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## VTech Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 303)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

#### PERFORMANCE HIGHLIGHTS

- Group revenue decreased 4.5% to US\$1,089.7 million
- Gross profit margin improved from 28.5% to 31.5%
- Profit attributable to shareholders of the Company declined 6.6% to US\$87.4 million
- Interim dividend of US17.0 cents per ordinary share, unchanged
- Gigaset integration on track for full completion by end of calendar year 2024
- Financial position remains strong

#### UNAUDITED INTERIM RESULTS

The directors (the “Directors”) of VTech Holdings Limited (“VTech” or the “Company”) announce the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2024 together with the comparative figures for the same period last year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2024

	Note	Six months ended 30 September		Year ended
		2024 (Unaudited) US\$ million	2023 (Unaudited) US\$ million	31 March 2024 (Audited) US\$ million
<b>Revenue</b>	3	<b>1,089.7</b>	1,140.9	2,145.7
Cost of sales		<b>(746.2)</b>	(815.4)	(1,510.8)
<b>Gross profit</b>		<b>343.5</b>	325.5	634.9
Other net income / (expenses)	4	<b>0.8</b>	(0.4)	(0.7)
Selling and distribution costs		<b>(149.4)</b>	(133.1)	(278.4)
Administrative and other operating expenses		<b>(44.8)</b>	(39.7)	(77.9)
Research and development expenses		<b>(45.9)</b>	(42.0)	(81.7)
<b>Operating profit</b>	3(b)	<b>104.2</b>	110.3	196.2
Net finance expense	4	<b>(0.9)</b>	(3.0)	(4.9)
Share of results of an associate		<b>0.1</b>	-	-
<b>Profit before taxation</b>	4	<b>103.4</b>	107.3	191.3
Taxation	5	<b>(16.0)</b>	(13.7)	(24.7)
<b>Profit for the period / year and attributable to shareholders of the Company</b>		<b>87.4</b>	93.6	166.6
<b>Earnings per share (US cents)</b>	7			
- Basic		<b>34.6</b>	37.0	66.0
- Diluted		<b>34.6</b>	37.0	65.9

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the six months ended 30 September 2024

	Six months ended 30 September		Year ended 31 March
	2024 (Unaudited) US\$ million	2023 (Unaudited) US\$ million	2024 (Audited) US\$ million
<b>Profit for the period / year</b>	<b>87.4</b>	93.6	166.6
<b>Other comprehensive income for the period / year</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Effect of remeasurement of net assets on defined benefit scheme, net of deferred tax	-	-	0.5
	-	-	0.5
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Fair value (losses) / gains on hedging, net of deferred tax	(2.5)	2.3	2.0
Realisation on hedging reserve, net of deferred tax	(1.1)	1.0	(0.9)
Exchange translation differences	19.7	(15.5)	(9.9)
	16.1	(12.2)	(8.8)
Other comprehensive income for the period / year	16.1	(12.2)	(8.3)
<b>Total comprehensive income for the period / year</b>	<b>103.5</b>	81.4	158.3

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		30 September		31 March
		2024	2023	2024
	Note	(Unaudited) US\$ million	(Unaudited) US\$ million	(Audited) US\$ million
<b>Non-current assets</b>				
Tangible assets	8	97.3	72.4	68.9
Advance payment for acquisition of non-current assets		-	-	22.7
Right-of-use assets		136.4	148.8	140.9
Intangible assets		14.3	15.0	14.7
Goodwill		36.1	36.1	36.1
Interest in an associate		3.9	3.8	3.8
Investments		1.2	1.5	1.2
Net assets on defined benefit retirement scheme		6.2	5.6	6.3
Deferred tax assets		11.7	10.4	8.7
		<b>307.1</b>	293.6	303.3
<b>Current assets</b>				
Stocks		425.2	432.0	348.0
Debtors, deposits and prepayments	9	547.9	516.8	283.7
Taxation recoverable		5.9	4.3	5.2
Deposits and cash		150.2	108.5	322.1
		<b>1,129.2</b>	1,061.6	959.0
<b>Current liabilities</b>				
Creditors and accruals	10	(600.9)	(537.5)	(418.8)
Provisions for defective goods returns and other liabilities		(25.3)	(25.2)	(23.4)
Lease liabilities		(19.5)	(17.0)	(18.4)
Taxation payable		(24.1)	(13.0)	(12.6)
		<b>(669.8)</b>	(592.7)	(473.2)
<b>Net current assets</b>		<b>459.4</b>	468.9	485.8
<b>Total assets less current liabilities</b>		<b>766.5</b>	762.5	789.1
<b>Non-current liabilities</b>				
Deferred tax liabilities		(3.1)	(3.8)	(3.2)
Lease liabilities		(135.8)	(149.0)	(140.3)
Long service payment liabilities		(0.6)	-	(0.6)
		<b>(139.5)</b>	(152.8)	(144.1)
<b>Net assets</b>		<b>627.0</b>	609.7	645.0
<b>Capital and reserves</b>				
Share capital		12.6	12.6	12.6
Reserves		614.4	597.1	632.4
<b>Total equity</b>		<b>627.0</b>	609.7	645.0

## NOTES

### 1. Basis of Preparation

The interim results set out in this announcement do not constitute the Group's Interim Financial Report for the six months ended 30 September 2024 but are extracted from that Interim Financial Report.

The unaudited Interim Financial Report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the "IASB"). It was authorised for issue on 12 November 2024.

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2024 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual consolidated financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an Interim Financial Report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Report has not been audited or reviewed by the auditors pursuant to International Standards on Auditing or International Standards on Review Engagements.

The financial information relating to the financial year ended 31 March 2024 that is included in the Interim Financial Report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The annual consolidated financial statements for the year ended 31 March 2024 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 May 2024.

### 2. Changes in Accounting Policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial Instruments: Disclosures – Supplier finance arrangements*

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 in this Interim Financial Report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3. Revenue and Segment Information

#### (a) Revenue

The principal activity of the Group is design, manufacture and distribution of consumer electronic products. All revenue of the Group is from contracts with customers within the scope of IFRS 15 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:

#### Six months ended 30 September 2024

	North America (Unaudited) US\$ million	Europe (Unaudited) US\$ million	Asia Pacific (Unaudited) US\$ million	Other Regions (Unaudited) US\$ million	Total (Unaudited) US\$ million
Electronic Learning Products	223.8	137.0	35.4	7.6	403.8
Telecommunication Products	92.2	84.5	9.7	7.5	193.9
Contract Manufacturing Services	137.1	240.6	114.3	-	492.0
<b>Total</b>	<b>453.1</b>	<b>462.1</b>	<b>159.4</b>	<b>15.1</b>	<b>1,089.7</b>

#### Six months ended 30 September 2023

	North America (Unaudited) US\$ million	Europe (Unaudited) US\$ million	Asia Pacific (Unaudited) US\$ million	Other Regions (Unaudited) US\$ million	Total (Unaudited) US\$ million
Electronic Learning Products	208.4	146.2	35.0	6.6	396.2
Telecommunication Products	103.9	43.7	11.6	4.7	163.9
Contract Manufacturing Services	177.1	278.8	124.9	-	580.8
<b>Total</b>	<b>489.4</b>	<b>468.7</b>	<b>171.5</b>	<b>11.3</b>	<b>1,140.9</b>

#### (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 and Malaysia under the Asia Pacific segment, Germany under Europe segment and Mexico under the North America segment.

### 3. Revenue and Segment Information *(continued)*

#### (b) Segment Information *(continued)*

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 segments based on the location of external customers. Expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those geographical locations or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is operating profit.

In addition to receiving segment information concerning operating profit, management is provided with segment information concerning revenue and depreciation and amortisation.

##### (ii) Segment assets and liabilities

Segment assets include all non-current assets and current assets with the exception of deferred tax assets, taxation recoverable and other corporate assets including intangible assets, goodwill, investments and interest in an associate.

Segment liabilities include creditors and accruals, provisions for defective goods returns and other liabilities, lease liabilities and long service payment liabilities with the exception of taxation payable and deferred tax liabilities.

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

	Reportable segment revenue		Reportable segment profit	
	Six months ended 30 September		Six months ended 30 September	
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$ million	US\$ million	US\$ million	US\$ million
North America	453.1	489.4	46.8	48.5
Europe	462.1	468.7	34.8	40.9
Asia Pacific	159.4	171.5	19.2	18.4
Other Regions	15.1	11.3	3.4	2.5
	<b>1,089.7</b>	1,140.9	<b>104.2</b>	110.3

  

	Reportable segment assets		Reportable segment liabilities	
	30 September	31 March	30 September	31 March
	2024	2024	2024	2024
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	US\$ million	US\$ million	US\$ million	US\$ million
North America	187.8	145.5	(82.7)	(84.9)
Europe	305.1	123.1	(184.6)	(29.5)
Asia Pacific	870.3	924.0	(514.8)	(487.1)
Other Regions	-	-	-	-
	<b>1,363.2</b>	1,192.6	<b>(782.1)</b>	(601.5)

### 3. Revenue and Segment Information *(continued)*

#### (b) Segment Information *(continued)*

##### (iii) Reconciliations of reportable segment assets and liabilities

	30 September 2024 (Unaudited) US\$ million	31 March 2024 (Audited) US\$ million
<b>Assets</b>		
Reportable segment assets	1,363.2	1,192.6
Intangible assets	14.3	14.7
Goodwill	36.1	36.1
Interest in an associate	3.9	3.8
Investments	1.2	1.2
Taxation recoverable	5.9	5.2
Deferred tax assets	11.7	8.7
Consolidated total assets	1,436.3	1,262.3
<b>Liabilities</b>		
Reportable segment liabilities	(782.1)	(601.5)
Taxation payable	(24.1)	(12.6)
Deferred tax liabilities	(3.1)	(3.2)
Consolidated total liabilities	(809.3)	(617.3)

### 4. Profit before taxation

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

	Six months ended 30 September 2024 (Unaudited) US\$ million	2023 (Unaudited) US\$ million
Cost of inventories	746.2	815.4
Fair value loss on investments measured at fair value through profit or loss <i>(Notes (i) &amp; (ii))</i>	-	0.4
Rental income <i>(Note (i))</i>	(0.8)	-
Depreciation of tangible assets	16.2	16.8
Depreciation of right-of-use assets	11.2	10.7
Amortisation of intangible assets	0.4	0.3
Write-down of inventories, net of reversals	3.1	4.9
Loss allowance for trade debtors	1.5	0.5
Reversal of loss allowance for trade debtors	(0.2)	(0.5)
Interest on lease liabilities <i>(Note (iii))</i>	3.9	3.9
Other interest income, net <i>(Note (iii))</i>	(3.0)	(0.9)
Net foreign exchange loss	0.3	0.5

#### Notes:

(i) Included in other net income/(expenses) in the Consolidated Statement of Profit or Loss.

(ii) The Group invests in an investment holding company which has a shareholding in a listed entity that designs and distributes integrated circuit products (the "Investment"). A fair value loss of US\$0.4 million on the Investment was recorded in the six months ended 30 September 2023.

(iii) Included in net finance expense in the Consolidated Statement of Profit or Loss.

## 5. Taxation

	Six months ended 30 September	
	2024 (Unaudited) US\$ million	2023 (Unaudited) US\$ million
Current tax		
- Hong Kong	9.4	8.7
- Overseas	10.2	6.4
Over-provision in respect of prior years		
- Hong Kong	(0.2)	-
- Overseas	(0.2)	(0.5)
Deferred tax		
- Origination and reversal of temporary differences	(3.2)	(0.9)
	<b>16.0</b>	<b>13.7</b>
Current tax	<b>19.2</b>	14.6
Deferred tax	<b>(3.2)</b>	(0.9)
	<b>16.0</b>	<b>13.7</b>

Provision for Hong Kong Profits Tax and overseas taxation has been calculated at the current rates of taxation prevailing in the jurisdiction in which the Group operates.

During the year ended 31 March 2024, the Inland Revenue Department of Hong Kong (“IRD”) issued notices of additional assessment amounted to US\$9.3 million for the year of assessment 2017/18 in connection with the tax treatment relating to contract processing arrangement in the PRC.

Having reviewed the merits of the additional tax assessments and taking into account legal advice received, the Directors have determined to strongly contest the additional assessments raised by the IRD. The Group has lodged objections against these additional tax assessments and has applied to hold over the additional tax demanded. The IRD has agreed to the holdover part of the additional tax demanded of US\$4.9 million subject to the purchase of tax reserve certificates (“TRCs”) and has agreed to hold over the remaining balance of US\$4.4 million unconditionally. The purchase of TRCs does not prejudice the Group’s tax position. No additional tax provision has been made during the six months ended 30 September 2024 in respect of the above additional tax assessments.

The Organisation for Economic Co-operation and Development (“OECD”)/G20 Inclusive Framework on Base Erosion and Profit Shifting seeks to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment. Global Anti-Base Erosion Model Rules (Pillar Two) (“BEPS 2.0”) represents the first substantial overhaul of international tax rules in almost a century. It proposes mechanisms to ensure multi-national enterprises would pay a minimum level of tax with the rate of 15% on the income arising in each of the jurisdictions where they operate. The Group is closely monitoring the progress of the legislative process in each jurisdiction that the Group has operations. Based on currently available information, the implementation of BEPS 2.0 may have material adverse impact on the Group’s effective tax rate and income tax expense in the future.



## 6. Dividends

(a) Dividend attributable to the period:

	Six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	US\$ million	US\$ million
Interim dividend of US17.0 cents (2023: US17.0 cents) per share declared	43.0	43.0

The interim dividend was proposed after the end of the relevant financial period and has not been recognised as a liability at the end of the relevant financial period.

(b) At a meeting held on 21 May 2024, the Directors proposed a final dividend of US48.0 cents (2023: US42.0 cents) per ordinary share for the year ended 31 March 2024, which was estimated to be US\$121.4 million at the time calculated on the basis of the ordinary shares in issue as at 31 March 2024. The final dividend was approved by shareholders at the annual general meeting on 24 July 2024. The final dividend paid in respect of the year ended 31 March 2024 totaled US\$121.5 million (2023: US\$106.2 million).

## 7. 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\$87.4 million (2023: US\$93.6 million).

The calculation of basic earnings per share is based on the weighted average of 252.6 million (2023: 252.6 million) ordinary shares in issue during the period after adjusting for shares held for Share Award Scheme.

No material adjustment has been made to the basic earnings per share presented for the periods ended 30 September 2023 and 30 September 2024 as the Company did not have any significant dilutive potential ordinary shares during the periods.

## 8. Tangible Assets

During the six months ended 30 September 2024, the Group acquired items of tangible assets with cost of US\$38.9 million (six months ended 30 September 2023: US\$18.5 million), including land and building, moulds, machinery and equipment and furniture and fixtures acquired from GST Communications GmbH (formerly known as Gigaset Communications GmbH).

## 9. Debtors, Deposits and Prepayments

Debtors, deposits and prepayments of US\$547.9 million (31 March 2024: US\$283.7 million, 30 September 2023: US\$516.8 million) include trade debtors of US\$481.9 million (31 March 2024: US\$224.6 million, 30 September 2023: US\$451.7 million).

An ageing analysis of trade debtors, based on the invoice date and net of allowance, is as follows:

	30 September 2024	31 March 2024
	(Unaudited)	(Audited)
	US\$ million	US\$ million
0-30 days	273.9	136.0
31-60 days	161.3	58.4
61-90 days	37.7	23.2
>90 days	9.0	7.0
Total	481.9	224.6

## 9. Debtors, Deposits and Prepayments (*continued*)

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.

## 10. Creditors and Accruals

Creditors and accruals of US\$600.9 million (31 March 2024: US\$418.8 million, 30 September 2023: US\$537.5 million) include trade creditors of US\$322.3 million (31 March 2024: US\$199.8 million, 30 September 2023: US\$273.2 million).

An ageing analysis of trade creditors by invoice date is as follows:

	<b>30 September 2024 (Unaudited) US\$ million</b>	31 March 2024 (Audited) US\$ million
0-30 days	<b>99.4</b>	78.0
31-60 days	<b>87.9</b>	36.6
61-90 days	<b>76.6</b>	46.5
>90 days	<b>58.4</b>	38.7
Total	<b>322.3</b>	199.8

## INTERIM DIVIDEND

The board of Directors (the "Board") has declared an interim dividend (the "Interim Dividend") of US17.0 cents per ordinary share in respect of the six months ended 30 September 2024, payable on 18 December 2024 to the shareholders whose names appear on the register of members of the Company as at the close of business on 9 December 2024.

The Interim Dividend will be payable in United States dollars save that those shareholders with a registered address in Hong Kong will receive an equivalent amount in Hong Kong dollars which will be calculated at the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 9 December 2024.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 9 December 2024, on which no transfer of shares will be effected.

In order to qualify for the Interim Dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the share registrars of the Company for registration no later than 4:30 p.m. (the local time of the relevant share registrar) on Friday, 6 December 2024.

The principal share registrar of the Company is MUFG Fund Services (Bermuda) Limited of 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda and the branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

## CHAIRMAN'S STATEMENT

VTech reported lower revenue and profit in the first half of the financial year 2025. A decline in sales of contract manufacturing services (CMS) offset growth in electronic learning products (ELPs) and telecommunication (TEL) products. Profit attributable to shareholders of the Company decreased owing to lower Group revenue and higher operating expenses arising from the integration of the assets of GST Communications GmbH (formerly known as Gigaset Communications GmbH), despite an improvement in gross profit.

### Results and Dividend

Group revenue for the six months ended 30 September 2024 decreased by 4.5% to US\$1,089.7 million, from US\$1,140.9 million in the corresponding period last year. Lower sales in North America, Europe and Asia Pacific offset higher sales in Other Regions.

Profit attributable to shareholders of the Company declined by 6.6% to US\$87.4 million. The decrease in profit was mainly attributable to lower revenue and higher operating expenses arising from the integration of the assets of GST Communications GmbH, which offset an improvement in gross profit.

Basic earnings per share decreased by 6.5% to US34.6 cents, compared to US37.0 cents in the same period of the previous financial year.

The Board of Directors has declared an interim dividend of US17.0 cents per ordinary share, unchanged from the interim dividend declared in the first half of the financial year 2024.

### Costs

The Group's gross profit margin in the first six months of the financial year 2025 was 31.5%, as compared with 28.5% in the same period of the previous financial year. This was mainly due to the lower cost of materials arising from the decline in material prices and a change in product mix, as well as the gross profit contributed by Gigaset Technologies GmbH ("Gigaset") following the acquisition of the assets of GST Communications GmbH on 5 April 2024. These offset higher direct labour costs, manufacturing overheads and freight charges as percentages of Group revenue.

The increases in direct labour costs and manufacturing overheads as percentages of Group revenue compared with the same period last year were mainly due to an increase in production volume, with an associated increase in the factory workforce, as well as the inclusion of workers at the Gigaset factory in Germany following the acquisition. These offset the positive impact of the depreciation of the Renminbi against the US dollar and an improvement in productivity. The increase in freight charges, meanwhile, was mainly due to higher container freight rates compared with the same period last year.

### Integration of Assets of GST Communications GmbH (formerly known as Gigaset Communications GmbH)

On 5 April 2024, VTech completed the acquisition of the assets of GST Communications GmbH, a global leader in communications technology based in Bocholt, Germany. Its operations in DECT (Digital Enhanced Cordless Telecommunications) cordless phones, business telephony solutions for enterprise customers and Android-based smartphones are now managed and operated by the new VTech entity Gigaset Technologies GmbH.

The Group took swift and efficient action to integrate the assets into its global operations during the six months following the acquisition. The supply chain was restored and changes to procurement were instituted to lower costs. By September, production and product supply had returned to normal.

VTech has also been re-establishing the sales force in all major European countries. Communications and interactions have been enhanced to speed up decision-making in the launch of new products.

To unlock synergies in the development of new products and their manufacture, VTech's engineering teams are now working closely with the product development teams in Germany to strengthen the product roadmap, reduce product costs and accelerate new product introduction.

## Segment Results

### North America

Group revenue in North America decreased by 7.4% to US\$453.1 million in the first six months of the financial year 2025. Higher sales of ELPs were offset by lower sales of TEL products and CMS. North America became VTech's second largest market, accounting for 41.6% of Group revenue.

ELPs revenue in North America increased by 7.4% to US\$223.8 million. The growth was driven by higher sales in both the US and Canada. In the US, the toy market began to stabilise, after contracting in the calendar year 2023. The new leadership team further capitalised on the upturn with a successful revitalised sales and marketing strategy. Standalone products were the main growth driver, with both the VTech and LeapFrog brands recording higher sales. As a result, VTech retained its leadership in electronic learning toys from infancy through toddler to preschool in the US and Canada in the first nine months of the calendar year 2024<sup>1</sup>.

In standalone products, VTech saw higher sales of infant, toddler and preschool products, the Kidi line and electronic learning aids. These offset declines for the Go! Go! Smart family of products, Switch & Go<sup>®</sup> Dinos, Marble Rush<sup>®</sup> and eco-friendly toys. Meanwhile, sales of KidiZoom<sup>®</sup> cameras held steady. LeapFrog managed to achieve growth in infant, toddler and preschool products, as well as eco-friendly toys. The Magic Adventures<sup>™</sup> series also achieved higher sales, as the successful roll-out of Magic Adventures Binoculars contributed additional revenue. However, these were partially offset by lower sales of LeapLand Adventures<sup>™</sup>.

Platform products saw sales increase, mainly driven by LeapFrog products. LeapFrog saw higher sales of educational tablets, interactive reading systems and Magic Adventures Globe. However, subscriptions to LeapFrog Academy<sup>™</sup> reported a decline. For VTech, sales of platform products held steady during the period. Sales of Touch & Learn Activity Desk<sup>™</sup> saw an increase, offsetting declines in KidiZoom Smartwatches and KidiBuzz<sup>™</sup>.

In September, LeapFrog launched its "Everything Starts with Reading" campaign, designed to inspire children to achieve success in reading. Showcasing a range of the brand's best-selling educational tools, all tailored to different development stages, the campaign features partnerships with a diverse group of influential voices, who talk about how reading helped their lives.

The Group's ELPs received numerous awards in North America during the first six months of the financial year 2025 for their quality and inventiveness. In the US, VTech Sort & Discover Activity Wagon<sup>™</sup> was named in Walmart's "2024 Top Toys List". KidiZoom Smartwatch DX4 was included in Target's "2024 Bullseye's Top Toys", as well as in Amazon's "2024 Toys We Love" list alongside two more new products, 5-in-1 Make-a-Bot<sup>™</sup> and Kidi Star<sup>™</sup> Drum Pad. Three VTech and two LeapFrog products gained "The National Parenting Center Seal of Approval" for Spring 2024, while seven VTech and three LeapFrog products made the "2024 National Parenting Product Awards". In Canada, KidiZoom Smartwatch DX4 and Sort & Discover Activity Wagon were winners of the "Parent Tested Parent Approved Seal of Approval", together with LeapStart<sup>®</sup> Learning Success Bundle<sup>™</sup>.

TEL products revenue in North America fell by 11.3% to US\$92.2 million in the first half of the financial year 2025, with declines in both the US and Canada. This included a small sales contribution from Gigaset in the region.

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<sup>1</sup> Circana, Retail Tracking Service. Ranking based on total retail sales of VTech and LeapFrog products in the combined toy categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets) and Walkers for the calendar year ended September 2024

In residential phones, despite outperforming the market in North America and gaining further market share, sales were lower as the market continued to decline. During the first six months of the financial year 2025, VTech maintained its leadership position in the US residential phones market.

Commercial phones sales decreased despite growth in hotel phones and headsets. There were good sales of the latest series of hotel phones, while the new thermostats for the hotel channel made further progress in increasing market penetration. Sales of headsets grew as a customer increased orders. These were, however, insufficient to offset lower sales of SIP (Session Initiation Protocol) phones, as a customer reduced orders. Sales of multi-line analogue phones also posted a decline.

Sales of other telecommunication products also declined. Baby monitors saw sales decrease owing to keen competition. A reduction in orders led to lower sales of CareLine® residential phones while sales of IADs (integrated access devices) remained stable. In the first half of the financial year 2025, the Group retained its position as the number one baby monitor brand in the US and Canada<sup>2</sup>. In Canada, the VTech BC8213 V-Hush™ Junior Sleep Training Soother Speaker and RM5754HD Baby Monitor each earned a “Parent Tested Parent Approved Seal of Approval”.

CMS revenue in North America decreased by 22.6% to US\$137.1 million in the first six months of the financial year 2025. In the first half of the previous financial year, improved materials supply cleared orders backlogs, boosting growth in professional audio equipment. By contrast, in the first six months of the financial year 2025, end-market demand was subdued and many customers consequently faced over-inventory issues. This resulted in fewer orders in many key product categories during the period. In professional audio equipment, sales of power amplifiers and audio mixers were down as end-user demand dropped, while those of professional loudspeakers were affected by a customer facing excess inventory. Sales of industrial products decreased, driven by lower orders for coin and note recognition machines. Solid-state lighting posted lower sales as projects were cut back due to the uncertain economic conditions. Internet-of-Things (IoT) products saw sales decline as a customer experienced a financial issue. Globally, VTech has maintained its position as the world’s number one contract manufacturer of professional audio equipment<sup>3</sup>.

## **Europe**

Group revenue in Europe decreased by 1.4% to US\$462.1 million in the first six months of the financial year 2025, as higher sales of TEL products were offset by lower sales of ELPs and CMS. Europe became VTech’s largest market, accounting for 42.4% of Group revenue.

ELPs revenue in Europe decreased by 6.3% to US\$137.0 million, with declines for both standalone and platform products. The toy markets in the major European countries continued to experience declines because of weak economic growth. High interest rates and the accumulated impact of inflation have reduced disposable incomes, in turn causing retailers to exercise caution when placing orders. Furthermore, the strong US dollar has continued to pressure retailers. Sales decreased in France, Germany and the Benelux countries, offsetting growth in the UK and Spain. In the first nine months of the calendar year 2024, VTech remained the number one infant and toddler toys manufacturer in France, the UK, Germany, Spain and the Benelux countries<sup>4</sup>.

For standalone products, growth in the LeapFrog brand was offset by a sales decline of VTech products. At LeapFrog, infant and toddler products saw higher sales, offsetting decreases in preschool products and LeapLand Adventures. The successful launch of Magic Adventures Binoculars in key European markets added incremental revenue in the Magic Adventures series. Sales of eco-friendly toys, meanwhile, remained stable. At VTech, infant, toddler and preschool products recorded higher sales. These gains, however, were insufficient to offset lower sales of the Go! Go! Smart family of products, KidiZoom camera, the Kidi line, electronic learning aids, Switch & Go Dinos, Marble Rush and eco-friendly toys.

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<sup>2</sup> Circana, LLC, Retail Tracking Service, US & CA, Tech, Baby Monitors, Dollar and Unit Sales, April 2024 – September 2024 Combined vs. April 2023 – September 2023 Combined

<sup>3</sup> *Music Trades Magazine*, September 2024 Edition, Based on estimated revenue for the calendar year 2023

<sup>4</sup> Circana, Retail Tracking Service, January – September 2024

Platform products saw lower sales of both VTech and LeapFrog products. At VTech, sales of children's educational tablets, KidiZoom Smartwatches, the KidiCom® range of products and Touch & Learn Activity Desk all declined. At LeapFrog, both Magic Adventures Globe and interactive reading systems recorded sales decreases.

During the first six months of the financial year 2025, VTech V-Bot Explorer, Mon robot 5 en 1 (5-in-1 Make-a-Bot) was named "Best Robot" and VTech Genius XL – Jumelles vidéo interactives (Magic Adventures Binoculars) was named "Best Discovery Toy" in the "Grand Prix du Jouet 2024" awards from France's *La Revue du Jouet* magazine. In Spain, Magic Adventures Binoculars was awarded "Best Toy of the Year 2024" in the category of "Electronic Toys" and "Best Toy Chosen by the Jury" by the Spanish Association of Toy Manufacturers. In addition, VTech Marble Rush Storage Box (Colossal Adventure Storage Set™) was named "Best Toy of the Year 2024" in the "Construction" category.

Revenue from TEL products in Europe increased by 93.4% to US\$84.5 million in the first six months of the financial year 2025. Sales of residential phones and commercial phones rose as Gigaset sales were consolidated into VTech.

Despite market decline and lower shipments to ODM (original design manufacturing) customers, sales of residential phones in Europe rose as a result of the consolidation of Gigaset revenue.

Sales of commercial phones also increased as Gigaset sales offset declines in Snom branded SIP phones and hotel phones. Weak economic conditions in Europe and the consequent reduction in corporate spending affected demand for SIP phones, while hotel phones were affected by financial constraints at a distributor. Snom and its products picked up three awards in Europe in the first half of the financial year 2025. In Germany, Snom Technology GmbH was named one of the "Most Trustworthy Companies 2024" by the F.A.Z. Institut, while the Snom SP800 IP (Internet Protocol) desktop telephony system made second place in the "Products of the Year 2024" awards given by technology publisher connect professional. In the UK, the M500 DECT series won "Best Comms Device" in the "2024 Comms Council UK Awards".

Sales of other telecommunication products decreased, largely attributable to lower sales of CAT-iq handsets and CareLine residential phones, as ODM customers reduced orders because of over-inventory. This offset higher sales of baby monitors as VTech continued to make progress in major European countries. In the UK, the Group maintained its position as the number one baby monitor brand<sup>5</sup>. One VTech and two LeapFrog baby monitors and the BC8213 V-Hush Junior Sleep Training Soother Speaker scooped "Dadsnet Awards 2024" during the period, with the RM7768HD Baby Monitor being named the "Gold Winner (Best Technology Product)". The latter product was also a "Silver Winner (Best Baby Monitor)" in the "Project Baby Awards 2024", alongside the BC8213 V-Hush Junior Sleep Training Soother Speaker, which was a "Silver Winner (Best Sleep Accessory)".

CMS revenue in Europe decreased by 13.7% to US\$240.6 million, again because of weak end-market demand and excess inventory among customers. Sales of professional audio equipment, hearables and smart energy storage systems were all lower. The decline in these categories offset rising sales of medical and health products, IoT products and automotive products. In professional audio equipment, home audio interface products saw lower sales owing to a delayed product launch and over-inventory at a customer. Hearables posted a decline as one customer's product reached the end of its lifecycle and another faced excess inventory. Smart energy storage systems also reported lower sales. The customer faced keen competition and was negatively impacted by the cancellation of installation subsidies by the Swedish government. Medical and health products grew as hearing aids and hair removal products reported higher sales. In IoT products, orders for internet connected thermostats and air-conditioning controls increased as the customer successfully grew sales by selling directly to businesses. Growth in automotive products was driven by increased sales of car battery chargers as VTech gained market share. Sales of home appliances and communication products, meanwhile, held steady.

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<sup>5</sup> GfK Retail and Technology UK Limited. Based on period October 2023 – September 2024

## **Asia Pacific**

Group revenue in Asia Pacific decreased by 7.1% to US\$159.4 million in the first six months of the financial year 2025. Growth in ELPs was insufficient to compensate for declines in TEL products and CMS. The region represented 14.6% of Group revenue.

Revenue from ELPs in Asia Pacific increased by 1.1% to US\$35.4 million, mainly due to higher sales in Australia and mainland China. In Australia, growth mainly came from the VTech brand. Sales recovered as the local toy market stabilised, despite continued tough economic conditions owing to high interest rates. Launches of new products were well supported by effective marketing activities, resulting in good sell-through at major retailers. Sales of LeapFrog products in the country were largely stable. During the first nine months of the calendar year 2024, VTech maintained its position as the number one manufacturer of electronic learning toys from infancy through toddler and preschool in the country<sup>6</sup>. In mainland China, both online and offline channels posted sales increases. VTech increased in-store marketing and merchandising, resulting in higher sales of the core learning products, the Go! Go! Smart family of products and Marble Rush. During the period, VTech's Turbo Edge Riders™ gained a "Sustainability Award", while Marble Rush Sky Elevator Set™ was given an "Innovative Design Award" in mainland China's "2024 CBME (Children Baby Maternity Expo) Awards".

TEL products revenue in Asia Pacific decreased by 16.4% to US\$9.7 million. This was attributable to lower sales of residential phones and other telecommunication products in Australia and Japan. This offset growth in commercial phones as the Group increased its sales of SIP phones.

CMS revenue in Asia Pacific fell by 8.5% to US\$114.3 million. This was due to lower sales of professional audio equipment, medical and health products, and communication products. Professional audio equipment posted lower sales as orders for DJ equipment declined. Medical and health products also saw sales decrease. Orders for diagnostic ultrasound systems fell as the customer lost market share in mainland China. In communication products, orders for marine radios fell as the depreciation of the Japanese yen saw a customer move production back in-house to Japan.

## **Other Regions**

Group revenue in Other Regions, comprising Latin America, the Middle East and Africa, rose by 33.6% to US\$15.1 million in the first six months of the financial year 2025. Both ELPs and TEL products reported growth. Other Regions accounted for 1.4% of Group revenue.

ELPs revenue in Other Regions increased by 15.2% to US\$7.6 million, as higher sales in Latin America and the Middle East offset lower sales in Africa.

TEL products revenue in Other Regions grew by 59.6% to US\$7.5 million. The increase was attributable to sales growth in Latin America and the Middle East, offsetting a decline in Africa. This included a sales contribution from Gigaset.

CMS revenue in Other Regions was immaterial in the first six months of the financial year 2025.

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<sup>6</sup> Circana, Retail Tracking Service. Ranking based on total retail sales of VTech and LeapFrog products in the combined toy categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets) and Walkers for the calendar year ended September 2024

## Outlook

Despite a fall in inflation, global interest rates remain high and geopolitical tensions are increasing. This is weighing on confidence in all markets, and both businesses and consumers continue to rein in spending. In spite of the challenging economic environment, Group revenue for the full financial year 2025 is forecast to increase, driven by higher ELPs sales in the US and increased revenue from TEL products following the integration of Gigaset. Profitability, meanwhile, is on track to show improvement for the full financial year, as cost of materials continues to trend down and the Group benefits from a change in product mix, with increased sales from its branded businesses.

For ELPs, revenue is forecast to increase for the full financial year 2025. The growth is expected to come mainly from the US, where the new leadership team is deploying a revitalised sales and marketing strategy that is achieving good results. Standalone products will continue to lead the sales increase, with licensed preschool products performing particularly well. In Europe, sales in the major markets are projected to pick up in the second half, as new products hit the shelves and more marketing activities roll out. In Asia Pacific, growth in Australia and mainland China is expected to continue.

TEL products revenue is expected to see growth year-on-year, driven by higher sales of residential phones and commercial phones. Sales are expected to improve in the second half, as the production and supply of Gigaset's products have now returned to normal. VTech is on track to complete the integration process by the end of the calendar year 2024. The Group is focusing on growing Gigaset's commercial phones and residential phones. The second half of the financial year 2025 will see the launch of Gigaset's first desktop phones to complement its well-recognised multi-cell systems. It will thus be able to deliver seamless, comprehensive solutions to professional users in office, service and industrial environments. In addition, VTech aims to increase its share of the residential phones market in Europe by broadening Gigaset's product range across different price points. For other telecommunication products, sales of baby monitors are anticipated to decrease for the full financial year 2025.

CMS revenue is now expected to decrease for the full financial year 2025 due to geopolitical uncertainty and the generally weak global economy. Sales in the second half, however, are forecast to stabilise. VTech CMS is well positioned for the growing demand of companies seeking to diversify their source of supply away from mainland China, as the Group strengthens its global manufacturing footprint. In Malaysia, the Group is building a new warehouse to free up manufacturing space and will increase production capacity by 30% by the first quarter of the calendar year 2025. In addition, the facilities in Mexico are now fully operational and able to fulfil the on-shoring requirements of US customers.

VTech has taken steps to maintain competitiveness in the face of the rapidly changing political and economic environment by increasing its global footprint. Our solid balance sheet, reputable brands, strong product innovation and operational excellence underpin our consistent performance. We look forward to the opportunities that lie ahead.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Overview

	Six months ended 30 September		Change US\$ million
	2024 US\$ million	2023 US\$ million	
<b>Revenue</b>	<b>1,089.7</b>	1,140.9	(51.2)
<b>Gross profit</b>	<b>343.5</b>	325.5	18.0
Gross profit margin	<b>31.5%</b>	28.5%	
Other net income / (expenses)	<b>0.8</b>	(0.4)	1.2
Total operating expenses	<b>(240.1)</b>	(214.8)	(25.3)
Total operating expenses as a percentage of revenue	<b>22.0%</b>	18.8%	
<b>Operating profit</b>	<b>104.2</b>	110.3	(6.1)
Operating profit margin	<b>9.6%</b>	9.7%	
Net finance expense	<b>(0.9)</b>	(3.0)	2.1
Share of results of an associate	<b>0.1</b>	-	0.1
<b>Profit before taxation</b>	<b>103.4</b>	107.3	(3.9)
Taxation	<b>(16.0)</b>	(13.7)	(2.3)
Effective tax rate	<b>15.5%</b>	12.8%	
<b>Profit for the period and attributable to shareholders of the Company</b>	<b>87.4</b>	93.6	(6.2)

### Revenue

Group revenue for the six months ended 30 September 2024 decreased by 4.5% to US\$1,089.7 million as compared with the same period of the previous financial year of US\$1,140.9 million. The decrease in revenue was largely driven by the decrease in revenue in North America, Europe and Asia Pacific, which offset the higher sales in Other Regions.

	Six months ended 30 September 2024		Six months ended 30 September 2023		Increase / (decrease)	
	US\$ million	%	US\$ million	%	US\$ million	%
North America	<b>453.1</b>	<b>41.6%</b>	489.4	42.9%	(36.3)	(7.4%)
Europe	<b>462.1</b>	<b>42.4%</b>	468.7	41.1%	(6.6)	(1.4%)
Asia Pacific	<b>159.4</b>	<b>14.6%</b>	171.5	15.0%	(12.1)	(7.1%)
Other Regions	<b>15.1</b>	<b>1.4%</b>	11.3	1.0%	3.8	33.6%
	<b>1,089.7</b>	<b>100.0%</b>	1,140.9	100.0%	(51.2)	(4.5%)

## **Gross Profit/Margin**

Gross profit for the six months ended 30 September 2024 was US\$343.5 million, an increase of US\$18.0 million or 5.5% compared with the same period last year. Gross profit margin for the period increased from 28.5% to 31.5%. It was mainly due to the lower cost of materials arising from the decline in material prices and change in product mix, as well as the gross profit contributed by Gigaset Technologies GmbH (“Gigaset”) after the acquisition of assets from GST Communications GmbH (formerly known as Gigaset Communications GmbH) on 5 April 2024. These offset the higher direct labour costs, manufacturing overheads and freight charges as percentages of Group revenue.

The increases in direct labour costs and manufacturing overheads as percentages of Group revenue compared with same period last year were mainly due to the increase in production volume with higher factory workforce, as well as the inclusion of workers hired in the Gigaset’s factory located in Bocholt, Germany after the acquisition. These offset the positive impact of depreciation of Renminbi against the US dollar and improvement in productivity. As for the increase in freight charges, it was mainly due to the higher container freight rates compared with the same period last year.

## **Operating Profit/Margin**

Operating profit for the six months ended 30 September 2024 was US\$104.2 million, a decrease of US\$6.1 million or 5.5% compared with the same period of the previous financial year. Operating profit margin also decreased from 9.7% to 9.6%. These were mainly due to the inclusion of the operations of Gigaset during the first half of the financial year, and the higher operating expenses compared with the same period last year.

Total operating expenses increased from US\$214.8 million to US\$240.1 million compared with the same period last year. Total operating expenses as a percentage of Group revenue also increased from 18.8% to 22.0%.

Selling and distribution costs increased from US\$133.1 million to US\$149.4 million, an increase of 12.2% compared with the same period last year. It was mainly attributable to the operating costs related to Gigaset, as well as the increased spending on advertising and promotional activities at ELPs and TEL. As a percentage of Group revenue, selling and distribution costs increased from 11.7% to 13.7%.

Administrative and other operating expenses increased from US\$39.7 million to US\$44.8 million, an increase of 12.8% compared with the same period last year. It was mainly attributable to the operating costs related to Gigaset. The net exchange loss arising from the Group’s global operations in the ordinary course of business was US\$0.3 million, as compared with an exchange loss of US\$0.5 million in the corresponding period of last year. Administrative and other operating expenses as a percentage of Group revenue increased from 3.5% to 4.1%.

During the first half of the financial year 2025, the research and development expenses increased from US\$42.0 million to US\$45.9 million, an increase of 9.3% compared with the same period last year. It was mainly attributable to the inclusion of research and development expenses related to Gigaset. Research and development expenses as a percentage of Group revenue also increased from 3.7% to 4.2%.

## **Profit Attributable to Shareholders and Earnings per Share**

Profit attributable to shareholders of the Company for the six months ended 30 September 2024 was US\$87.4 million, a decrease of US\$6.2 million or 6.6% compared with the same period last year. Net profit margin decreased from 8.2% to 8.0%.

Basic earnings per share for the six months ended 30 September 2024 were US34.6 cents as compared to US37.0 cents in the first half of the previous financial year.

## **Dividends**

Since the end of the relevant financial period, the Directors have declared an interim dividend of US17.0 cents per share, which is estimated to be US\$43.0 million.

## **Liquidity and Financial Resources**

The Group's financial resources remain strong and was debt-free. As at 30 September 2024, the Group had deposits and cash of US\$150.2 million, an increase of US\$41.7 million as compared with a net cash balance of US\$108.5 million as of 30 September 2023. The Group's deposits and cash are predominately denominated in US dollars. The increase in net cash balance was mainly due to the higher opening cash balance and the favourable foreign currency exchange movements on the Group's net assets as a result of the appreciation of foreign currencies against United States Dollar during the period. These offset the increase in net cash used in operating activities and higher dividend payment compared with the same period of last year. The Group has adequate liquidity to meet its current and future working capital requirements.

As at 30 September 2024, the Group did not have any bank borrowings (31 March 2024: Nil). Accordingly, the gearing ratio is not applicable.

## **Working Capital**

Stocks as of 30 September 2024 were US\$425.2 million, increased from US\$348.0 million as of 31 March 2024 with turnover days of 101 days. The higher stock level was primarily to cater for the higher demand of the Group's products in the second half of the financial year and the seasonality of most of the Group's businesses. Furthermore, we had arranged early production of the Group's products in order to better utilise the Group's production capacities. As compared with the corresponding period of last financial year, stocks decreased by US\$6.8 million or 1.6%, while turnover days increased from 120 days to 129 days.

Trade debtors as of 30 September 2024 were US\$481.9 million, increased from US\$224.6 million as of 31 March 2024 with turnover days of 60 days. This was mainly due to the seasonal nature of most of the Group's businesses. As compared with the corresponding period of last financial year, trade debtors increased by US\$30.2 million or 6.7%, and turnover days also increased from 60 days to 63 days.

Trade creditors as of 30 September 2024 were US\$322.3 million, increased from US\$199.8 million as of 31 March 2024 with turnover days of 91 days. As compared to the corresponding period of last financial year, trade creditors increased by US\$49.1 million or 18.0%, and turnover days also increased from 87 days to 89 days. The increase in trade creditors was mainly due to the increase in purchase of raw materials compared with the same period last year.

## **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 and Contingencies**

For the six months ended 30 September 2024, the Group invested US\$38.9 million in the purchase of tangible assets including machinery and equipment, leasehold improvements, office equipment, as well as the improvement of manufacturing working environment. This also included the acquisition of tangible assets including land and building, moulds, machinery and equipment, as well as furniture and fixtures from GST Communications GmbH.

All of these capital expenditures were financed from internal resources.

As of 30 September 2024, the Group had no material contingencies.

## Employees and Remuneration Policies

As of 30 September 2024, the average number of VTech's employees was around 22,200, compared to 20,900 as of 30 September 2023. Staff related costs for the six months ended 30 September 2024 were approximately US\$204.4 million, as compared to approximately US\$184.8 million for the same period of the previous financial year. The number of employees and the staff related costs included the operations of Gigaset in the first half of the current financial year.

Employee salaries are reviewed annually and are competitive with market standards. Adjustments are made based on individual performance, market conditions and the Group's financial performance. Discretionary year-end bonuses are given based on individual and the overall company performance.

In addition to salaries and bonuses, employees receive benefits such as medical insurance, retirement plan, training programs and education support. The Group also operates a share option scheme and a share award scheme, which are subject to achievement of certain targets for the current financial year including corporate and individual performance that the employees are responsible for, with purpose of providing incentives and rewards to the eligible participants who contribute to the success of the Group's operations.

## CORPORATE GOVERNANCE

The Board and the management of 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.

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 practices, global trends, and market expectations.

### Corporate Governance Practices

The corporate governance rules applicable to the Company are the Corporate Governance Code (the "CG Code") set out in Appendix C1 to the Listing Rules. Throughout the six months ended 30 September 2024, the Company has complied with all the code provisions of the CG Code, except for the deviation from code provision C.2.1 of Part 2 of the CG Code.

Under code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Allan WONG Chi Yun has the combined role of Chairman and Group Chief Executive Officer. As more than half of the Board members are Independent Non-executive Directors, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. Furthermore, as Dr. Allan WONG Chi Yun is the founder of the Group and has substantial professional experience in the industry, the Board believes that the appointment of Dr. Allan WONG Chi Yun to the combined role of Chairman and Group Chief Executive Officer is beneficial to the sustainable development of the Group and the long-term interests of the shareholders.

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 39 to 71 of the Company's 2024 Annual Report. The Corporate Governance Report explains how the Group applies the principles of good corporate governance as set out in the CG Code.

VTech is also committed to following the Environmental, Social and Governance ("ESG") Reporting Guide set out in Appendix C2 to the Listing Rules. A summary of the 2024 Sustainability Report is set out on pages 36 to 38 of the Company's 2024 Annual Report and details of VTech's ESG performance and reporting are set out in the Company's 2024 Sustainability Report.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The Audit Committee and the Risk Management and Sustainability Committee have the delegated responsibility from the Board to ensure that effective risk management and internal control systems are in place and followed. Effective risk management plays an integral role in the overall achievement of the Group's strategic objectives which are to ensure the long term resilience of the business of the Group. The Risk Management and Sustainability Committee continued to review the Group's risk management and internal control systems, and monitor the sustainability performance progress during the six months ended 30 September 2024 and up to the date of this announcement. Details of the Group's risk management and internal control systems were set out in the "Risk Management and Sustainability Committee Report" on pages 65 to 71 of the Company's 2024 Annual Report.

Furthermore, the Data Security Governance Board has reviewed and monitored the implementation and execution of the Data Security Policy and practices of the Group to ensure compliance with the latest privacy ordinances and data protection regulations in the various jurisdictions in which the Group operated during the six months ended 30 September 2024 and up to the date of this announcement. The Data Security Governance Board has also reviewed the progress of implementation of the data breach preventive measures, system technology enhancement and staff trainings for mitigating the Group's exposure to cybersecurity risks and meeting the industry standards.

Based on the information received from the management (including the Risk Management and Sustainability Committee and the Data Security Governance Board), the external auditor and the Internal Audit Department, the Audit Committee is satisfied that the overall financial and operational controls, risk management and internal control systems, and the internal audit function of the Group for the six months ended 30 September 2024 and up to the date of this announcement are effective and adequate.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules regarding securities transactions for the Directors. The Model Code is also extended to apply to specified employees including the senior management of the Group. After having made specific enquiries, all Directors and specified employees confirmed that they had complied with the required standard of dealings set out in the Model Code regarding securities transactions throughout the six months ended 30 September 2024.

## **REVIEW OF INTERIM RESULTS**

The Audit Committee reviewed and discussed with the external auditor and senior management of the Company the Group's unaudited Interim Financial Report and unaudited interim results for the six months ended 30 September 2024.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the six months ended 30 September 2024.

During the six months ended 30 September 2024, the trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme of the Company, purchased on the Stock Exchange a total of 275,000 shares of the Company for an aggregate consideration of approximately US\$2.0 million.

By Order of the Board  
**VTech Holdings Limited**  
**Allan WONG Chi Yun**  
*Chairman*

Hong Kong, 12 November 2024

*As at the date of this announcement, the Executive Directors of the Company are Dr. Allan WONG Chi Yun (Chairman and Group Chief Executive Officer), Dr. PANG King Fai and Mr. Andy LEUNG Hon Kwong; the Non-executive Director is Mr. William WONG Yee Lai; and the Independent Non-executive Directors are Dr. William FUNG Kwok Lun, Professor GAN Jie, Professor KO Ping Keung, Dr. Patrick WANG Shui Chung and Mr. WONG Kai Man.*