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vtech VTech Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 303)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2026

PERFORMANCE HIGHLIGHTS

- Group revenue declined 6.9% to US\$2,027.5 million
- Gross profit margin improved from 31.5% to 32.7%
- Profit attributable to shareholders of the Company decreased 14.5% to US\$134.1 million
- Final dividend of US36.0 cents per ordinary share, which brings the full-year dividend to US53.0 cents per ordinary share, representing a dividend payout ratio of 100%
- Strong financial position with net cash and no bank borrowing

The directors (the “Directors”) of VTech Holdings Limited (the “Company”) announce the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2026 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2026

	Note	2026 US\$ million	2025 US\$ million
Revenue	2	2,027.5	2,177.2
Cost of sales		(1,364.1)	(1,490.4)
Gross profit		663.4	686.8
Other net (expenses) / income	3	(1.7)	2.5
Selling and distribution costs		(319.6)	(317.8)
Administrative and other operating expenses		(88.2)	(90.9)
Research and development expenses		(82.9)	(91.9)
Operating profit	2(b)	171.0	188.7
Net finance expense	3	(4.0)	(3.2)
Share of results of an associate		(0.2)	(0.1)
Profit before taxation	3	166.8	185.4
Taxation	4	(32.7)	(28.6)
Profit for the year and attributable to shareholders of the Company		134.1	156.8
Earnings per share (US cents)	6		
- Basic		52.9	62.0
- Diluted		52.9	61.9

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2026

	2026 US\$ million	2025 US\$ million
Profit for the year	134.1	156.8
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss:		
Effect of remeasurement of net assets on defined benefit scheme, net of deferred tax	1.0	(0.4)
Effect of remeasurement of provision for long service payments, net of deferred tax	(0.1)	-
	0.9	(0.4)
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on hedging, net of deferred tax	1.3	-
Realisation of hedging reserve, net of deferred tax	-	(2.0)
Exchange translation differences	17.3	7.5
	18.6	5.5
Other comprehensive income for the year	19.5	5.1
Total comprehensive income for the year	153.6	161.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2026

	Note	2026 US\$ million	2025 US\$ million
Non-current assets			
Tangible assets	7	94.4	90.3
Right-of-use assets		108.0	123.6
Intangible assets		13.3	14.0
Goodwill		36.1	36.1
Interest in an associate		1.4	3.7
Investments		1.9	2.1
Net assets on defined benefit retirement scheme		7.4	6.2
Deferred tax assets		13.6	11.2
		276.1	287.2
Current assets			
Stocks		402.9	360.8
Debtors, deposits and prepayments	8	351.8	331.2
Taxation recoverable		4.1	4.4
Deposits and cash		264.0	335.6
		1,022.8	1,032.0
Current liabilities			
Creditors and accruals	9	(466.8)	(486.1)
Provisions for defective goods returns and other liabilities		(28.3)	(27.1)
Lease liabilities		(21.3)	(15.6)
Taxation payable		(25.8)	(15.4)
		(542.2)	(544.2)
Net current assets		480.6	487.8
Total assets less current liabilities		756.7	775.0
Non-current liabilities			
Deferred tax liabilities		(3.1)	(3.5)
Lease liabilities		(105.5)	(126.5)
Long service payment liabilities		(0.8)	(0.6)
		(109.4)	(130.6)
Net assets		647.3	644.4
Capital and reserves			
Share capital		12.7	12.7
Reserves		634.6	631.7
Total equity		647.3	644.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2026

		Attributable to shareholders of the Company							
				Shares held for Share	Exchange	Capital	Hedging	Revenue	Total
		Share capital	Share premium	Award Scheme	reserve	reserve	reserve	reserve	equity
		US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
Note									
	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 year ended 31 March 2025								
	Comprehensive income								
	Profit for the year	-	-	-	-	-	-	156.8	156.8
	Other comprehensive income								
	Realisation of hedging reserve, net of deferred tax	-	-	-	-	-	(2.0)	-	(2.0)
	Exchange translation differences	-	-	-	7.5	-	-	-	7.5
	Effect of remeasurement of net assets on defined benefit scheme, net of deferred tax	-	-	-	-	-	-	(0.4)	(0.4)
	Other comprehensive income for the year	-	-	-	7.5	-	(2.0)	(0.4)	5.1
	Total comprehensive income for the year	-	-	-	7.5	-	(2.0)	156.4	161.9
	Final dividend in respect of the previous year	-	-	-	-	-	-	(121.5)	(121.5)
	Interim dividend in respect of the current year	5	-	-	-	-	-	(43.0)	(43.0)
	Equity-settled share based payments:								
	- Share Option Scheme	-	-	-	-	0.4	-	-	0.4
	Shares option lapsed during the year	-	-	-	-	(0.2)	-	0.2	-
	Shares issued under Share Option Scheme	0.1	1.5	-	-	-	-	-	1.6
	Shares purchased for Share Award Scheme	-	-	(3.7)	-	-	-	-	(3.7)
	Vesting of shares of Share Award Scheme	-	-	3.7	-	-	-	-	3.7
	At 31 March 2025 / 1 April 2025	12.7	165.9	(0.1)	(34.2)	0.8	-	499.3	644.4
	Changes in equity for the year ended 31 March 2026								
	Comprehensive income								
	Profit for the year	-	-	-	-	-	-	134.1	134.1
	Other comprehensive income								
	Fair value gains on hedging, net of deferred tax	-	-	-	-	-	1.3	-	1.3
	Exchange translation differences	-	-	-	17.3	-	-	-	17.3
	Effect of remeasurement of net assets on defined benefit scheme, net of deferred tax	-	-	-	-	-	-	1.0	1.0
	Effect of remeasurement of provision for long service payments, net of deferred tax	-	-	-	-	-	-	(0.1)	(0.1)
	Other comprehensive income for the year	-	-	-	17.3	-	1.3	0.9	19.5
	Total comprehensive income for the year	-	-	-	17.3	-	1.3	135.0	153.6
	Final dividend in respect of the previous year	5	-	-	-	-	-	(111.4)	(111.4)
	Interim dividend in respect of the current year	5	-	-	-	-	-	(43.0)	(43.0)
	Equity-settled share based payments:								
	- Share Option Scheme	-	-	-	-	0.3	-	-	0.3
	- Share Award Scheme	-	-	1.9	-	1.9	-	-	3.8
	Shares option lapsed during the year	-	-	-	-	(0.1)	-	0.1	-
	Shares issued under Share Option Scheme	-	3.0	-	-	-	-	-	3.0
	Shares purchased for Share Award Scheme	-	-	(3.4)	-	-	-	-	(3.4)
	At 31 March 2026	12.7	168.9	(1.6)	(16.9)	2.9	1.3	480.0	647.3

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2026

	Note	2026 US\$ million	2025 US\$ million
Operating activities			
Operating profit		171.0	188.7
Depreciation of tangible assets	3	31.6	31.8
Depreciation of right-of-use assets	3	22.6	22.7
Amortisation of intangible assets	3	0.7	0.7
Fair value loss / (gain) on investments measured at fair value through profit or loss	3	0.2	(0.9)
Share-based payment expenses: Share Award Scheme		3.8	3.7
Share-based payment expenses: Share Option Scheme		0.3	0.4
Impairment of interest in an associate	3	2.1	-
Increase in stocks		(42.1)	(12.8)
Increase in debtors, deposits and prepayments		(19.3)	(49.9)
(Decrease) / increase in creditors and accruals		(19.1)	67.5
Increase in provisions for defective goods returns and other liabilities		1.3	3.7
Increase in net assets on defined benefit scheme		(0.2)	(0.1)
Cash generated from operations		152.9	255.5
Interest received		2.2	3.9
Interest on lease liabilities		(6.2)	(7.1)
Taxes paid		(25.0)	(27.0)
Net cash generated from operating activities		123.9	225.3
Investing activities			
Purchase of tangible assets		(31.3)	(29.5)
Proceeds from disposal of tangible assets		-	0.4
Net cash used in investing activities		(31.3)	(29.1)
Financing activities			
Capital element of lease rentals paid		(23.0)	(21.7)
Payment for shares acquired for Share Award Scheme		(3.4)	(3.7)
Proceeds from shares issued upon exercise of share options		3.0	1.6
Dividends paid	5	(154.4)	(164.5)
Net cash used in financing activities		(177.8)	(188.3)
Effect of exchange rate changes		13.6	5.6
(Decrease) / increase in cash and cash equivalents		(71.6)	13.5
Cash and cash equivalents at 1 April		335.6	322.1
Cash and cash equivalents at 31 March		264.0	335.6

NOTES

1. Basis of preparation

The annual results set out in the announcement are extracted from the Group's consolidated financial statements for the year ended 31 March 2026. The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

The consolidated financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and 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").

(a) New and amended IFRSs

The International Accounting Standards Board ("IASB") has issued certain new and amended IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group:

- Amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. 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:

Year ended 31 March 2026

	North America US\$ million	Europe US\$ million	Asia Pacific US\$ million	Other Regions US\$ million	Total US\$ million
Electronic Learning Products	388.5	311.7	72.2	10.1	782.5
Telecommunication Products	161.5	224.1	17.4	11.2	414.2
Contract Manufacturing Services	261.6	364.1	205.1	-	830.8
Total	811.6	899.9	294.7	21.3	2,027.5

Year ended 31 March 2025

	North America US\$ million	Europe US\$ million	Asia Pacific US\$ million	Other Regions US\$ million	Total US\$ million
Electronic Learning Products	444.9	307.0	68.8	9.3	830.0
Telecommunication Products	178.8	211.4	18.7	13.2	422.1
Contract Manufacturing Services	269.4	442.3	213.4	-	925.1
Total	893.1	960.7	300.9	22.5	2,177.2

2. Revenue and Segment Information (Continued)

(a) Revenue (Continued)

The Group's customer base is diversified and include one (2025: one) customer with whom transactions have exceeded 10% of the Group's revenue. The revenue from this customer accounted for approximately 15% (2025: 14%) of the Group's revenue. Such revenue is attributable to the North America segment.

(b) Segment Information

The Group manages its businesses by divisions, which are organised by geography. In accordance with IFRS 8 – *Operating segments* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

- ♦ North America (including the United States and Canada)
- ♦ Europe
- ♦ Asia Pacific
- ♦ Other Regions, which covers sales of electronic products to the rest of the world

The Company is domiciled in Bermuda. The results of its revenue from external customers located in North America, Europe, Asia Pacific and elsewhere are set out in the table below.

Each of the above reportable segments primarily derives its revenue from the sale of electronic learning products, telecommunication products and products from contract manufacturing services to customers in the relevant geographical region.

All of these products are manufactured in the Group's manufacturing facilities located in the People's Republic of China ("PRC") and Malaysia under the Asia Pacific segment, Germany under Europe segment and Mexico under the North America segment.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

(i) Segment revenues and results

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

The measure used for reporting segment profit is operating profit.

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

2. Revenue and Segment Information *(Continued)*

(b) Segment Information *(Continued)*

(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.

Year ended 31 March 2026

	North America US\$ million	Europe US\$ million	Asia Pacific US\$ million	Other Regions US\$ million	Total US\$ million
Reportable segment revenue	811.6	899.9	294.7	21.3	2,027.5
Reportable segment profit	70.6	69.3	26.4	4.7	171.0
Depreciation and amortisation	2.8	5.8	46.3	-	54.9
Reportable segment assets	138.1	244.1	846.3	-	1,228.5
Reportable segment liabilities	(73.1)	(61.7)	(487.9)	-	(622.7)

Year ended 31 March 2025

	North America US\$ million	Europe US\$ million	Asia Pacific US\$ million	Other Regions US\$ million	Total US\$ million
Reportable segment revenue	893.1	960.7	300.9	22.5	2,177.2
Reportable segment profit	72.3	77.1	34.7	4.6	188.7
Depreciation and amortisation	3.2	5.9	46.1	-	55.2
Reportable segment assets	125.4	217.2	905.1	-	1,247.7
Reportable segment liabilities	(84.3)	(48.5)	(523.1)	-	(655.9)

2. Revenue and Segment Information *(Continued)*

(c) Reconciliations of reportable segment assets and liabilities

	2026 US\$ million	2025 US\$ million
Assets		
Reportable segment assets	1,228.5	1,247.7
Intangible assets	13.3	14.0
Goodwill	36.1	36.1
Interest in an associate	1.4	3.7
Investments	1.9	2.1
Taxation recoverable	4.1	4.4
Deferred tax assets	13.6	11.2
Consolidated total assets	1,298.9	1,319.2
Liabilities		
Reportable segment liabilities	(622.7)	(655.9)
Taxation payable	(25.8)	(15.4)
Deferred tax liabilities	(3.1)	(3.5)
Consolidated total liabilities	(651.6)	(674.8)

3. Profit before taxation

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

	2026 US\$ million	2025 US\$ million
Fair value loss / (gain) on investments measured at fair value through profit or loss <i>(Notes (i) & (ii))</i>	0.2	(0.9)
Rental income <i>(Note (i))</i>	(0.6)	(1.6)
Impairment of interest in an associate <i>(Note (i))</i>	2.1	-
Depreciation of tangible assets	31.6	31.8
Depreciation of right-of-use assets	22.6	22.7
Amortisation of intangible assets	0.7	0.7
Interest on lease liabilities <i>(Note (iii))</i>	6.2	7.1
Other interest income <i>(Note (iii))</i>	(2.2)	(3.9)
Net foreign exchange loss	2.6	1.1
Net gain on forward foreign exchange contracts		
- Net gain on cash flow hedging instruments reclassified from equity	-	(2.2)
- Net gain on forward foreign exchange contracts	-	(0.4)

Notes:

(i) Included in other net (expenses) / income 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\$0.2 million (2025: fair value gain of US\$0.9 million) on the Investment relating to the shareholding in the listed entity was recorded in the current year.

(iii) Included in net finance expense in the consolidated statement of profit or loss.

4. Taxation

	2026 US\$ million	2025 US\$ million
Current tax		
- Hong Kong	14.2	15.3
- Pillar Two income taxes	8.0	-
	22.2	15.3
- Overseas	14.2	15.6
(Over) / under-provision in respect of prior years		
- Hong Kong	(0.8)	(0.2)
- Overseas	0.1	(0.1)
Deferred tax		
- Origination and reversal of temporary differences	(3.0)	(2.0)
	32.7	28.6
Current tax	35.7	30.6
Deferred tax	(3.0)	(2.0)
	32.7	28.6

- (a) Hong Kong Profits Tax has been calculated at the rate of 16.5% (2025: 16.5%) on the estimated assessable profits for the year.
- (b) Overseas taxation has been calculated at the current rates of taxation prevailing in the jurisdiction in which the Group operates.
- (c) During the year ended 31 March 2026, the Inland Revenue Department of Hong Kong (“IRD”) issued notices of additional assessment amounted to US\$14.6 million for the year of assessment 2019/20 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 of the Company 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 of the additional tax demanded of US\$14.6 million subject to the purchase of tax reserve certificates (“TRCs”). In aggregate, the Group has purchased TRCs totalling US\$32.3 million. The purchase of TRCs do not prejudice the Group’s tax position.

- (d) Pillar Two income tax

The Organisation for Economic Co-operation and Development (“OECD”)/G20 Inclusive Framework on Base Erosion and Profit Shifting (“BEPS”) seeks to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment. GloBE rules represents the first substantial overhaul of international tax rules in almost a century. It sets forth 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 has applied the temporary exception under IAS 12, Income Taxes, to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

5. Dividends

	2026 US\$ million	2025 US\$ million
Interim dividend of US17.0 cents (2025: US17.0 cents) per share declared and paid	43.0	43.0
Final dividend of US36.0 cents (2025: US44.0 cents) per share proposed after the end of the reporting period	91.3	111.4

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

At a meeting held on 14 May 2025, the Directors proposed a final dividend of US44.0 cents per ordinary share for the year ended 31 March 2025, which was estimated to be US\$111.4 million at the time calculated on the basis of the ordinary shares in issue as at 31 March 2025. The final dividend was approved by shareholders at the annual general meeting on 15 July 2025. The final dividend paid in respect of the year ended 31 March 2025 totaled US\$111.4 million.

6. Earnings per Share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of the Company of US\$134.1 million (2025: US\$156.8 million).

The calculation of basic earnings per share is based on the weighted average of 253.1 million (2025: 252.6 million) ordinary shares in issue during the year after adjusting for shares held for Share Award Scheme.

The calculation of diluted earnings per share for the year ended 31 March 2026 was based on 253.3 million ordinary shares (2025: 253.1 million) which is the weighted average number of ordinary shares in issue during the year after adjusting for shares held for Share Award Scheme and the number of dilutive potential Awarded Shares under the Company's Share Award Scheme.

7. Tangible Assets

During the year ended 31 March 2026, the Group acquired items of tangible assets with a cost of US\$31.3 million (2025: US\$52.2 million).

8. Debtors, Deposits and Prepayments

At 31 March 2026, total debtors, deposits and prepayments of US\$351.8 million (31 March 2025: US\$331.2 million) included net trade debtors of US\$257.7 million (31 March 2025: US\$267.8 million).

At the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of loss allowance, is as follows:

	2026	2025
	US\$ million	US\$ million
0-30 days	157.6	161.8
31-60 days	66.1	78.7
61-90 days	26.5	21.5
>90 days	7.5	5.8
Total	257.7	267.8

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.

9. Creditors and Accruals

At 31 March 2026, total creditors and accruals of US\$466.8 million (31 March 2025: US\$486.1 million) included trade creditors of US\$230.7 million (31 March 2025: US\$251.8 million).

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

	2026	2025
	US\$ million	US\$ million
0-30 days	108.4	95.1
31-60 days	39.7	52.4
61-90 days	45.1	43.1
>90 days	37.5	61.2
Total	230.7	251.8

10. Developments in U.S. Tariff Refunds

In 2025, tariffs were imposed on certain goods imported into the United States under the International Emergency Economic Powers Act (IEEPA). These tariffs were subsequently challenged, with the U.S. Supreme Court ruling in February 2026 that IEEPA does not authorize the U.S. President to impose tariffs. However, the Supreme Court did not address refunds. In March 2026, the U.S. Court of International Trade (the "CIT") ordered U.S. Customs and Border Protection (the "CBP") to refund all tariffs imposed under IEEPA. On 20 April 2026, CBP launched the first phase of the Consolidated Administration and Processing of Entries (CAPE) tool in the Automated Commercial Environment (ACE) portal to administer refunds of duties imposed under the IEEPA through a streamlined electronic filing process.

At the reporting date, as the amount and timing of potential tariff refunds remain uncertain, the Group has not recognised any receivables in respect of such refunds. The Group will continue to monitor developments and reassess the accounting treatment as additional information becomes available.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 March 2026 as set out in the announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Boards and consequently no assurance has been expressed by the auditor.

FINAL DIVIDEND

The board of Directors (the "Board") has recommended the payment of a final dividend (the "Final Dividend") of US36.0 cents per ordinary share in respect of the year ended 31 March 2026, payable on 7 August 2026 to the shareholders whose names appear on the register of members of the Company as at the close of business on 29 July 2026 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 23 July 2026 (the "2026 AGM").

The Final Dividend will be payable in United States dollars save that those shareholders with a registered address in Hong Kong will receive an equivalent amount in Hong Kong dollars which will be calculated at the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 27 July 2026.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

- (a) For the purpose of determining shareholders who are entitled to attend and vote at the 2026 AGM, the register of members of the Company will be closed from 20 July 2026 to 23 July 2026 (both days inclusive), during which no transfer of shares will be effected. The shareholders whose names appear on the register of members of the Company on 23 July 2026 are entitled to attend and vote at the 2026 AGM following completion of the registration procedures for share transfers. In order to be entitled to attend and vote at the 2026 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the principal share registrar of the Company, Appleby Global Corporate Services (Bermuda) Limited of Canon's Court, 22 Victoria Street, PO Box HM 1179, Hamilton HM EX, Bermuda, or the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. (the local time of the relevant share registrar) on 17 July 2026.

- (b) For the purpose of determining shareholders who are qualified for the Final Dividend, the register of members of the Company will be closed on 29 July 2026, on which no transfer of shares will be effected. In order to qualify for the Final Dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the principal share registrar of the Company, Appleby Global Corporate Services (Bermuda) Limited of Canon's Court, 22 Victoria Street, PO Box HM 1179, Hamilton HM EX, Bermuda, or the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. (the local time of the relevant share registrar) on 28 July 2026.

LETTER TO SHAREHOLDERS

VTech reported a decrease in revenue in the financial year 2026. Changes in US tariff policies and depressed consumer sentiment, driven by geopolitical uncertainty, resulted in lower revenue across electronic learning products (ELPs), telecommunication (TEL) products and contract manufacturing services (CMS). Consequently, despite continued improvements in the gross profit margin, Group profit declined.

Results and Dividend

Group revenue for the year ended 31 March 2026 decreased by 6.9% to US\$2,027.5 million, from US\$2,177.2 million in the previous financial year. Sales were lower in all regions.

Profit attributable to shareholders of the Company decreased by 14.5% to US\$134.1 million. The decline in profit was mainly due to the lower revenue, an increase in total operating expenses as a percentage of Group revenue and a higher Group effective tax rate.

Basic earnings per share decreased by 14.7% to US52.9 cents, compared to US62.0 cents in the financial year 2025.

The Board of Directors has proposed a final dividend of US36.0 cents per ordinary share, providing a full-year dividend of US53.0 cents per ordinary share, a 13.1% decrease from the US61.0 cents declared in the previous financial year. This represents a dividend payout ratio of 100%.

Costs

The Group's gross profit margin in the financial year 2026 rose to 32.7%, as compared with 31.5% in the financial year 2025. This was mainly attributable to lower cost of materials, as material prices decreased. A more favourable product mix, increases in product prices, the strength of European currencies against the US dollar and lower freight charges also contributed to the improvement in margin. The gains were partially offset by additional tariffs imposed on the US-bound products and higher direct labour costs as a percentage of Group revenue.

Our Business

The Group's businesses faced a number of challenges in the financial year 2026. The changes to US tariff policy caused considerable disruption in the first half of the financial year as retailers and manufacturers adjusted to the cost impacts. Consumers in many markets remained price-sensitive while the Group's customers were cautious when placing orders.

ELPs revenue declined in the financial year 2026, as lower sales in North America offset growth in Europe, Asia Pacific and Other Regions. Throughout the financial year, the Group continued to bring innovative products to the market, with the motion-based learning system LeapMove™ proving especially successful. Well-received from the outset by retailers, this major addition to the LeapFrog portfolio has achieved strong sell-through in both North America and Europe. The steady flow of new products, combined with enduring demand for old favourites, meant that the Group—comprising the VTech and LeapFrog brands—maintained its global leadership in electronic learning toys from infancy through toddler to preschool in the calendar year 2025¹.

Sales of both VTech and LeapFrog standalone products declined. For VTech, revenue decreased across all key product lines, except for electronic learning aids, which achieved modest growth. For LeapFrog, growth in the Magic Adventures® line and eco-friendly toys was offset by lower sales of infant, toddler and preschool products. Standalone products represented 87% of total ELPs revenue in the financial year 2026.

Platform products, by contrast, achieved an increase in sales as growth in LeapFrog offset a decline for VTech. Growth for LeapFrog products was driven by the launch of LeapMove, augmented by higher sales of Magic Adventures Globe. These gains offset lower sales of children’s educational tablets, while sales of the interactive reading system held steady. VTech saw decreased sales of children’s educational tablets, KidiZoom® Smartwatch, KidiBuzz™/KidiCom™ and Touch & Learn Activity Desk™. Subscriptions to LeapFrog Academy™ were stable.

In the financial year 2026, the Group gained many accolades for its ELPs from retailers and organisations representing parents and consumers. LeapMove swept to success around the world. In the US, it made both Walmart’s “2025 Top Toys List” and Target’s “2025 Bullseye’s Top Toys List”. In Europe, it was included in France’s “Grands Prix du Jouet 2025” and was also a winner in the Independent Toy Awards in the UK. In Australia, it won both “Overall Product of the Year” and “Electronic Product of the Year” from Australian Toy Association. This was alongside over 30 awards for many other VTech and LeapFrog products globally, with VTech’s Bluey Road Trip Playset and Get Growing Tractor & Mower Ride-On™ being named TOTY (Toy of the Year) finalists by The Toy Association in the US.

The TEL products business saw sales fall in the financial year 2026, as growth in Europe was offset by declines in North America, Asia Pacific and Other Regions. Looking at the product lines, rising sales of commercial phones and smartphones were insufficient to compensate for lower sales of residential phones and other telecommunication products. In the financial year 2026, the category of commercial phones and smartphones accounted for 55% of total TEL products revenue.

¹ Ranking based on Circana, LLC, Retail Tracking Service for Projected US Dollar Sales in G12 (the US, Canada, France, Germany, the UK, Belgium, Netherlands, Italy, Australia, Spain, Brazil and Mexico) in the combined categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets), and Walkers for January - December 2025

Global Market Share Estimates. Ranking based on total retail sales of VTech and LeapFrog products in the combined toy categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets) and Walkers for the 12 months ended December 2025

The global residential phone market continued to contract, leading to lower residential phones sales in North America, Asia Pacific and Other Regions. However, this decline was partially offset by growth in Europe, primarily because of higher sales of Gigaset products as the Group launched numerous new models to strengthen its portfolio. Among those launched were new entry-level residential phones, including the AD100, Basic 100 and the Essential 300 series. The AD100 series performed particularly well owing to its feature-rich design and competitive pricing. These were joined by the Comfort 600 SIM which offers consumers the convenience of a home phone without the need for a landline. Consequently, Gigaset strengthened its leadership position in the DECT (Digital Enhanced Cordless Telecommunications) phone market in Europe².

The category of commercial phones and smartphones experienced solid growth, with higher sales of commercial phones, hotel phones and smartphones offsetting a decline in headsets. An existing customer has relocated its IP (Internet Protocol) phone production to Gigaset's facilities in Germany to capitalise on the Group's highly automated manufacturing and bolster supply chain resilience. This helped drive Gigaset commercial phone sales higher, as did the launch of the brand's single-cell DECT systems and Comfort 500HX, which target the home and small office market. Sales of Snom branded SIP phones remained steady, while hotel phone sales rose due to the continued good performance of the "Next Gen" product line. Gigaset smartphones were boosted by the launch of the GS6 series and new mobile phones tailored for the elderly. In contrast, headset sales were impacted by lower orders of a customer's products.

In the other telecommunication products category, which includes baby monitors, CareLine[®] residential phones, CAT-iq (Cordless Advanced Technology—internet and quality) handsets and IoT (Internet of Things) products, sales experienced an overall decline. Baby monitor sales fell because of rising competition, while CareLine residential phones and CAT-iq handsets saw reduced orders as end-user demand weakened. Conversely, IoT products achieved higher sales, bolstered by the continued growth of thermostats for hotel chains. Despite the broader category decline, VTech retained its position as the number one baby monitor brand in the US, Canada³ and the UK⁴.

During the financial year 2026, the Gigaset R700H protect PRO business phone was named "Product of the Year" (Category: IP Phones and Conference Solutions) in the *connect professional* "Readers' Choice 2025" awards. In baby monitors, VTech was accorded a "Women's Choice Award 2025 – 9 out of 10 Customer Recommended Baby Monitors" in the US, while in the UK its baby monitors and soothers collectively received nine awards in the "MadeForMums Tech Awards 2025" and "Dadsnet Awards 2025".

CMS revenue was lower in the financial year 2026, with declines in all regions. In the calendar year 2025, growth in the EMS (electronic manufacturing services) market has been confined largely to top-tier manufacturers serving areas such as AI (artificial intelligence) and data centres. The rest of the industry saw sales fall overall, as geopolitical uncertainty weighed on corporate investment and consumer confidence.

² GfK Retail and Technology UK Limited, EU7, April 2025 – March 2026

³ Circana, LLC, Retail Tracking Service, US & CA, Baby Monitors, Units, April 2025 – March 2026

⁴ GfK Retail and Technology UK Limited, April 2025 – March 2026

VTech's CMS performance broadly mirrored this trend, with lower sales in many categories. Among the best performers, communication products rose as new product launches led to growth in Wi-Fi routers, offsetting a decline for marine radios. Sales of professional audio equipment and solid-state lighting were stable. Hearables and home appliances were the categories that experienced the most noticeable sales declines. The Group's hearables customer is facing strong competition and demand for its products has fallen significantly since the end of the COVID pandemic. Sales of home appliances were negatively affected by lower orders for PCBA (printed circuit board assembly) for washing machines, as one of a customer's high-runner products came to the end of its life cycle.

In light of the changes in the global trading environment, VTech has continued to respond to customers' requirements for a more diversified production base. The transition of manufacturing from China to Malaysia has gone smoothly, allowing the Group to serve its customers seamlessly throughout. VTech has also had considerable success in building a potential customer base among start-up companies in China through its NPI (New Product Introduction) centre in Shenzhen. The financial year 2026 also saw solid progress in the ODM (original design manufacturing) business.

VTech remained the number one EMS/ODM provider in Hong Kong and one of the world's top 50 EMS/ODM providers in the calendar year 2025⁵. It also ranked as the world's largest contract manufacturer of professional audio equipment in the calendar year 2024⁶. During the financial year 2026, VTech CMS gained seven "best supplier" awards from the Group's customers, five for professional audio equipment, one for solid-state lighting and one for hearables.

50th Anniversary

This year marks a major milestone: VTech's 50th anniversary. We began in 1976 as a small start-up employing 40 people in Hong Kong, driven by a passion for electronics. In the decades since, we have been bringing joy and learning to children around the world with our ELPs, connecting people and businesses through our TEL products, and delivering trusted, high-quality manufacturing services to partners across industries through our CMS. A commitment to continuous innovation has made us a pioneer in many areas, creating the electronic educational toys category and introducing the world's first fully digital 900MHz cordless phone. Equally important, our manufacturing expertise and dedication to service excellence have earned us a distinguished reputation in the EMS industry.

The journey has never been easy. Along the way, we have overcome some extraordinary challenges, from global recession and financial crises to the COVID pandemic. Above all, our success is testament to our dedicated employees and the steadfast support of our business partners. We have built a vibrant culture of innovation that empowers talented people to create the innovative products that consumers want, year after year. Looking to the future, with our exceptional team, I am confident VTech will not only grow in the decades ahead but also continue to contribute to the well-being of people around the world.

Outlook

The US tariff situation appears to have stabilised somewhat, lending more certainty to purchase decisions. The conflict in the Middle East, however, is leading to higher prices of energy and oil-related products, as well as freight rates. The resulting inflation is negatively affecting consumer sentiment. A further deterioration of the situation in the Middle East could increase prices and tighten supply even further. Compounding this, strong demand from the AI (artificial intelligence) industry is leading to serious shortages of certain electronic components.

⁵ EMSNOW, March 2026

⁶ *Music Trades* magazine, September 2025 edition, based on estimated revenue for the calendar year 2024

Despite this challenging picture, Group revenue is expected to grow in the financial year 2027, with sales of ELPs and TEL products forecast to trend higher, and CMS revenue to hold steady year-on-year. Gross profit margin is projected to decline because of surging material costs.

ELPs revenue for the financial year 2027 is projected to increase, driven by solid anticipated performance across both standalone and platform products. The Group boasts a robust product line-up for the calendar year 2026 that has already garnered good support from retailers.

Sales of standalone products are expected to rebound, fuelled by an expanded range of infant, toddler and preschool offerings. Revenue will be further bolstered by two new additions to the popular Kidi Star™ musical toy line, Rockstar Guitar™ and DJ Mixer Pro™. These will launch alongside a growing portfolio of licensed products featuring popular characters such as *Toy Story*, *Bluey*, *PAW Patrol*, and *Spidey and his Amazing Friends*. Notably, the highly anticipated global launch of LeapFrog's *Toy Story 5 Explore & Learn Lilypad* is expected to deliver good results. Regionally, China will introduce strong line-ups led by a brand-new range featuring the iconic Japanese character *Anpanman*, which is launching alongside three additions to the popular *Peppa Pig* offering. For platform products, sustained growth will be driven by higher sales of the award-winning LeapMove, as it gains broader retailer support and expands its software library, which will feature licensed content and a new two-player module.

TEL product sales are forecast to increase in the financial year 2027, supported by a solid pipeline of new releases. Residential phone sales will benefit from new LTE (long-term evolution) home devices in the US and Europe, while a strengthened Gigaset portfolio is expected to secure further market share gains.

Commercial phones and smartphones will also grow through expanded ranges and product innovation. Key launches include the CrewPTT push-to-talk solution for the multi-cell DECT system, new Wi-Fi phones for the Gigaset Pro range and new Snom SIP desktop models. The next generation of Gigaset smartphones, GX30 and GX50, will add to the momentum. Both models feature rugged designs and replaceable batteries, making them ideal for outdoor and industrial use. Growth will be further supported by the ongoing transfer of the customer's IP phone production to Gigaset's German facilities, alongside upcoming Gigaset headsets currently under development.

Rounding out the TEL products portfolio, innovation continues across the other telecommunication product category, highlighted by the rollout of a new AI-enabled baby monitor in Australia in May 2026 that will reach markets globally over the course of the calendar year 2026.

CMS revenue is projected to remain steady in the financial year 2027, despite ongoing geopolitical uncertainty. Although customers continue to manage operations with lean inventory levels, overall business confidence has shown signs of improvement. Consequently, sales across key product categories, including professional audio equipment and hearables, are expected to remain broadly stable. Alongside this solid foundation, CMS will continue to develop its ODM business.

To meet future demand, the facility expansion in Muar, Malaysia, remains on track for completion by mid-2027. This will double the Group's existing production capacity in the country. Complementing this, the facility in Tecate, Mexico, is now fully operational. Providing comprehensive turnkey electronic manufacturing services to US customers, it further enhances VTech's geographical diversification.

I would like to take this opportunity to thank my fellow directors for their keen insights over the past year, and our colleagues for their dedication to our shared goals. I also extend my gratitude to our customers, suppliers, shareholders and business partners for their continued support. While the global landscape remains uncertain, VTech's core strengths continue to provide stability. Our solid balance sheet, diversified manufacturing capabilities, strong brand portfolio and innovative global product offerings form an enduring foundation for long-term success.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

For the year ended 31 March 2026

	2026 US\$ million	2025 US\$ million	Change US\$ million
Revenue	2,027.5	2,177.2	(149.7)
Gross profit	663.4	686.8	(23.4)
Gross profit margin	32.7%	31.5%	
Other net (expenses) / income	(1.7)	2.5	(4.2)
Total operating expenses	(490.7)	(500.6)	9.9
Total operating expenses as a percentage of revenue	24.2%	23.0%	
Operating profit	171.0	188.7	(17.7)
Operating profit margin	8.4%	8.7%	
Net finance expense	(4.0)	(3.2)	(0.8)
Share of results of an associate	(0.2)	(0.1)	(0.1)
Profit before taxation	166.8	185.4	(18.6)
Taxation	(32.7)	(28.6)	(4.1)
Effective tax rate	19.6%	15.4%	
Profit for the year and attributable to shareholders of the Company	134.1	156.8	(22.7)
Net profit margin	6.6%	7.2%	

Revenue

Group revenue for the year ended 31 March 2026 decreased by 6.9% to US\$2,027.5 million compared with the previous financial year. The decrease in revenue was driven by the decrease in revenue in all regions.

	2026		2025		Increase / (decrease)	
	US\$ million	%	US\$ million	%	US\$ million	%
North America	811.6	40.0%	893.1	41.0%	(81.5)	(9.1%)
Europe	899.9	44.4%	960.7	44.1%	(60.8)	(6.3%)
Asia Pacific	294.7	14.5%	300.9	13.8%	(6.2)	(2.1%)
Other Regions	21.3	1.1%	22.5	1.1%	(1.2)	(5.3%)
	2,027.5	100.0%	2,177.2	100.0%	(149.7)	(6.9%)

Gross Profit / Margin

Gross profit for the financial year 2026 was US\$663.4 million, a decrease of US\$23.4 million or 3.4% compared to the US\$686.8 million recorded in the previous financial year. Gross profit margin for the year, however, increased from 31.5% to 32.7%.

The increase in gross profit margin was mainly attributable to the lower cost of materials arising from the decline in material prices and change in product mix, increase in selling prices and stronger European currencies against US Dollar, as well as the lower freight charges compared with the same period last year. These offset the additional tariffs imposed on the goods imported into the United States, and the increase in direct labour costs largely driven by the increase in minimum wages in China and Malaysia during the year.

Operating Profit / Margin

Operating profit for the year ended 31 March 2026 was US\$171.0 million, a decrease of US\$17.7 million or 9.4% compared with the previous financial year. Operating profit margin also decreased from 8.7% to 8.4%. These were mainly due to the lower gross profit, as well as the higher operating expenses as a percentage of Group revenue compared with the same period last year.

Total operating expenses for the year ended 31 March 2026 decreased from US\$500.6 million to US\$490.7 million as compared with the last financial year. Total operating expenses as a percentage of Group revenue increased from 23.0% to 24.2%.

Selling and distribution costs increased from US\$317.8 million to US\$319.6 million compared with the same period last year. As a percentage of Group revenue, selling and distribution costs increased from 14.6% to 15.8%. It was mainly attributable to the lower Group revenue and the increased spending on advertising and promotional activities as a percentage of Group revenue.

Administrative and other operating expenses decreased from US\$90.9 million to US\$88.2 million compared with the same period last year. The net exchange loss arising from the Group's global operations in the ordinary course of business was US\$2.6 million, as compared with a net exchange loss of US\$1.1 million in the last financial year. Administrative and other operating expenses as a percentage of Group revenue increased from 4.2% to 4.3%.

During the financial year 2026, the research and development expenses were US\$82.9 million, a decrease of 9.8% compared with the previous financial year of US\$91.9 million. It was mainly attributable to the lower employment related costs. Research and development expenses as a percentage of Group revenue decreased from 4.2% to 4.1%.

Effective tax rate

The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting ("BEPS") aims to address tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment. Global Anti-Base Erosion ("GloBE") rules set forth the mechanisms to ensure multinational 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 increase in effective tax rate from 15.4% to 19.6% as compared with the last financial year was mainly due to the implementation of the global minimum tax in Hong Kong with the domestic minimum top-up tax in accordance with the BEPS 2.0 framework.

Profit Attributable to Shareholders and Earnings per Share

Profit attributable to shareholders of the Company for the year ended 31 March 2026 was US\$134.1 million, a decrease of US\$22.7 million or 14.5% as compared to the last financial year. Net profit margin also decreased from 7.2% to 6.6%. The lower net profit and net profit margin was mainly attributable to the lower operating profit and operating profit margin, as well as the higher Group effective tax rate arising from the implementation of BEPS 2.0 with minimum level of tax rate at 15% in each of the jurisdictions where the Group operates.

Basic earnings per share for the year ended 31 March 2026 were US52.9 cents as compared to US62.0 cents in the previous financial year.

Dividends

During the financial year 2026, the Group declared and paid an interim dividend of US17.0 cents per share, which aggregated to US\$43.0 million. The Directors have proposed a final dividend of US36.0 cents per share, which is estimated to be US\$91.3 million.

Liquidity and Financial Resources

Shareholders' funds as at 31 March 2026 were US\$647.3 million, a increase of 0.5% from US\$644.4 million in the last financial year. Shareholders' funds per share as at 31 March 2026 remained at US\$2.55.

The Group had no borrowings as at 31 March 2026 and 31 March 2025.

The Group's financial position remained strong and was debt-free. As at 31 March 2026, the Group had deposits and cash of US\$264.0 million, a decrease of 21.3% as compared to US\$335.6 million as of 31 March 2025. The Group's deposits and cash are predominately denominated in US dollars. The decrease in net cash balance was mainly due to the decrease in net cash generated from operating activities compared with the last financial year. These offset the higher opening cash balance and lower dividend payment compared with the last financial year, as well as the favourable foreign currency exchange movements on the Group's net assets arising from the appreciation of foreign currencies against United States Dollar during the period. The Group has adequate liquidity to meet its current and future working capital requirements.

Analysis of Cash Flow from Operations

	2026 US\$ million	2025 US\$ million	Change US\$ million
Operating profit	171.0	188.7	(17.7)
Depreciation and amortisation	54.9	55.2	(0.3)
EBITDA	225.9	243.9	(18.0)
Fair value loss / (gain) on investments	0.2	(0.9)	1.1
Share-based payment expenses: Share Award Scheme	3.8	3.7	0.1
Share-based payment expenses: Share Option Scheme	0.3	0.4	(0.1)
Impairment of interest in an associate	2.1	-	2.1
Working capital change	(79.4)	8.4	(87.8)
Cash generated from operations	152.9	255.5	(102.6)

The Group's cash generated from operations for the year ended 31 March 2026 was US\$152.9 million, a decrease of US\$102.6 million or 40.2% as compared to US\$255.5 million in the previous financial year. The decrease was mainly attributable to the lower working capital inflow and reduction in EBITDA compared with the previous financial year.

Working Capital Change

	Balance as at 31 March 2025 US\$ million	Hedging and others US\$ million	Working capital change per cash flow US\$ million	Balance as at 31 March 2026 US\$ million
Stocks	360.8	-	42.1	402.9
Trade debtors	267.8	-	(10.1)	257.7
Other debtors, deposits and prepayments	63.4	1.3	29.4	94.1
Trade creditors	(251.8)	-	21.1	(230.7)
Other creditors and accruals	(234.3)	0.2	(2.0)	(236.1)
Provisions for defective goods returns and other liabilities	(27.1)	-	(1.2)	(28.3)
Long service payment liabilities	(0.6)	(0.1)	(0.1)	(0.8)
Net assets on defined benefit scheme	6.2	1.0	0.2	7.4
Total working capital	184.4	2.4	79.4	266.2

Stocks as of 31 March 2026 were US\$402.9 million, increased from US\$360.8 million as of 31 March 2025. The turnover days also increased from 106 days to 128 days. The higher stock level was mainly attributable to the early production of the Group's products to cater for the increased demand in the first half of the financial year 2027, as well as the inclusion of the US tariffs in the inventory of finished goods as at 31 March 2026.

As at 31 March

All figures are in US\$ million unless stated otherwise

	2026	2025
Stocks	402.9	360.8
Average stocks as a percentage of Group revenue	18.8%	16.3%
Turnover days	128 days	106 days

Trade debtors as of 31 March 2026 were US\$257.7 million, decreased from US\$267.8 million as of 31 March 2025. Debtor turnover days, however, increased from 56 days to 60 days. The lower trade debtor balance as at 31 March 2026 was mainly due to the decrease in revenue in the fourth quarter of the financial year 2026 compared with the corresponding period of the previous financial year. The overdue balances greater than 30 days accounted for 2.7% of the gross trade debtors as of 31 March 2026.

As at 31 March

All figures are in US\$ million unless stated otherwise

	2026	2025
Trade debtors	257.7	267.8
Average trade debtors as a percentage of Group revenue	13.0%	11.3%
Turnover days	60 days	56 days

Other debtors, deposits and prepayments as of 31 March 2026 were US\$94.1 million, increased from US\$63.4 million as of 31 March 2025. It was mainly attributable to the purchase of tax reserve certificates amounts of US\$14.6 million.

Trade creditors as of 31 March 2026 were US\$230.7 million, as compared to US\$251.8 million as of 31 March 2025. Creditor turnover days decreased from 97 days to 90 days.

As at 31 March

All figures are in US\$ million unless stated otherwise

	2026	2025
Trade creditors	230.7	251.8
Turnover days	90 days	97 days

Other creditors and accruals as of 31 March 2026 were US\$236.1 million, increased from US\$234.3 million as of 31 March 2025.

Provisions for defective goods returns and other liabilities as of 31 March 2026 were US\$28.3 million, as compared to US\$27.1 million as of 31 March 2025.

Net assets on defined benefit retirement scheme as of 31 March 2026 were US\$7.4 million, as compared to US\$6.2 million as of 31 March 2025.

Treasury Policies

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

Capital Expenditure

For the year ended 31 March 2026, the Group invested US\$31.3 million in the purchase of tangible assets including machinery and equipment, leasehold improvements, office equipment, as well as the improvement of manufacturing working environment.

All of these capital expenditures were financed from internal resources.

Capital Commitments and Contingencies

Capital commitments in the financial year 2027 for ongoing business operations are expected to be US\$46.7 million.

All of these capital commitments will be financed from internal resources.

As of the financial year end date, the Group had no material contingencies.

Employees

The average number of VTech's employees for the financial year 2026 was around 19,500, compared to 20,900 in the previous financial year. Staff related costs for the year ended 31 March 2026 were approximately US\$388 million, as compared to approximately US\$396 million in the financial year 2025.

Review of Operations

North America

Group revenue in North America decreased by 9.1% to US\$811.6 million in the financial year 2026, as sales of ELPs, TEL products and CMS all declined. North America was VTech's second largest market, accounting for 40.0% of Group revenue.

ELPs revenue in North America fell by 12.7% to US\$388.5 million. This was mainly driven by sales declines in the US following the change in US tariff policy. The new tariffs caused a temporary suspension of shipment to the US for several weeks and induced the Group to raise prices for most of its US-bound products, while retailers delayed store sets for the Autumn season. These developments negatively affected orders and in-store sales in the first half of the financial year 2026. Matters improved in the second half, however, with US sales essentially flat as compared with the comparable six-month period of the previous financial year. In the calendar year 2025, the Group—comprising the VTech and LeapFrog brands—retained its leadership in electronic learning toys from infancy through toddler to preschool in the US⁷. In Canada, despite a sales decline in the financial year 2026, the Group maintained its position as the largest manufacturer of infant, toddler and preschool toys⁸.

Standalone products saw sales decrease, with declines across all key product categories. This was mainly due to the lower shipment to the US in the first half of the financial year 2026 following the change in US tariff policy. Core learning products and key product lines all posted sales decreases, for both the VTech and LeapFrog brands. Despite this, seven VTech and LeapFrog products ranked among the top 20 best-selling infant and toddler toys in the US during the calendar year 2025. Notably, VTech's First Steps[®] Baby Walker and LeapFrog's Learning Friends 100 Words Book[™] claimed the second and the fifth position respectively.

Platform products sales grew, driven by new product launches. The LeapFrog brand was boosted by the launch of the exciting new motion-based learning system LeapMove[™], which performed well during the holiday seasons. This offset lower sales of children's educational tablets. Sales of Magic Adventures[®] Globe and the interactive reading system, meanwhile, held steady. By contrast, VTech branded platform products reported a sales decline, mainly because of lower sales of KidiZoom[®] Smartwatch and Touch & Learn Activity Desk[™]. Subscriptions to LeapFrog Academy[™] were stable.

The Group gained eight awards from trusted parenting websites, toy industry experts, toy advisory boards and major retailers in North America during the financial year 2026. In the US, LeapMove made both Walmart's "2025 Top Toys List" and Target's "2025 Bullseye's Top Toys List". VTech's Bluey Road Trip Playset and Get Growing Tractor & Mower Ride-On[™] were named TOTY (Toy of the Year) finalists by The Toy Association, and there were awards from Good Housekeeping for Get Growing Tractor & Mower Ride-On and VTech Baby[®] 4-in-1 Steps & Stages Activity Center[™]. In Canada, VTech Baby 4-in-1 Steps & Stages Activity Center and VTech Baby Explore & Move With Puppy[™] were included in the Walmart and Toys"R"Us "2025 Top Toys" lists, respectively.

TEL products revenue in North America fell by 9.7% to US\$161.5 million in the financial year 2026. Sales of all three categories declined.

⁷ Circana, LLC, 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 12 months ended December 2025

⁸ Circana, LLC, Retail Tracking Service, January – December 2025

Sales of residential phones fell amid the ongoing contraction of the US market. Despite these headwinds, the Group continued to introduce new products and retain its popularity with consumers. The AT&T DLP73290 residential phone saw particularly strong sales throughout the financial year 2026, complemented by a good reception for the new AT&T BL108 cordless phone, which hit US shelves in March 2026. Consequently, the Group—comprising the AT&T and VTech brands— remained the number one cordless phone brand in the US in the financial year 2026⁹.

Commercial phone revenue also experienced a decline, as higher sales of hotel phones were insufficient to offset weakness in SIP (Session Initiation Protocol) phones, multi-line analogue phones and headsets. Growth in the hotel phone category was driven by increasing sales of the “Next Gen” product line. SIP phones, however, recorded fewer sales owing to decreased orders from a customer, though the new Snom D8 series of SIP desktop phones launched successfully in the US and was well received by the market. Multi-line analogue phones posted a decline as the products reached the end of their life cycle, while headset sales were lower due to reduced orders from a customer.

Other telecommunication products reported a sales decrease, as higher sales of IoT (Internet of Things) products were offset by lower sales of baby monitors and CareLine[®] residential phones. IoT products posted higher sales of thermostats for hotel channels. However, this was offset by lower sales of baby monitors due to increasing competition. In addition, CareLine residential phones experienced lower orders owing to weak end-user demand. During the financial year 2026, VTech maintained its position as the number one baby monitor brand in the US and Canada¹⁰. In the US, VTech was accorded a “Women’s Choice Award 2025 - 9 out of 10 Customer Recommended Baby Monitors”.

CMS revenue in North America decreased by 2.9% to US\$261.6 million in the financial year 2026, as lower sales of professional audio equipment and industrial products offset higher sales of IoT products. Professional audio equipment recorded a slight sales decline as orders of audio mixers from a major customer fell. Sales of industrial products also decreased, as there were fewer orders for smart water leakage detectors. This offset higher orders for PCBA (printed circuit board assembly) for vending machines as more employees returned to office-based working. In contrast, IoT products saw sales grow, driven by rising orders for smart basketball hoop game consoles, which have been well received by consumers and are now being sold by major US retailers. Sales of solid-state lighting remained stable.

Orders at the Group’s facility in Tecate in Mexico grew significantly, as more US customers moved their production from China to Mexico. During the financial year 2026, VTech CMS earned three prestigious awards from its US customers in recognition of its outstanding service. These accolades were a “2025 Supplier of the Year” and a “Best Partner Award – Electronics Category” from customers in the professional audio equipment sector, as well as a “2025 Great Operations Partner” award from a solid-state lighting customer.

Europe

Group revenue in Europe decreased by 6.3% to US\$899.9 million in the financial year 2026, as higher sales of ELPs and TEL products were offset by declines for CMS. Europe was VTech’s largest market, accounting for 44.4% of Group revenue.

⁹ Circana, LLC, Retail Tracking Service, Cordless Phone, Dollars and Units, April 2025 – March 2026

¹⁰ Circana, LLC, Retail Tracking Service, US & CA, Baby Monitors, Units, April 2025 – March 2026

ELPs revenue in Europe grew by 1.5% to US\$311.7 million, as higher sales of platform products offset lower sales of standalone products. Geographically, sales rose in France, Spain, the Netherlands and Italy, offsetting declines in the UK and Germany. In the calendar year 2025, the Group retained its position as the largest infant and toddler toys manufacturer in France, the UK, Germany, Spain, the Netherlands and Belgium¹¹.

In the standalone category, sales of LeapFrog were higher, led by infant products, the Magic Adventures line and eco-friendly toys. VTech saw lower sales, as an increase in preschool products, electronic learning aids and the Kidi[®] line failed to offset declines in infant and toddler products, KidiZoom cameras, Switch & Go Dinos[®], Marble Rush[®] and eco-friendly toys.

Platform products saw higher sales, with growth in LeapFrog products offsetting a decline for VTech. The increase at LeapFrog was driven by the launch of LeapMove, higher sales of the interactive reading system and Magic Adventures Globe. For VTech, sales of KidiZoom Smartwatch, children's educational tablets, Touch & Learn Activity Desk and KidiCom[™] all declined.

The Group continued to win accolades across the continent during the financial year 2026. LeapMove and Story'Clock - Ma conteuse-réveil (Sleep & Wake Storyteller[™]) were both named in France's "Grands Prix du Jouet 2025", with LeapMove also bagging an "Approuvé par les Familles 2026" (Approved by Families Award 2026). Music'Kid dello Zecchino d'Oro (Let's Record! Music Player[™]) won "Best Toy – Infant" at the "Gioco per Sempre AWARDS 2025" (Play Forever Toys Award 2025) in Italy, while 3-in-1 Mow & Grow Tractor was named "Best Toy of the Year 2025" by the Spanish Association of Toy Manufacturers. In the UK, LeapMove and LeapStart[®] Reading Buddies Starter Set were award winners in the "Independent Toy Awards", while 3-in-1 Mow & Grow Tractor and LeapStart Reading Buddies were both a "Gold Winner" in the "MadeForMums Toy Awards 2025".

Revenue from TEL products in Europe increased by 6.0% to US\$224.1 million in the financial year 2026. Sales of residential phones, commercial phones and smartphones increased, while those of other telecommunication products posted a decline.

In residential phones, growth was mainly driven by increasing sales of the Gigaset product lines. The launch of new Gigaset models, including entry-level products such as the AD100, Basic 100 and Essential 300 series boosted growth. These were joined by the Comfort 600 SIM which offers consumers the convenience of a home phone without the need for a landline. Sales performed especially well in Germany, France, Italy and Spain. As a result, Gigaset increased its market share and retained its leadership position in the DECT (Digital Enhanced Cordless Telecommunications) phone market in Europe¹².

¹¹ Circana, LLC, Retail Tracking Service, January – December 2025

¹² GfK Retail and Technology UK Limited, EU7, April 2025 – March 2026

Sales of commercial phones and smartphones also increased. This resulted from higher orders from a customer, as well as rising sales of Snom branded SIP phones and Gigaset smartphones. An existing customer has relocated its IP (Internet Protocol) phone production to Gigaset's facilities in Germany to capitalise on the Group's highly automated manufacturing and bolster supply chain resilience. This helped drive Gigaset commercial phone sales higher. It was augmented by the launch of Gigaset's single cell DECT systems and Comfort 500HX for the home and small office market. Snom branded SIP phones also reported growth, driven by the expansion of its single-cell DECT portfolio, catering to small and medium sized enterprises and start-ups. Meanwhile, Gigaset smartphones saw the introduction of several new models. These included the GS6 series that is designed for institutions with strong security and privacy requirements, alongside the GL695 and GL795 models that are specially designed for the elderly. During the financial year 2026, the Gigaset R700H protect PRO business phone was named "Product of the Year" (Category: IP Phones and Conference Solutions) in the *connect professional* "Readers' Choice 2025" awards.

Sales of other telecommunication products in Europe decreased in the financial year 2026. Both baby monitors and CAT-iq (Cordless Advanced Technology—internet and quality) handsets posted sales decreases. Sales of baby monitors fell mainly because of lower sales in the UK market. The decline in CAT-iq handsets resulted from lower orders from customers. During the financial year 2026, the Group's baby monitors and soothers won a large number of awards in the UK, collectively receiving nine awards in the "MadeForMums Tech Awards 2025" and "Dadsnet Awards 2025".

CMS revenue in Europe decreased by 17.7% to US\$364.1 million as lower sales of hearables, home appliances, IoT products, automotive products and smart energy storage systems offset increases for professional audio equipment and communication products, while sales of medical and health products were stable. Sales of hearables decreased significantly. Market demand has fallen since the end of the COVID pandemic and in addition to facing keen competition, the customer's outsourcing strategy has become more focused on ODM (original design manufacturing) services, negatively impacting CMS revenue. Fewer orders for PCBA for washing machines resulted in lower sales of home appliances.

Despite stable demand for smart meters, sales of IoT products declined as orders for internet connected thermostat and air-conditioning controls were affected by a customer's over-inventory as it faced more competition. Automotive products sales trended lower, as orders for electric vehicle chargers declined. Sales of smart energy storage systems were negatively affected by the removal of subsidies by the Swedish government. By contrast, new product launches and market share gains by customers drove professional audio equipment sales higher, while communication products benefitted from higher orders for Wi-Fi routers following new product launches and a reduction in customer inventory. Medical and health products sales were stable, as lower orders for hair removal products were balanced by rising orders for hearing aids.

During the financial year 2026, VTech CMS won four supplier awards in Europe. The professional audio equipment category saw an "Excellence in Manufacturing & Quality 2025" award, a "Strategic Partner Award 2025" and a "Golden Slider 2025" award, while the Group also earned a "25 Years Partnership Award 2025" from a hearables customer.

Asia Pacific

Group revenue in Asia Pacific fell by 2.1% to US\$294.7 million in the financial year 2026, as declines for TEL products and CMS offset growth in ELPs. The region accounted for 14.5% of Group revenue.

Revenue from ELPs in Asia Pacific rose by 4.9% to US\$72.2 million, with increases in Australia and China. In Australia, the launch of LeapMove and increased marketing efforts drove LeapFrog and VTech sales higher. In the calendar year 2025, VTech maintained its position as the largest manufacturer of electronic learning toys from infancy through toddler to preschool in the country¹³. In China, the Go! Go! Smart Wheels® line, eco-friendly toys and role-playing toys sold especially well.

In Australia, the Group's ELPs gained 10 awards in total, with LeapMove winning both "Overall Product of the Year" and "Electronic Product of the Year" from the Australian Toy Association, alongside awards for Peek & Play Learning House, Toot-Toot Drivers Bluey Road Trip Set, Toot-Toot Drivers Learn & Go Train Set and Create & Explore Musical Activity Desk. LeapMove also made the K-Zone and Total Girl Magazines "2025 Toy Awards" together with three other VTech ELPs. In China, VTech won a "25th Anniversary Enterprise Award" given by CBME (Children Baby and Maternity Products Industry Expo), while two VTech products, Tap-a-Peg Wooden Truck™ and My First Motorized Train Set™ won awards from the China Toy & Juvenile Products Association.

TEL products revenue in Asia Pacific decreased by 7.0% to US\$17.4 million owing to lower sales in Australia and Japan. In Australia, sales declined because of lower sales of baby monitors. In Japan, sales were affected by reduced orders for residential phones from an ODM customer.

CMS revenue in Asia Pacific decreased by 3.9% to US\$205.1 million, with lower sales of professional audio equipment, medical and health products and communication products. Although sales of DJ equipment were stable, professional audio equipment sales were down as orders for microphones for KOLs (key opinion leaders) decreased. In medical and health products, sales of diagnostic ultrasound systems fell as the customer lost market share. Communication products sales were affected by lower orders for marine radios as the customer moved further production back in-house as the Japanese yen continued to depreciate. During the financial year 2026, VTech CMS expanded its customer base in China, leveraging the NPI (New Product Introduction) centre in Shenzhen to attract start-ups and other companies in the Greater Bay Areas.

Other Regions

Group revenue in Other Regions, comprising Latin America, the Middle East and Africa, decreased by 5.3% to US\$21.3 million in the financial year 2026. This was mainly due to lower sales of TEL products, which offset an increase for ELPs. Other Regions accounted for 1.1% of Group revenue.

ELPs revenue in Other Regions increased by 8.6% to US\$10.1 million, as growth in the Middle East and Africa offset a decline in Latin America.

TEL products revenue in Other Regions fell by 15.2% to US\$11.2 million as sales decreased in Latin America, the Middle East and Africa.

CMS revenue in Other Regions was immaterial in the financial year 2026.

¹³ Circana, LLC, 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 12 months ended December 2025

CORPORATE GOVERNANCE PRACTICES

The Company is incorporated in Bermuda and has its shares listed on the Stock Exchange. The corporate governance rules applicable to the Company are the Corporate Governance Code (the “CG Code”) set out in Appendix C1 to the Listing Rules. Throughout the financial year ended 31 March 2026, 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.

The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee, and a Risk Management and Sustainability Committee, each with defined terms of reference which are no less exacting than those set out in the applicable provisions of the CG Code. Full details of the Company’s corporate governance practices will be disclosed in the Company’s Annual Report for the year ended 31 March 2026.

REVIEW OF GROUP’S AUDITED CONSOLIDATED FINANCIAL STATEMENTS

On the date of this announcement, the Audit Committee met to review the Group’s audited consolidated financial statements and reports for the year ended 31 March 2026 in conjunction with the Company’s external auditor and senior management before recommending them to the Board for consideration and approval. The financial results of the Group for the year ended 31 March 2026 have been reviewed with no disagreement by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 to the Listing Rules regarding securities transactions for the Directors. The Model Code is also extended to apply to specified employees including the senior management of the Group. After having made specific enquiries, all Directors and specified employees confirmed that they had complied with the required standard of dealings set out in the Model Code regarding securities transactions throughout the year ended 31 March 2026.

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 year ended 31 March 2026.

During the year ended 31 March 2026, 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 470,000 shares of the Company for an aggregate consideration of approximately US\$3.4 million.

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

Hong Kong, 21 May 2026

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