 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:			
VTech Communications Limited	1,000 ordinary shares 5,000,000 deferred shares	*100	Design, manufacture and sale of electronic products
VTech Electronics Limited	5,000,000 ordinary shares	*100	Design, manufacture and distribution of electronic products
VTech Telecommunications Limited	1,000 ordinary shares 5,000,000 deferred shares	*100	Design, manufacture and distribution of telecommunication products
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 Finance Limited	1,000,000 ordinary shares	*100	Provision of group financing services
Incorporated/established and operating in Australia:			
VTech Telecommunications (Australia) Pty Limited	AUD1	*100	Sale of telecommunication products
VTech Electronics (Australia) Pty Limited	AUD1	*100	Sale of electronic 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:			
VTech Electronics Europe GmbH	EUR500,000	*100	Sale of electronic products
VTech IAD GmbH	EUR25,000	*100	Development of broadband connectivity software
Snom Technology GmbH	EUR144,578	*100	Design, manufacture and distribution of telecommunication products
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
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 Limited**	HK$64,800,000	*100	Manufacture of electronic products
VTech (Dongguan) Electronics Industrial Co., Ltd.**	HK$18,725,011	*100	Manufacture and sale of electronic products
VTech (Dongguan) Plastic Products Co., Ltd.**	HK$20,000,000	*100	Manufacture of plastic products
VTech (Dongguan) Telecommunications Limited**	HK$52,500,000	*100	Manufacture of telecommunication products
VTech (Dongguan) Telecommunications Electronics Limited**	HK$4,411,056	*100	Manufacture and 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 (Qingyuan) Plastic & Electronics Co., Ltd**	HK$293,000,000	*100	Manufacture of plastic products
VTech Telecommunications (Shenzhen) Limited**	HK$5,000,000	*100	Sale of telecommunication products
VTech Electronics Industrial (Shenzhen) Co., Ltd**	HK$10,000,000	*100	Sale of telecommunication and electronic 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:			
VTech Electronics North America, L.L.C.	US$22,212,997	*100	Sale of electronic products
VTech Communications, Inc.	US$300,000	*100	Sale of telecommunication products
LeapFrog Enterprises, Inc.	US$100 common stock	*100	Development 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 2021 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*

(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 Purchase Scheme Trust	Purchase, subscribing, administering and holding shares of the Company for the Share Purchase Scheme for the benefit of eligible VTech employees *(note 21(c))*

As the VTech Share Purchase Scheme Trust (the "Trust") is set up solely for the purpose of purchasing, subscribing, administering and holding shares of the Company for the Share Purchase Scheme (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 Possible Impact of Amendments, New Standards and Interpretations issued but not yet effective for the Annual Accounting Period ended 31 March 2021

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 2021 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
Annual Improvement to IFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to IAS1, *Classifications of Liabilities as Current or Non-current*	1 January 2023

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.

29 Accounting Estimates and Judgements

The presentation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

Notes 20 and 23 contain information about the assumptions and their risk factors relating to pension scheme obligations 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				
	2017 US$ million	2018 US$ million	2019 US$ million	2020 US$ million	**2021 US$ million**
Non-current assets					
Tangible assets	72.1	76.2	84.3	76.0	**92.2**
Right-of-use assets	–	–	–	154.8	**193.1**
Leasehold land payments	4.5	4.8	4.5	–	**–**
Intangible assets	20.5	19.6	18.6	17.7	**16.8**
Goodwill	31.1	31.1	36.1	36.1	**36.1**
Net assets on defined benefit scheme	–	2.7	2.6	–	**6.9**
Other non-current assets	10.1	11.7	11.2	21.0	**20.2**
	138.3	146.1	157.3	305.6	**365.3**
Current assets					
Stocks	324.9	349.9	369.9	372.6	**414.0**
Debtors, deposits and prepayments	325.6	348.0	319.1	272.1	**318.9**
Deposits and cash	268.8	254.4	237.0	242.5	**343.8**
Other current assets	2.4	1.6	3.6	2.6	**3.6**
	921.7	953.9	929.6	889.8	**1,080.3**
Non-current asset held for sale	–	2.7	–	–	**–**
	921.7	956.6	929.6	889.8	**1,080.3**
Current liabilities					
Lease liabilities	–	–	–	(17.9)	**(17.5)**
Other current liabilities	(468.6)	(453.1)	(476.5)	(424.0)	**(505.5)**
	(468.6)	(453.1)	(476.5)	(441.9)	**(523.0)**
Net current assets	453.1	503.5	453.1	447.9	**557.3**
Total assets less current liabilities	591.4	649.6	610.4	753.5	**922.6**
Non-current liabilities					
Secured bank loans	(1.0)	–	–	–	**–**
Net obligations on defined benefit scheme	(2.5)	–	–	(1.8)	**–**
Deferred tax liabilities	(3.2)	(3.0)	(3.4)	(2.9)	**(2.9)**
Lease liabilities	–	–	–	(147.3)	**(188.6)**
	(6.7)	(3.0)	(3.4)	(152.0)	**(191.5)**
Net assets/Total equity	584.7	646.6	607.0	601.5	**731.1**

	Consolidated statement of profit or loss for the years ended 31 March				
	2017 US$ million	2018 US$ million	2019 US$ million	2020 US$ million	**2021 US$ million**
Revenue	2,079.3	2,130.1	2,161.9	2,165.5	**2,372.3**
Profit before taxation	200.1	231.0	192.3	212.3	**259.3**
Taxation	(21.1)	(24.7)	(21.0)	(21.6)	**(28.4)**
Profit for the year and attributable to shareholders of the Company	179.0	206.3	171.3	190.7	**230.9**
Basic earnings per share (US cents)	71.3	82.1	68.2	75.7	**91.6**

Note: As a result of the adoption of IFRS 16, Leases, with effect from 1 April 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 April 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2020 are stated in accordance with the policies applicable in those years.

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
KO Ping Keung
Patrick WANG Shui Chung
WONG Kai Man

Audit Committee

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

Nomination Committee

William FUNG Kwok Lun *(Chairman)*
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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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 Financial Reporting Council Ordinance

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