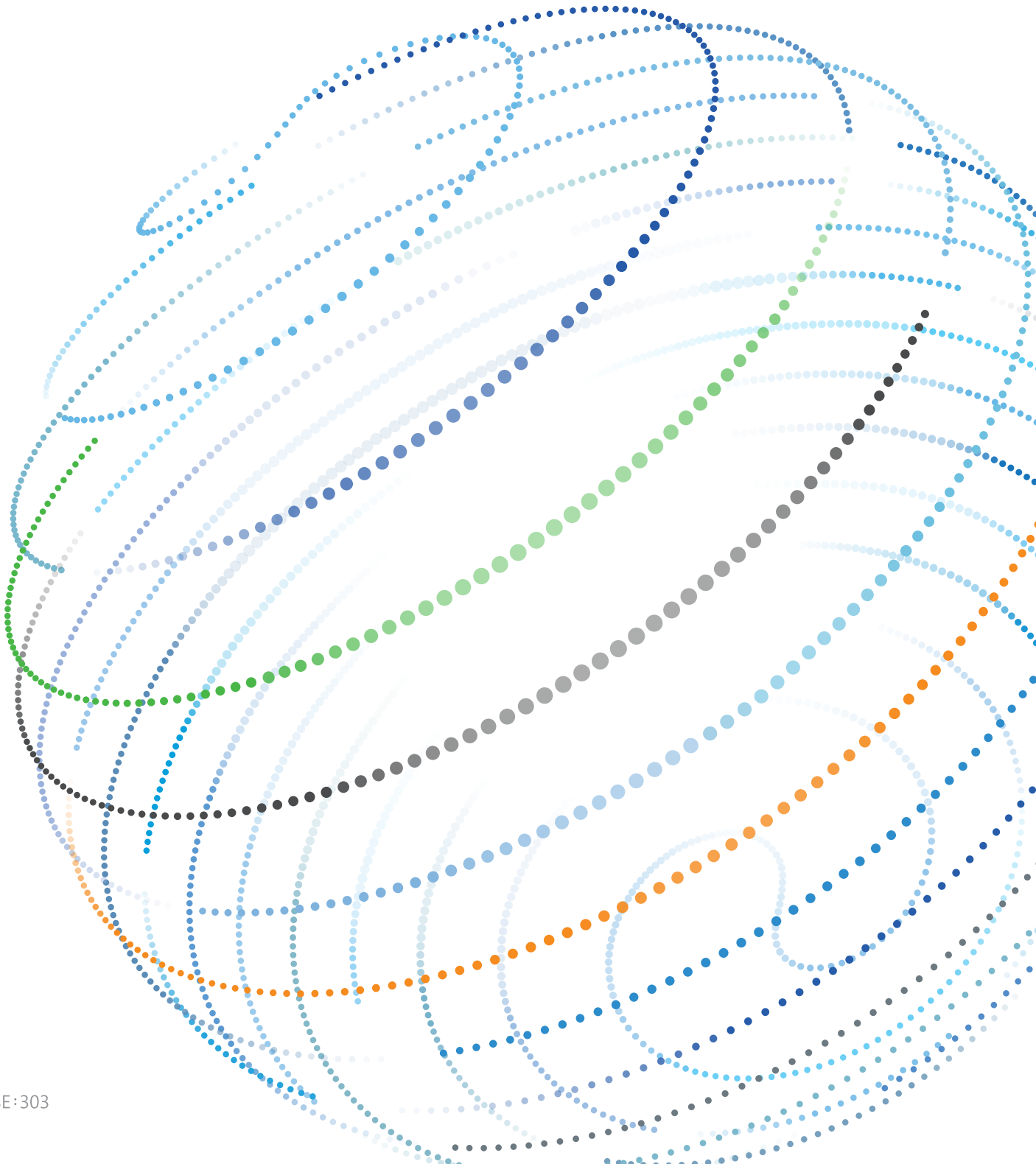


vtech

2024/2025

INTERIM REPORT

中期報告書



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.

Chairman's Statement

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 2024¹.

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® Dinos, Marble Rush® and eco-friendly toys. Meanwhile, sales of KidiZoom® cameras held steady. LeapFrog managed to achieve growth in infant, toddler and preschool products, as well as eco-friendly toys. The Magic Adventures™ 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™.

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™ reported a decline. For VTech, sales of platform products held steady during the period. Sales of Touch & Learn Activity Desk™ saw an increase, offsetting declines in KidiZoom Smartwatches and KidiBuzz™.

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™ 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™ and Kidi Star™ 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® Learning Success Bundle™.

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.

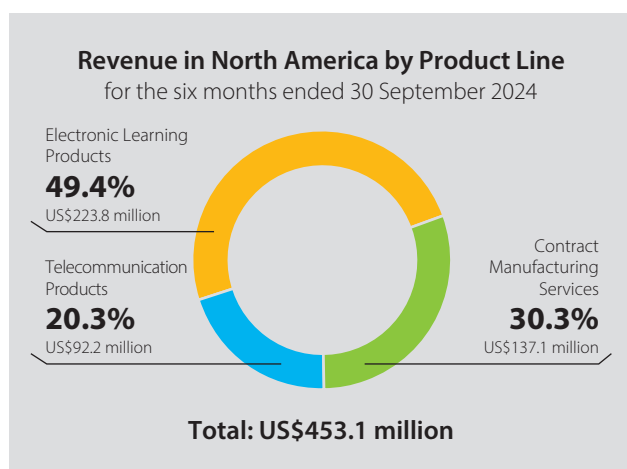
In residential phones, despite outperforming the market in North America and gaining further market share, sales were lower as the market continued to decline. During the first six months of the financial year 2025, VTech maintained its leadership position in the US residential phones market.

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.

¹ 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

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 Canada². 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 equipment³.



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 countries⁴.

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.

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.

² 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

³ Music Trades Magazine, September 2024 Edition, Based on estimated revenue for the calendar year 2023

⁴ Circana, Retail Tracking Service, January – September 2024

Chairman's Statement

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.

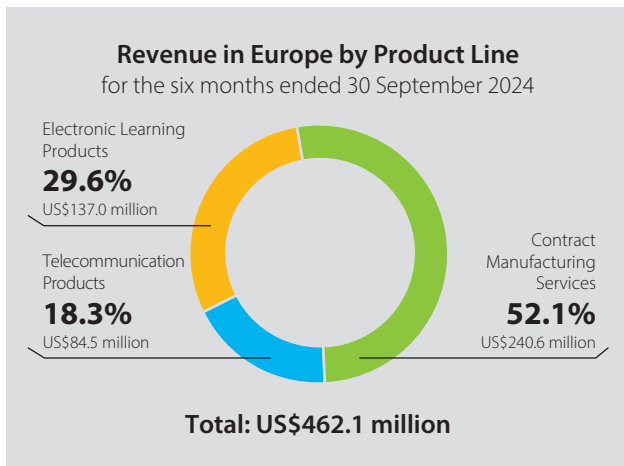
Despite market decline and lower shipments to ODM (original design manufacturing) customers, sales of residential phones in Europe rose as a result of the consolidation of Gigaset revenue.

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 brand⁵. 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.

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



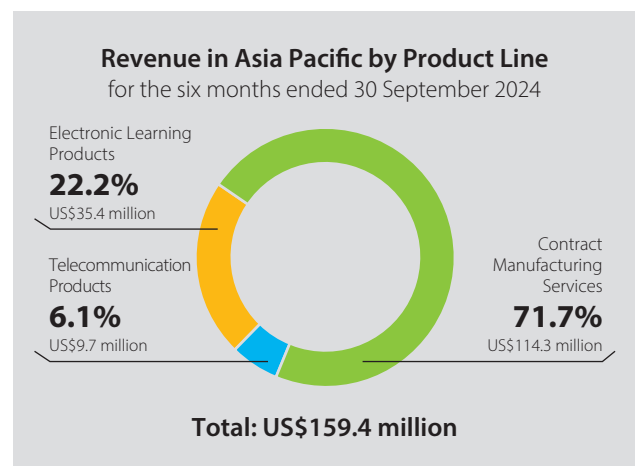
Asia Pacific

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 country⁶. 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.

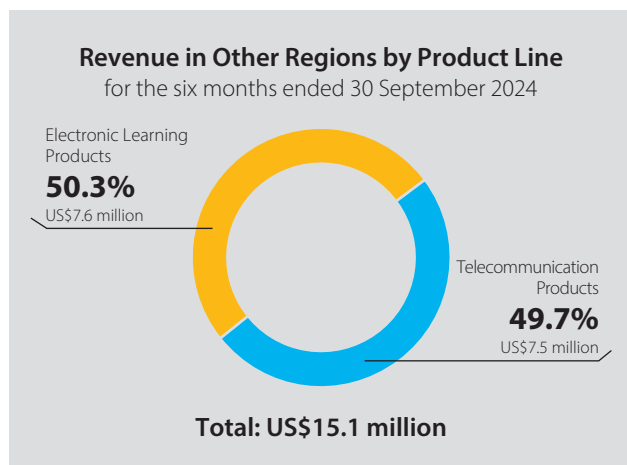
ELPs revenue in Other Regions increased by 15.2% to US\$7.6 million, as higher sales in Latin America and the Middle East offset lower sales in Africa.

⁶ 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

Chairman's Statement

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.



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.

Allan Wong Chi Yun

Chairman

Hong Kong, 12 November 2024

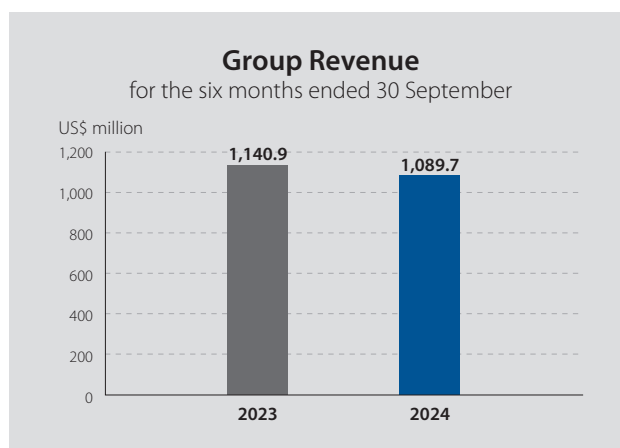
Management Discussion and Analysis

Financial Overview

	Six months ended 30 September		
	2024 US\$ million	2023 US\$ million	Change US\$ million
Revenue	1,089.7	1,140.9	(51.2)
Gross profit	343.5	325.5	18.0
Gross profit margin	31.5%	28.5%	
Other net income / (expenses)	0.8	(0.4)	1.2
Total operating expenses	(240.1)	(214.8)	(25.3)
Total operating expenses as a percentage of revenue	22.0%	18.8%	
Operating profit	104.2	110.3	(6.1)
Operating profit margin	9.6%	9.7%	
Net finance expense	(0.9)	(3.0)	2.1
Share of results of an associate	0.1	–	0.1
Profit before taxation	103.4	107.3	(3.9)
Taxation	(16.0)	(13.7)	(2.3)
Effective tax rate	15.5%	12.8%	
Profit for the period and attributable to shareholders of the Company	87.4	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	453.1	41.6%	489.4	42.9%	(36.3)	(7.4%)
Europe	462.1	42.4%	468.7	41.1%	(6.6)	(1.4%)
Asia Pacific	159.4	14.6%	171.5	15.0%	(12.1)	(7.1%)
Other Regions	15.1	1.4%	11.3	1.0%	3.8	33.6%
	1,089.7	100.0%	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 products. As a percentage of Group revenue, selling and distribution costs increased from 11.7% to 13.7%.

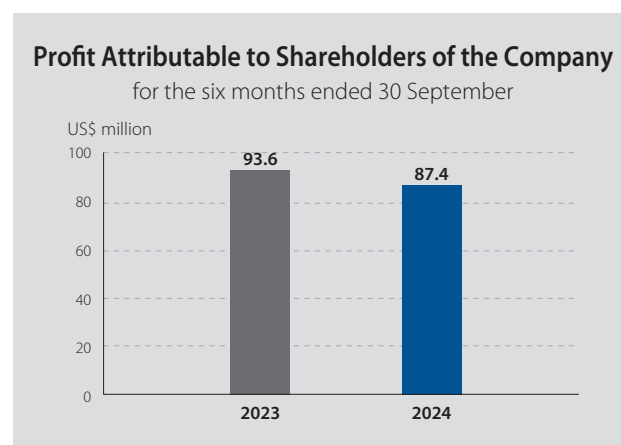
Administrative and other operating expenses increased from US\$39.7 million to US\$44.8 million, an increase of 12.8% compared with the same period last year. It was mainly attributable to the operating costs related to Gigaset. The net exchange loss arising from the Group's global operations in the 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 of the Company (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.

Interim Financial Report

Consolidated Statement of Profit or Loss

For the six months ended 30 September 2024

	Note	Six months ended 30 September		Year ended 31 March
		2024 (Unaudited) US\$ million	2023 (Unaudited) US\$ million	2024 (Audited) US\$ million
Revenue	3	1,089.7	1,140.9	2,145.7
Cost of sales		(746.2)	(815.4)	(1,510.8)
Gross profit		343.5	325.5	634.9
Other net income / (expenses)	4	0.8	(0.4)	(0.7)
Selling and distribution costs		(149.4)	(133.1)	(278.4)
Administrative and other operating expenses		(44.8)	(39.7)	(77.9)
Research and development expenses		(45.9)	(42.0)	(81.7)
Operating profit	3(b)	104.2	110.3	196.2
Net finance expense	4	(0.9)	(3.0)	(4.9)
Share of results of an associate		0.1	–	–
Profit before taxation	4	103.4	107.3	191.3
Taxation	5	(16.0)	(13.7)	(24.7)
Profit for the period / year and attributable to shareholders of the Company		87.4	93.6	166.6
Earnings per share (US cents)	7			
– Basic		34.6	37.0	66.0
– Diluted		34.6	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
Profit for the period / year	87.4	93.6	166.6
Other comprehensive income for the period / year			
Item that will not be reclassified to profit or loss:			
Effect of remeasurement of net assets on defined benefit scheme, net of deferred tax	–	–	0.5
	–	–	0.5
Items that may be reclassified subsequently to profit or loss:			
Fair value (losses) / gains on hedging, net of deferred tax	(2.5)	2.3	2.0
Realisation of 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)
Total comprehensive income for the period / year	103.5	81.4	158.3

The notes on pages 15 to 30 form part of this Interim Financial Report. Details of dividends payable to shareholders of the Company attributable to the profit for the period are set out in note 6.

Consolidated Statement of Financial Position

As at 30 September 2024

	Note	30 September		31 March
		2024 (Unaudited) US\$ million	2023 (Unaudited) US\$ million	2024 (Audited) US\$ million
Non-current assets				
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
		307.1	293.6	303.3
Current assets				
Stocks	9	425.2	432.0	348.0
Debtors, deposits and prepayments	10	547.9	516.8	283.7
Taxation recoverable		5.9	4.3	5.2
Deposits and cash		150.2	108.5	322.1
		1,129.2	1,061.6	959.0
Current liabilities				
Creditors and accruals	11	(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)
		(669.8)	(592.7)	(473.2)
Net current assets		459.4	468.9	485.8
Total assets less current liabilities		766.5	762.5	789.1
Non-current liabilities				
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)
		(139.5)	(152.8)	(144.1)
Net assets		627.0	609.7	645.0
Capital and reserves				
Share capital	12(a)	12.6	12.6	12.6
Reserves		614.4	597.1	632.4
Total equity		627.0	609.7	645.0

The notes on pages 15 to 30 form part of this Interim Financial Report.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2024 – unaudited

	Attributable to shareholders of the Company								
		Share capital	Share premium	Shares held for Share Award Scheme	Exchange reserve	Capital reserve	Hedging reserve	Revenue reserve	Total equity
	Note	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
At 1 April 2024		12.6	164.4	(0.1)	(41.7)	0.6	2.0	507.2	645.0
Changes in equity for the six months ended 30 September 2024									
Comprehensive income									
Profit for the period		-	-	-	-	-	-	87.4	87.4
Other comprehensive income									
Fair value loss on hedging, net of deferred tax		-	-	-	-	-	(2.5)	-	(2.5)
Realisation of hedging reserve, net of deferred tax		-	-	-	-	-	(1.1)	-	(1.1)
Exchange translation differences		-	-	-	19.7	-	-	-	19.7
Other comprehensive income for the period		-	-	-	19.7	-	(3.6)	-	16.1
Total comprehensive income for the period		-	-	-	19.7	-	(3.6)	87.4	103.5
Dividends approved and paid during the period	6(b)	-	-	-	-	-	-	(121.5)	(121.5)
Equity-settled share-based payments:									
Share Option Scheme	12(b)	-	-	-	-	0.1	-	-	0.1
Shares purchased for Share Award Scheme	12(c)	-	-	(2.0)	-	-	-	-	(2.0)
Vesting of shares of Share Award Scheme	12(c)	-	-	1.9	-	-	-	-	1.9
At 30 September 2024		12.6	164.4	(0.2)	(22.0)	0.7	(1.6)	473.1	627.0
At 1 April 2023		12.6	163.3	(0.1)	(31.8)	0.7	0.9	489.1	634.7
Changes in equity for the six months ended 30 September 2023									
Comprehensive income									
Profit for the period		-	-	-	-	-	-	93.6	93.6
Other comprehensive income									
Fair value gain on hedging, net of deferred tax		-	-	-	-	-	2.3	-	2.3
Realisation of hedging reserve, net of deferred tax		-	-	-	-	-	1.0	-	1.0
Exchange translation differences		-	-	-	(15.5)	-	-	-	(15.5)
Other comprehensive income for the period		-	-	-	(15.5)	-	3.3	-	(12.2)
Total comprehensive income for the period		-	-	-	(15.5)	-	3.3	93.6	81.4
Dividends approved and paid during the period	6(b)	-	-	-	-	-	-	(106.2)	(106.2)
Equity-settled share-based payments:									
Share Option Scheme	12(b)	-	-	-	-	0.1	-	-	0.1
Shares issued under Share Award Scheme	12(c)	-	1.1	(1.1)	-	-	-	-	-
Shares purchased for Share Award Scheme	12(c)	-	-	(2.0)	-	-	-	-	(2.0)
Vesting of shares of Share Award Scheme	12(c)	-	-	1.7	-	-	-	-	1.7
At 30 September 2023		12.6	164.4	(1.5)	(47.3)	0.8	4.2	476.5	609.7

The notes on pages 15 to 30 form part of this Interim Financial Report.

Condensed Consolidated Statement of Cash Flows

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
Operating activities			
Cash (used in) / generated from operations	(27.1)	63.0	373.1
Interest received	3.0	0.9	2.9
Interest on lease liabilities	(3.9)	(3.9)	(7.8)
Taxes paid	(8.1)	(5.6)	(13.0)
Net cash (used in) / generated from operating activities	(36.1)	54.4	355.2
Investing activities			
Purchase of tangible assets	(16.9)	(18.5)	(32.4)
Advance payment on purchase of non-current assets	–	–	(22.7)
Proceeds from disposal of tangible assets	–	0.4	0.7
Net cash used in investing activities	(16.9)	(18.1)	(54.4)
Financing activities			
Capital element of lease rentals paid	(7.7)	(9.0)	(19.9)
Dividends paid	(121.5)	(106.2)	(149.2)
Other cash flows arising from financing activities	(2.0)	(2.0)	(2.0)
Net cash used in financing activities	(131.2)	(117.2)	(171.1)
Effect of exchange rate changes	12.3	(9.1)	(6.1)
(Decrease) / increase in cash and cash equivalents	(171.9)	(90.0)	123.6
Cash and cash equivalents at the beginning of period / year	322.1	198.5	198.5
Cash and cash equivalents at the end of period / year	150.2	108.5	322.1

The notes on pages 15 to 30 form part of this Interim Financial Report.

Notes to the Unaudited Interim Financial Report

1 Basis of Preparation

The Directors are responsible for preparing the Interim Financial Report in accordance with applicable law and regulations. This 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 contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2024 annual consolidated financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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
Total	453.1	462.1	159.4	15.1	1,089.7

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
Total	489.4	468.7	171.5	11.3	1,140.9

(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 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		Six months ended	
	30 September		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
	1,089.7	1,140.9	104.2	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	–	–	–	–
	1,363.2	1,192.6	(782.1)	(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
Assets		
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
Liabilities		
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 & 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)
	16.0	13.7
Current tax	19.2	14.6
Deferred tax	(3.2)	(0.9)
	16.0	13.7

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 do 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 (Unaudited) US\$ million	2023 (Unaudited) 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 252.9 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 Stocks

Stocks in the consolidated statement of financial position at 30 September 2024 comprised mainly finished goods of US\$228.7 million (31 March 2024: US\$164.2 million, 30 September 2023: US\$238.3 million).

10 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 (Unaudited) US\$ million	31 March 2024 (Audited) 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

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.

11 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).

	30 September 2024 (Unaudited) US\$ million	31 March 2024 (Audited) US\$ million
Trade creditors	322.3	199.8
Contract liabilities	18.3	7.3
Other creditors and accruals	257.7	210.9
Forward foreign exchange contracts held as cash flow hedging instruments	2.6	0.8
Total	600.9	418.8

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

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

12 Share Capital, Share Option Scheme and Share Award Scheme

(a) Share Capital

	30 September 2024 (Unaudited) US\$ million	31 March 2024 (Audited) US\$ million
<i>Authorised</i>		
Ordinary shares: 400,000,000 (31 March 2024: 400,000,000) of US\$0.05 each	20.0	20.0

	30 September 2024 (Unaudited)		31 March 2024 (Audited)	
	No. of shares	US\$ million	No. of shares	US\$ million
<i>Issued and fully paid</i>				
Ordinary shares of US\$0.05 each:				
At the beginning of the period/year	252,882,466	12.6	252,702,466	12.6
Exercise of share options under the Share Option Scheme	166,667	–	–	–
Issue of new shares under general mandate pursuant to the Share Award Scheme	–	–	180,000	–
At the end of the period/year	253,049,133	12.6	252,882,466	12.6

(b) Share Option Scheme

On 19 July 2023 (the “Adoption Date”), the Company adopted a share option scheme (the “2023 Share Option Scheme”) which complies with the requirements under Chapter 17 of the Listing Rules. Following which, the Company’s then existing share option scheme adopted in July 2021 (the “2021 Share Option Scheme”) has been suspended. While no further options may be granted pursuant to the 2021 Share Option Scheme, any outstanding options granted thereunder remain valid and are subject to the provisions thereof. For the purpose of this note, references to the Share Option Scheme refer to the 2021 Share Option Scheme and/or 2023 Share Option Scheme, as the context requires.

A summary of the Share Option Scheme is set out below:

(i) Purpose

The purposes of the Share Option Scheme are (i) to attract potential employees; (ii) to motivate and retain the employees and directors of any members (from time to time) of the Group to support the Group’s long term development; and (iii) to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants for their contributions and/or potential contributions to the Group.

(ii) Participants

The participants under the Share Option Scheme are the Directors and the employees of any members of the Group.

12 Share Capital, Share Option Scheme and Share Award Scheme (Continued)

(b) Share Option Scheme (Continued)

(iii) Number of Shares Available for Issue

The total number of share options and share awards available for grant under the scheme mandates of the Share Option Scheme and the Share Award Scheme (as defined below) as at 1 April 2024 and 30 September 2024 was 24,601,579 shares and 23,136,579 shares respectively.

As at the date of this Interim Report, the total number of shares available for issue under the Share Option Scheme and the Share Award Scheme is 25,101,579 shares, representing 9.9% of the issued shares of the Company.

(iv) Maximum Entitlement of Each Participant

No participant may receive more than 1% of the total number of shares of the Company in issue in respect of all share options and share awards to be granted under the Share Option Scheme and any other share scheme(s) in any 12-month period ending on the date of the grant (the "1% Individual Limit"). This limit excludes any share options or share awards that have lapsed in that period.

(v) Exercise Period and Vesting Period

The period within which a share option may be exercised will be determined by the Board at its absolute discretion but no share option may be exercised later than ten years from the date of its grant.

Under the 2023 Share Option Scheme, subject to the Board (including the Remuneration Committee) exercising its discretion to shorten the vesting period, all share options granted will be subject to a minimum vesting period of 12 months.

(vi) Payment on Acceptance of Share Option

An offer for the grant of a share option under the Share Option Scheme is open for acceptance by the grantee within 30 days from the date of offer. Upon acceptance, the grantee is required to pay a sum of HK\$1.00 (or its equivalent) (or such other reasonable amount as determined by the Board) as consideration for the grant within the said 30-day period.

(vii) Exercise Price

The exercise price of the share option under the Share Option Scheme shall be such price as determined by the Board at its absolute discretion and shall be no less than the highest of:

- (1) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (3) the nominal value of a share on the date of grant.

(viii) Scheme Life

The 2023 Share Option Scheme has a life of ten years from the Adoption Date and shall expire on 18 July 2033.

12 Share Capital, Share Option Scheme and Share Award Scheme (Continued)

(b) Share Option Scheme (Continued)

The movements in relation to the share options granted under the Share Option Scheme during the six months ended 30 September 2024 are as follows:

Name/category of grantees	Date of grant (Note ii)	Exercise price per share (HK\$)	Fair value per share as at the date of grant (HK\$)	Exercise period (Notes iii, iv & v)	Number of share options			Balance as at 30 September 2024
					Balance as at 1 April 2024	Granted (Note v)	Exercised/Cancelled/Lapsed (Notes vi, vii & viii)	
Directors								
Allan WONG Chi Yun (Note ix)	14 March 2022	54.00	6.71	31 March 2023 to 30 March 2025	83,333	–	(83,333)	–
	14 March 2022	54.00	7.04	31 March 2024 to 30 March 2026	83,334	–	(83,334)	–
	28 August 2024	50.05	4.13	1 September 2025 to 31 August 2028	–	83,333	–	83,333
	28 August 2024	50.05	4.03	1 September 2026 to 31 August 2029	–	83,333	–	83,333
	28 August 2024	50.05	3.82	1 September 2027 to 31 August 2030	–	83,334	–	83,334
PANG King Fai	14 March 2022	54.00	6.71	31 March 2023 to 30 March 2025	60,000	–	–	60,000
	14 March 2022	54.00	7.04	31 March 2024 to 30 March 2026	60,000	–	–	60,000
	28 August 2024	50.05	4.13	1 September 2025 to 31 August 2028	–	90,000	–	90,000
	28 August 2024	50.05	4.03	1 September 2026 to 31 August 2029	–	90,000	–	90,000
	28 August 2024	50.05	3.82	1 September 2027 to 31 August 2030	–	90,000	–	90,000
Andy LEUNG Hon Kwong	14 March 2022	54.00	6.71	31 March 2023 to 30 March 2025	100,000	–	–	100,000
	14 March 2022	54.00	7.04	31 March 2024 to 30 March 2026	100,000	–	–	100,000
	28 August 2024	50.05	4.13	1 September 2025 to 31 August 2028	–	150,000	–	150,000
	28 August 2024	50.05	4.03	1 September 2026 to 31 August 2029	–	150,000	–	150,000
	28 August 2024	50.05	3.82	1 September 2027 to 31 August 2030	–	150,000	–	150,000
Five highest paid individuals	14 March 2022	54.00	6.71	31 March 2023 to 30 March 2025	40,000	–	–	40,000
	14 March 2022	54.00	7.04	31 March 2024 to 30 March 2026	40,000	–	–	40,000
	27 June 2023	51.15	5.39	1 April 2024 to 31 March 2026	20,000	–	–	20,000
	28 August 2024	50.05	4.13	1 September 2025 to 31 August 2028	–	90,000	–	90,000
	28 August 2024	50.05	4.03	1 September 2026 to 31 August 2029	–	90,000	–	90,000
	28 August 2024	50.05	3.82	1 September 2027 to 31 August 2030	–	90,000	–	90,000
Other employees	14 March 2022	54.00	6.71	31 March 2023 to 30 March 2025	50,000	–	–	50,000
	14 March 2022	54.00	7.04	31 March 2024 to 30 March 2026	50,000	–	–	50,000
	28 August 2024	50.05	4.13	1 September 2025 to 31 August 2028	–	75,000	–	75,000
	28 August 2024	50.05	4.03	1 September 2026 to 31 August 2029	–	75,000	–	75,000
	28 August 2024	50.05	3.82	1 September 2027 to 31 August 2030	–	75,000	–	75,000
					686,667	1,465,000	(166,667)	1,985,000

Notes:

- (i) No share options were granted under the Share Option Scheme in excess of the 1% Individual Limit.
- (ii) The closing price of the shares immediately before the date on which the share options were granted on 14 March 2022, 27 June 2023 and 28 August 2024 was HK\$52.80, HK\$49.85 and HK\$49.65 respectively.
- (iii) The vesting period of the share options runs from the date of grant until the commencement of the relevant exercise period.
- (iv) The share options granted pursuant to the 2021 Share Option Scheme were not subject to any performance targets.

12 Share Capital, Share Option Scheme and Share Award Scheme (Continued)**(b) Share Option Scheme** (Continued)

Notes: (Continued)

- (v) 1,465,000 share options were granted on 28 August 2024. Such 1,465,000 share options granted on 28 August 2024 were not subject to the achievement of any performance targets or clawback mechanisms. Having considered that (i) the grantees are either Directors or employees of the Group who will contribute directly to the overall business performance, sustainable development and/or good corporate governance of the Group; and (ii) the share options are subject to certain vesting conditions and terms of the Share Options Scheme, which already covers situations where the share options will lapse in the event that the grantees cease to be Directors or employees of the Group, the Remuneration Committee of the Company and the Board believe that even without additional performance target or clawback mechanism, the grant of the share options would align the interests of the grantees with that of the Group and the shareholders of the Company, provide incentives to the grantees to devote to the future continuous competitiveness, results of operation and growth of the Group, and reinforce the grantees' long term commitment to the Group, which is in line with the purpose of the Share Option Scheme in providing a flexible means of giving incentive to and rewarding eligible participants of the Share Option Scheme.
- (vi) During the six months ended 30 September 2024, 166,667 share options were exercised.
- (vii) The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK\$54.80.
- (viii) During the six months ended 30 September 2024, no share options were cancelled or lapsed.
- (ix) Dr. Allan WONG Chi Yun is an Executive Director, the Chairman, the Group Chief Executive Officer, and a substantial shareholder of the Company.

The movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	30 September 2024 (Unaudited)		31 March 2024 (Audited)	
	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options
Outstanding at the beginning of the period / year	HK\$53.92	686,667	HK\$54.00	876,667
Granted during the period / year	HK\$50.05	1,465,000	HK\$51.15	20,000
Exercised during the period / year	HK\$54.00	(166,667)	–	–
Lapsed during the period / year	–	–	HK\$54.00	(210,000)
Outstanding at the end of the period / year	HK\$51.06	1,985,000	HK\$53.92	686,667
Exercisable at the end of the period / year	HK\$53.89	520,000	HK\$54.00	666,667

The share options outstanding as at 30 September 2024 had a weighted average remaining contractual life of 3.9 years (31 March 2024: 1.51 years).

The total number of shares that may be issued in respect of the share options and share awards granted under all share schemes of the Company during the six months ended 30 September 2024 divided by the weighted average number of shares in issue for the period was 0.21%.

Value of share options

The fair values of the share options granted by the Company were determined using the Black-Scholes Options Pricing Model, a commonly used model for estimating the fair value of a share option. The variables and assumptions such as the expected volatility and expected dividend yield used in computing the fair value of the share options are based on the management's best estimates taking into account factors set out in notes (i) and (ii) under the table in the section headed "Fair value of share options and assumptions" below. The value of a share option is determined by different variables which are based on a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option.

12 Share Capital, Share Option Scheme and Share Award Scheme (Continued)

(b) Share Option Scheme (Continued)

Fair value of share options and assumptions

	Date of grant					
	14 March 2022	14 March 2022	27 June 2023	28 August 2024	28 August 2024	28 August 2024
Exercise period	31 March 2023 to 30 March 2025	31 March 2024 to 30 March 2026	1 April 2024 to 31 March 2026	1 September 2025 to 31 August 2028	1 September 2026 to 31 August 2029	1 September 2027 to 31 August 2030
Fair value of each share option as of the date of grant	HK\$6.71	HK\$7.04	HK\$5.39	HK\$4.13	HK\$4.03	HK\$3.82
Closing share price at the date of grant	HK\$54.00	HK\$54.00	HK\$51.15	HK\$49.20	HK\$49.20	HK\$49.20
Exercise price	HK\$54.00	HK\$54.00	HK\$51.15	HK\$50.05	HK\$50.05	HK\$50.05
Expected volatility (Note i)	35.33%	35.33%	30.59%	28.32%	28.32%	28.32%
Annual risk-free interest rate (based on Hong Kong government bonds)	2.95%	2.95%	3.54%	2.24%	2.24%	2.24%
Expected average life of share options	2.0 years	3.1 years	1.8 years	2.5 years	3.5 years	4.5 years
Expected dividend yield (Note ii)	9.35%	9.35%	8.96%	10.09%	10.09%	10.09%

Notes:

- (i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of the Company's daily share prices over the two years immediately preceding the grant date.
- (ii) Expected dividend yield is based on historical dividends over one year prior to the grant date.

For details of the accounting standard and policy adopted for the share options granted under the Share Option Scheme, please refer to "note (V) Employee Benefits (iii) Equity and equity related compensation benefits" under "Material Accounting Policies" to the "Notes to the Consolidated Financial Statements" in the Company's 2024 Annual Report.

During the six months ended 30 September 2024, share-based payment expenses of US\$0.1 million (2023: US\$0.1 million) in respect of the Share Option Scheme were charged to the consolidated statement of profit or loss.

The aggregate fair value on the date of grant on 14 March 2022 of all share options granted under the Share Option Scheme to the Directors and to other employees was US\$0.6 million and US\$0.2 million respectively.

The aggregate fair value on the date of grant on 27 June 2023 of the share options granted under the Share Option Scheme to one of the five highest paid individuals was US\$13,000.

The aggregate fair value on the date of grant on 28 August 2024 of all share options granted under the Share Option Scheme to the Directors and to other employees was US\$0.5 million and US\$0.3 million respectively.

(c) Share Award Scheme

On the Adoption Date, the Company also adopted a share award scheme (the "Share Award Scheme") which complies with the requirements under Chapter 17 of the Listing Rules.

The Share Award Scheme is a share scheme involving the grant of shares and is funded by both existing shares and new shares of the Company.

The Company established a French subplan (the "French Subplan") which is applicable to the selected employees who are French residents or who are or may become subject to French tax as a result of share awards granted under the Share Award Scheme. The French Subplan is also funded by both new shares and existing shares of the Company.

12 Share Capital, Share Option Scheme and Share Award Scheme (Continued)

(c) Share Award Scheme (Continued)

A summary of the Share Award Scheme is set out below:

(i) Purpose

The purposes of the Share Award Scheme are (i) to attract potential employees; (ii) to motivate and retain the employees to support the Group's long term development; and (iii) to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the employees for their contributions and/or potential contributions to the Group.

(ii) Participants

The participants under the Share Award Scheme are the Directors and the employees of any members of the Group.

(iii) Number of Shares Available for Issue

The total number of share awards and share options available for grant under the scheme mandates of the Share Award Scheme and the Share Option Scheme as at 1 April 2024 and 30 September 2024 was 24,601,579 shares and 23,136,579 shares respectively.

As at the date of this Interim Report, the total number of shares available for issue under the Share Award Scheme and the Share Option Scheme is 25,101,579 shares, representing 9.9% of the issued shares of the Company.

(iv) Maximum Entitlement of Each Participant

No participant may receive more than 1% of the total number of shares of the Company in issue in respect of all share awards and share options to be granted under the Share Award Scheme and any other share scheme(s) in any 12-month period ending on the date of the grant (the "1% Individual Limit"). This limit excludes any share options or share awards that have lapsed in that period.

(v) Vesting Period

Under the Share Award Scheme, subject to the Board (including the Remuneration Committee) exercising its discretion to shorten the period, all share awards granted will be subject to a minimum period of 12 months before the share awards may be vested where the share awards only involve the grant of new shares and do not involve existing shares.

(vi) Payment on Acceptance of Awarded Shares

No payment is required to be made by the participants upon acceptance of an award or upon the vesting of any awarded shares under the Share Award Scheme.

(vii) Scheme Life

The Share Award Scheme has a life of ten years from the Adoption Date and shall expire on 18 July 2033.

During the six months ended 30 September 2024, the trustee of the Share Award Scheme purchased 275,000 shares (2023: 322,900 shares) on the Stock Exchange to fund the share awards under the Share Award Scheme for a total purchase price of approximately US\$2.0 million (2023: US\$2.0 million). Further, no new shares (2023: 180,000 shares) were issued to the trustee under the general mandate of the Company to fund the share awards under the Share Award Scheme.

12 Share Capital, Share Option Scheme and Share Award Scheme (Continued)

(c) Share Award Scheme (Continued)

Details of the awarded shares (including the shares awarded pursuant to the French Subplan) under the Share Award Scheme during the six months ended 30 September 2024 are as follows:

Name/category of grantees	Date of award	Closing price of the shares immediately before the date of award (HK\$)	Fair value per share as at the date of award (HK\$) (Note i)	Number of share awards					Balance as at 30 September 2024	Period during which share awards may be vested (Note v)
				Balance as at 1 April 2024	Granted (Notes ii & iii)	Vested (Notes iv, v & x)	Not Vested	Cancelled/ Lapsed (Notes viii & ix)		
Directors										
Allan WONG Chi Yun (Note vi)	19 December 2023	43.15	43.50	100,000	-	(100,000)	-	-	-	22 May 2024 to 28 May 2024
PANG King Fai	18 December 2023	43.65	43.15	30,000	-	(30,000)	-	-	-	22 May 2024 to 28 May 2024
Andy LEUNG Hon Kwong	18 December 2023	43.65	43.15	50,000	-	(50,000)	-	-	-	22 May 2024 to 28 May 2024
Five highest paid individuals										
	9 August 2023	46.55	46.90	27,000	-	(27,000)	-	-	-	9 August 2024 to 15 August 2024
	18 December 2023	43.65	43.15	30,000	-	(30,000)	-	-	-	22 May 2024 to 28 May 2024
	18 July 2024	55.75	55.20	-	32,400 (Note vii)	-	-	-	32,400	18 July 2025 to 24 July 2025
Other employees										
	9 August 2023	46.55	46.90	8,600	-	(8,600)	-	-	-	9 August 2024 to 15 August 2024
	18 December 2023	43.65	43.15	44,000	-	(44,000)	-	-	-	22 May 2024 to 28 May 2024
	28 June 2024	57.90	58.40	-	194,700	(194,700)	-	-	-	28 June 2024 to 4 July 2024
	18 July 2024	55.75	55.20	-	23,700	(23,700)	-	-	-	18 July 2024 to 24 July 2024
	18 July 2024	55.75	55.20	-	6,900 (Note vii)	-	-	-	6,900	18 July 2025 to 24 July 2025
	23 August 2024	50.25	49.85	-	800	(800)	-	-	-	23 August 2024 to 29 August 2024
				289,600	258,500	(508,800)	-	-	39,300	

Notes:

- (i) The fair value at the date of grant was determined based on the closing price of the shares on the date of the award. The expected dividends during the period pending the vesting of the share awards were also taken into account when assessing the fair value of these awarded shares.
- (ii) During the six months ended 30 September 2024, 258,500 awarded shares with a total fair value of US\$1.9 million were granted to certain senior management and employees, and the vesting of the awarded shares granted are based on the financial performance of the Group or the financial performance of the business for which the relevant grantee was responsible for the respective year.
- (iii) These awarded shares were purchased on the Stock Exchange by the trustee of the Share Award Scheme.
- (iv) (a) 180,000 awarded shares (2023: 180,000 awarded shares) and 74,000 awarded shares (2023: 64,000 awarded shares) were granted to Executive Directors and certain senior management on 18 December 2023 and 19 December 2023 and such awarded shares were vested on 22 May 2024 upon the achievement of certain performance targets for the year ended 31 March 2024. These awarded shares were purchased on the Stock Exchange by the trustee of the Share Award Scheme.
 (b) The performance targets for the vesting of the awarded shares granted for the year ended 31 March 2024 relate to the financial performance of the Group or the financial performance of the business for which the relevant grantee was responsible for the respective year.

12 Share Capital, Share Option Scheme and Share Award Scheme (Continued)

(c) Share Award Scheme (Continued)

Notes: (Continued)

- (v) *The vesting period of the share awards runs from the date of grant until the commencement of the period during which the relevant share awards may be vested.*
- (vi) *Dr. Allan WONG Chi Yun is an Executive Director, the Chairman, the Group Chief Executive Officer, and a substantial shareholder of the Company.*
- (vii) *These awarded shares were granted under the French Subplan during the six months ended 30 September 2024.*
- (viii) *During the six months ended 30 September 2024, no awarded shares (2023: Nil) were cancelled.*
- (ix) *During the six months ended 30 September 2024, no awarded shares (2023: 100) lapsed.*
- (x) *The weighted average closing price of the shares immediately before the various dates on which the awarded shares were vested for the six months ended 30 September 2024 was HK\$56.37.*
- (xi) *During the six months ended 30 September 2024, no awarded shares (2023: Nil) were granted to the Non-executive Directors.*
- (xii) *No grants of awarded shares under the Share Award Scheme were in excess of the 1% Individual Limit.*
- (xiii) *No payment is required to be made by the participants for the awarded shares.*

For details of the accounting standard and policy adopted for the share awards granted under the Share Award Scheme, please refer to “note (V) Employee Benefits (iii) Equity and equity related compensation benefits” under “Material Accounting Policies” to the “Notes to the Consolidated Financial Statements” in the Company’s 2024 Annual Report.

The total number of shares that may be issued in respect of the share awards and share options granted under all share schemes of the Company during the six months ended 30 September 2024 divided by the weighted average number of shares in issue for the period was 0.21%.

As at 30 September 2024, a total of 107,400 shares (31 March 2024: 300,500 shares) were held in trust by the trustee under the Share Award Scheme of which 39,300 shares (31 March 2024: 35,600 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. Dividends derived from the shares held under the said trust will be reinvested to acquire further shares.

During the six months ended 30 September 2024, share-based payment expenses of US\$1.9 million (30 September 2023: US\$1.7 million) in respect of the awarded shares were charged to the consolidated statement of profit or loss.

13 Fair Value Measurements of Financial Instruments

All financial instruments are carried at amounts not materially different from their fair value as at 30 September 2024 and 31 March 2024.

Financial instruments carried at fair value

The Group's financial instruments are measured at fair value at the end of the relevant financial period on a recurring basis, categorised into the 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

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 30 September 2024				
(Unaudited)				
Assets:				
Forward foreign exchange contracts	0.4	–	0.4	–
Investments	1.2	–	–	1.2
Liabilities:				
Forward foreign exchange contracts	(2.6)	–	(2.6)	–
At 31 March 2024				
(Audited)				
Assets:				
Forward foreign exchange contracts	2.6	–	2.6	–
Investments	1.2	–	–	1.2
Liabilities:				
Forward foreign exchange contracts	(0.8)	–	(0.8)	–

During the six months ended 30 September 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 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.

13 Fair Value Measurements of Financial Instruments (Continued)

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 30 September 2024 and 31 March 2024, the fair value of investments is determined using net asset value and adjusted for the marketability discount.

As at 30 September 2024, it is estimated that with other variables held constant, an increase/decrease of 5% (31 March 2024: 5%) in each of the unobservable inputs would have increased/decreased the net assets as follows:

	Increase / (decrease) in net assets	30 September 2024 (Unaudited) US\$ million	31 March 2024 (Audited) US\$ million
Fair value of the Business Net Assets	Increase / (decrease) in unobservable input		
	5%	0.1	0.1
	(5%)	(0.1)	(0.1)
Marketability discount	5%	(0.1)	(0.1)
	(5%)	0.1	0.1

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	30 September 2024 (Unaudited) US\$ million	31 March 2024 (Audited) US\$ million
Investments:		
At the beginning of period / year	1.2	1.9
Fair value loss	-	(0.7)
At the end of period / year	1.2	1.2

14 Capital Commitments

	30 September 2024 (Unaudited) US\$ million	31 March 2024 (Audited) US\$ million
Capital commitments for property, plant and equipment:		
Authorised but not contracted for	12.8	26.1
Contracted but not provided for	4.8	8.4
	17.6	34.5

15 Contingent Liabilities

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 and complaints related to products liability. 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.

16 Approval of Interim Financial Report

The Interim Financial Report was approved by the Board on 12 November 2024.

Disclosure of Interests

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

As at 30 September 2024, the interests and short positions of the Directors and chief executive 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as adopted by the Company, were as follows:

Name of Director	Number of ordinary shares			Equity Derivatives (Share Options) (Note 7)	Total	Approximate percentage of shareholding (Note 8)
	Personal Interest	Family Interest	Other Interest			
Allan WONG Chi Yun	14,154,276	–	74,101,153 (Note 1) 4,667,037 (Note 2)	250,000	93,172,466	36.82%
PANG King Fai	471,600	–	–	390,000	861,600	0.34%
Andy LEUNG Hon Kwong	731,600	–	–	650,000	1,381,600	0.55%
William WONG Yee Lai	–	–	74,101,153 (Notes 1&3)	–	74,101,153	29.28%
William FUNG Kwok Lun	449,430	5,000 (Note 4)	592,200 (Note 5)	–	1,046,630	0.41%
Patrick WANG Shui Chung	162,000	–	–	–	162,000	0.06%

Notes:

- (1) These 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"). Each of Honorex and Conquer Rex was wholly owned by Twin Success. Twin Success was wholly owned by Surplus Assets Limited ("Surplus Assets"). Surplus Assets was wholly owned by Butterfield Trust (Asia) Limited ("Butterfield") which acts as the trustee of The Allan Wong 2020 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun is the founder and one of the beneficiaries. Surplus Assets was therefore deemed to have an aggregate indirect interest in 74,101,153 shares and Twin Success was also deemed to have an aggregate indirect interest in 66,912,550 shares. Surplus Assets was wholly owned by Butterfield which was deemed to be interested in 74,101,153 shares by virtue of the SFO.
- (2) These shares were held by a company wholly-owned by Dr. Allan WONG Chi Yun.
- (3) Mr. William WONG Yee Lai is one of the discretionary beneficiaries of The Allan Wong 2020 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun is the founder. As a director of the Company and a discretionary beneficiary of The Allan Wong 2020 Trust, Mr. William WONG Yee Lai has a duty of disclosure under the SFO in relation to the shares held by Butterfield.
- (4) These shares were held by a company beneficially owned by the spouse of Dr. William FUNG Kwok Lun.
- (5) These shares were held by a company beneficially owned by Dr. William FUNG Kwok Lun.
- (6) All the interests stated above represented long positions.
- (7) Please also refer to note 12(b) to the Unaudited Interim Financial Report in this Interim Report for further details on the share options in which the Directors and chief executive of the Company were interested.
- (8) The approximate percentage of shareholding is calculated based on 253,049,133 shares of the Company in issue as at 30 September 2024.

Save as disclosed above, as at 30 September 2024, none of the Directors and chief executive of the Company had any interests 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.

Disclosure of Interests

Substantial Shareholdings

As at 30 September 2024, other than the interests of the Directors and chief executive 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 ordinary shares (Note 3)	Approximate percentage of shareholding (Note 4)
Butterfield Trust (Asia) Limited	Trustee (Note 1)	74,101,153	29.28%
Surplus Assets Limited	Interest of controlled corporation (Note 1)	74,101,153	29.28%
Twin Success Pacific Limited	Interest of controlled corporations and beneficial owner (Notes 1&2)	74,101,153	29.28%
Honorex Limited	Beneficial owner (Note 1)	1,416,325	0.56%
Conquer Rex Limited	Beneficial owner (Note 1)	65,496,225	25.88%

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 Interim Report.*
- (2) Twin Success Pacific Limited was interested in 7,188,603 shares as beneficial owner and 66,912,550 shares as interest of controlled corporations.*
- (3) All the interests stated above represented long positions.*
- (4) The approximate percentage of shareholding is calculated based on 253,049,133 shares of the Company in issue as at 30 September 2024.*

Save as disclosed above, as at 30 September 2024, the Company had not been notified by any persons (other than the Directors and chief executive 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.

Corporate Governance

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 recognise 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.

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.

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 Interim Report. 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 Interim Report. 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 Interim Report are effective and adequate.

Model Code for Securities Transactions

The Company has adopted 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.

Other Information

Interim Dividend

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.

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.

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

GAN Jie

KO Ping Keung

Patrick WANG Shui Chung

WONG Kai Man

Audit Committee

WONG Kai Man *(Chairman)*

William FUNG Kwok Lun

GAN Jie

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

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Office

23rd Floor, Tai Ping Industrial Centre, Block 1

57 Ting Kok Road

Tai Po, New Territories

Hong Kong

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 Accounting and Financial Reporting Council Ordinance

Information for Shareholders

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

Financial Calendar

Closure of Register of Members: 9 December 2024

Payment of Interim Dividend: 18 December 2024

FY2025 Annual Results Announcement: May 2025

Share Information

Board lot: 100 shares

Issued shares as at 30 September 2024: 253,049,133 shares

Dividend

Dividend per ordinary share for the six months ended 30 September 2024: US17.0 cents per share

Share Registrars

Principal

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

Hong Kong Branch

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong
Tel: +852 2862 8555
Fax: +852 2865 0990
Enquiries: www.computershare.com/hk/en/online_feedback

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偉易達集團

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