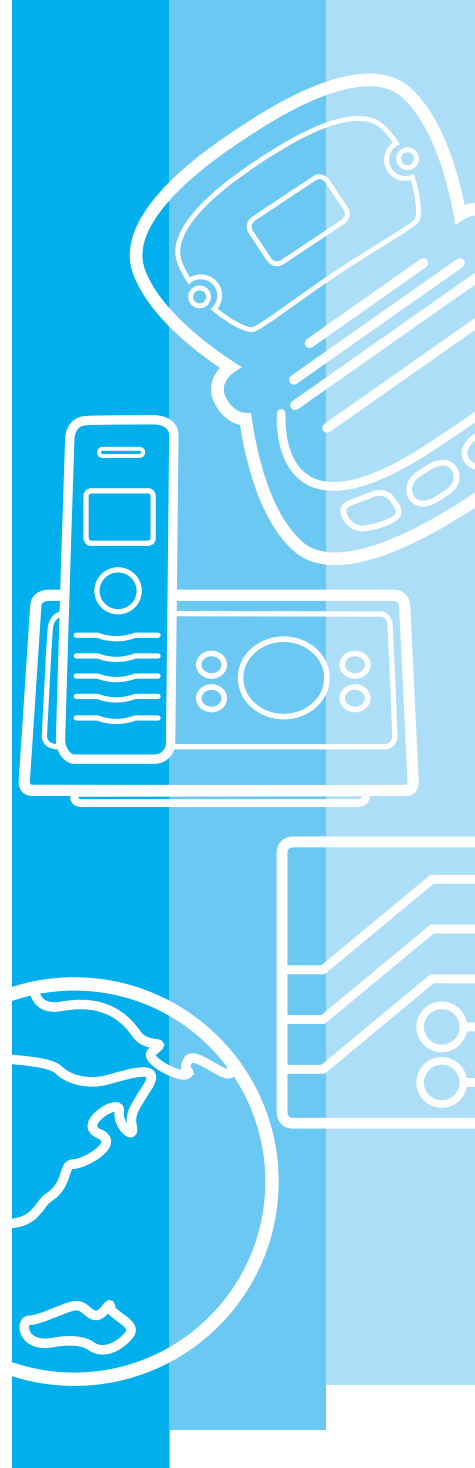


# vtech

VTech Holdings Ltd

HKSE : 303



INTERIM REPORT 中期報告書

**2009/2010**

for the six months ended 30th September 2009

截至二零零九年九月三十日止六個月

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Allan WONG Chi Yun  
*(Chairman and Group Chief Executive Officer)*  
PANG King Fai  
Andy LEUNG Hon Kwong

### Independent Non-Executive Directors

William FUNG Kwok Lun  
Denis Morgie HO Pak Cho  
Michael TIEN Puk Sun  
Patrick WANG Shui Chung

## AUDIT COMMITTEE

Denis Morgie HO Pak Cho *(Chairman)*  
William FUNG Kwok Lun  
Michael TIEN Puk Sun

## NOMINATION COMMITTEE

William FUNG Kwok Lun *(Chairman)*  
Denis Morgie HO Pak Cho  
Michael TIEN Puk Sun  
Patrick WANG Shui Chung  
Allan WONG Chi Yun

## REMUNERATION COMMITTEE

Michael TIEN Puk Sun *(Chairman)*  
William FUNG Kwok Lun  
Denis Morgie HO Pak Cho

## RISK MANAGEMENT COMMITTEE

Allan WONG Chi Yun *(Chairman)*  
PANG King Fai  
Andy LEUNG Hon Kwong

## COMPANY SECRETARY

CHANG Yu Wai

## REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM11  
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  
Hang Seng Bank Limited  
Standard Chartered Bank

## AUDITOR

KPMG  
*Certified Public Accountants*  
Hong Kong

**The first half of the financial year 2010 has been challenging for VTech, given the poor economic conditions in major markets around the world. Although revenue declined, lower material costs and higher productivity contributed to improved gross margin. In addition, better foreign exchange risk management, together with our proven ability to control costs, enabled us to increase both profit attributable to shareholders and the dividend.**

## RESULTS AND DIVIDEND

Group revenue for the six months ended 30th September 2009 decreased by 5.2% to US\$738.0 million. Although the Group achieved sales growth in North America and Asia Pacific, it was insufficient to offset declines in Europe and other regions.

Despite the fall in revenue, profit attributable to equity shareholders increased by 33.0% to US\$91.5 million, and the net margin expanded from 8.8% to 12.3% during the period. The increase in profit and the margin expansion reflect lower material costs and higher operational efficiency, including our ability to engineer products and processes for lower cost. A stronger focus on managing foreign exchange risk enabled us to minimise the impact of fluctuations in the value of foreign currencies against the US dollar.

Earnings per share increased by 31.9% to US37.2 cents, as compared to US28.2 cents in the corresponding period last year. The Board of Directors (the "Board") has declared an interim dividend of US16.0 cents per ordinary share, representing an increase of 33.3% over the same period last year.

## SEGMENT RESULTS

### North America

North America remains the largest market for the Group. Despite poor economic conditions, revenue grew by 5.7% to US\$441.8 million in the first half of the financial year, accounting for 59.9% of Group revenue.

Growth was driven mainly by higher sales of telecommunication (TEL) products, which continue to deliver strong industrial design, rich features and competitive price points. This is supported by our world class supply chain management. The exit of a major competitor also enabled us to continue to gain market share. During the period, TEL sales to North America rose by 31.6% to US\$289.4 million.

VTech is the number one player in the US cordless phone market. This dominant market position notwithstanding, we continue to develop innovative products to strengthen our leadership.

In September, we launched the world's first cordless phone system that can download mobile phonebook directory entries. Using Bluetooth® technology, it allows 1,500 entries to be transferred from each of up to four mobile phones, providing seamless integration between mobile phones and home cordless phones. This gives users the freedom to make and receive mobile and landline calls with the convenience of a cordless handset.

Our first enterprise phone the SB67118, which sells under the AT&T brand, was launched during the period. It is the only small business system in the United States to feature optional DECT 6.0 repeaters, which give an unprecedented talk range. It is ideal for use in multi-level buildings, warehouses, restaurants, distribution centres and similar facilities. This product has been very well received by our customers.

Sales of electronic learning products (ELPs) declined by 25.1% to US\$103.6 million in North America. This was not unexpected. In view of the weak economy, we have placed more emphasis on value in our 2009 product offerings, and have delayed the launch of a major new platform product. Poor consumer sentiment resulted in pressure on more expensive products, leading to lower average selling prices (ASPs) and consequently lower revenue. On the other hand, standalone products, led by the infant category, performed well.

There were two major new product launches during the period, namely Jungle Gym and the Bugsby Reading System (Bugsby). The Jungle Gym line of products, which combines electronic learning, fun and physical activities, has been well received in the market. It is being sold outside the learning aisle and hence opens up an avenue for future growth. Bugsby offers pen touch technology and ease-of-use at an affordable price. The product has received a number of recognitions, including being named "Editor's Choice" by the *Children's Technology Review*. Its market performance so far is in line with expectation.

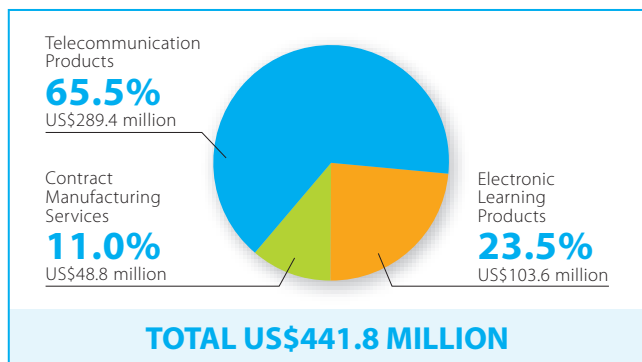
Contract manufacturing services (CMS) saw sales decline in North America, with revenue falling by 18.0% to US\$48.8 million. The decrease in sales partly reflects a comparison with a very strong first half in the financial year 2009. The recession in the United States also led to lower orders across the board.

During the period, CMS was successful in winning business from competitors, demonstrating our ability in providing flexible, high quality services.

# Chairman's Statement

## REVENUE IN NORTH AMERICA BY PRODUCT LINE

for the six months ended 30th September 2009



### Europe

Revenue from Europe declined by 24.4% to US\$225.6 million in the first half of the financial year. It accounted for 30.5% of Group revenue. Sales of TEL products, ELPs and CMS were all lower, as demand weakened in the face of the contraction of the European economies.

We sell our TEL products to customers in Europe on an original design manufacturing (ODM) basis. Sales of these ODM products fell by 24.4% to US\$76.9 million in the first half, following reduced orders from our customers. The magnitude of the decline also reflects the comparison with a strong first half in the financial year 2009.

The co-branded "T-Home/VTech" products, the result of our exclusive agreement with Deutsche Telekom, have been gradually increasing their presence on shelves in the German market since August. We expect an appreciable financial contribution in the second half, as our full range of products will hit the shelves in the fourth quarter of the financial year.

During the period, we also started shipping a small quantity of integrated access devices (IADs). Again, meaningful volumes will be seen only in the second half of the financial year.

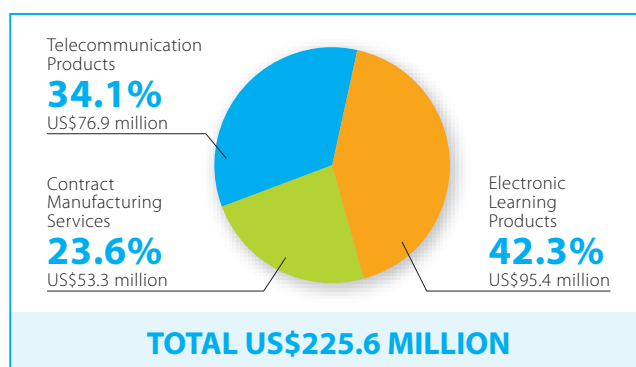
ELP sales to Europe decreased by 26.1% to US\$95.4 million in the first half of the financial year. As in North America, declining consumer spending and lower ASPs depressed revenue. Led by the Kidizoom Camera series, boxed products again fared much better than platform products.

Our ELPs won a number of important accolades in Europe during the period. Among them, the Kidizoom Camera has been named one of the twelve "Dream Toys" for Christmas 2009 by the Toy Retailers Association in the United Kingdom. In Belgium, V.Smile Motion won the "Toy of the Year 2009" award in the electronic games category.

CMS revenue in Europe dropped by 21.0% to US\$53.3 million in the first half, again in part owing to the effect of the exceptional growth recorded in the first half of the previous financial year. The decline resulted from lower sales of switching mode power supplies and wireless products, as customers reduced orders in light of softening consumer demand.

## REVENUE IN EUROPE BY PRODUCT LINE

for the six months ended 30th September 2009



### Asia Pacific

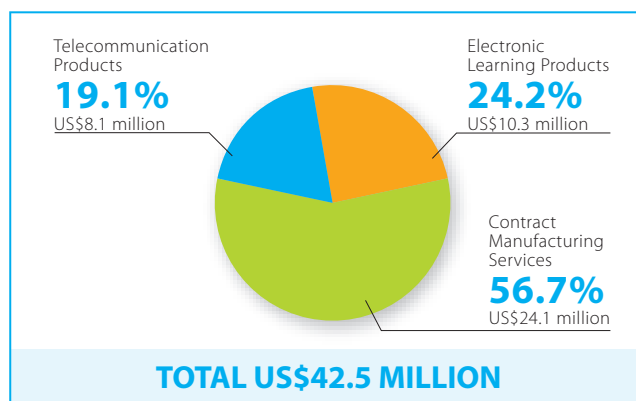
Asia Pacific outperformed other markets during the first half of the financial year, recording solid sales growth. Revenue rose by 35.8% to US\$42.5 million, accounting for 5.8% of Group revenue.

As a growing market for VTech, Asia Pacific recorded increased sales in all product lines. Sales of TEL products reached US\$8.1 million, growing by 9.5% over the same period last year. ELPs also sold well, with an 18.4% increase in sales to US\$10.3 million.

CMS showed the strongest growth in Asia Pacific, with sales rising by 58.6% to US\$24.1 million. Growth was boosted mainly by increasing sales in the area of solid state lighting, where our dedicated design resources and innovative manufacturing processes give us a strong competitive edge.

## REVENUE IN ASIA PACIFIC BY PRODUCT LINE

for the six months ended 30th September 2009



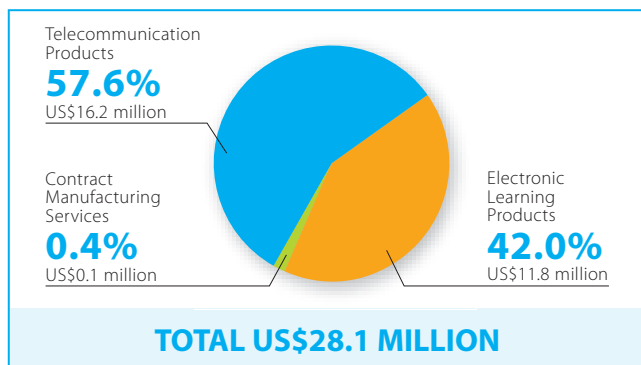
## Other Regions

Revenue from other regions for the first half of the financial year decreased by 9.6% to US\$28.1 million, accounting for 3.8% of Group revenue.

The decrease was attributable to sales declines in both TEL products and ELPs. Other regions comprise mainly markets in Latin America, the Middle East and Africa, which the Group has been developing in recent years for growth.

## REVENUE IN OTHER REGIONS BY PRODUCT LINE

for the six months ended 30th September 2009



## OUTLOOK

Whilst certain economic indicators have turned positive in recent months, suggesting that economic activities may have found some stability, unemployment in our major markets is high. We expect consumer sentiment to remain subdued through the holiday selling season. Consequently, we reiterate the position outlined during our last annual results announcement, that top line growth will not be easy to achieve in the current financial year, despite further gains in market share for TEL products and meaningful sales growth in solid state lighting. We do, however, expect continuous improvement in productivity across our operations, which should allow us to achieve higher profitability year on year.

### North America and Europe

We expect our TEL products in North America to continue to sell well as we gain market share. The second half of the financial year will also be boosted by sales contributions from the recently introduced cordless and enterprise phone products.

In Europe, we expect to see sales pick up for TEL products in the second half of the financial year as orders from existing customers return to normal levels. Sales will be augmented by increasing shipments of IADs and as our full range of co-branded "T-Home/VTech" products appears on the shelves.

We expect, and have planned for a challenging 2009 holiday season for our ELPs, especially in North America and Europe. Meanwhile, a rich line-up of new products, led by exciting new platforms, has been developed for the calendar year 2010. To-date, we have previewed these products with key retail customers in the United States and have received uniform enthusiastic receptions.

We have seen signs of recovery for CMS as the US and the European economies have stabilised. We therefore expect CMS sales in these markets to pick up in the second half, and have already received more orders from existing customers.

### Asia Pacific and Other Regions

Sales in Asia Pacific of our TEL products will benefit as we start to see a contribution from the licensing agreement signed in June with Telstra, the leading telecommunications and information services company based in Australia. We will also continue to expand our presence in other regions.

Our strategy will be to focus more efforts on developing Asia Pacific and other markets for ELPs, as demand for both electronic toys and educational products is growing rapidly in these regions.

For CMS, we see good opportunities in solid state lighting, which is currently limited mainly to commercial use because of its higher price. Governments around the world are looking to cut carbon emissions, in part through mandating the use of more energy efficient light bulbs. This is giving considerable impetus to the market for solid state lighting and VTech is well placed to capture this opportunity.

## CONCLUSION

VTech is a company with market leadership position, a strong balance sheet and a highly efficient operation. Despite the challenging environment, we continue to post solid results. We will continue to focus on product innovation and geographic expansion in pursuit of growth, while managing costs and risks to enhance profitability. VTech is well positioned to take advantage of the recovery in the global economy.

### Allan WONG Chi Yun

Chairman

Hong Kong, 25th November 2009

# Management Discussion and Analysis

## REVENUE

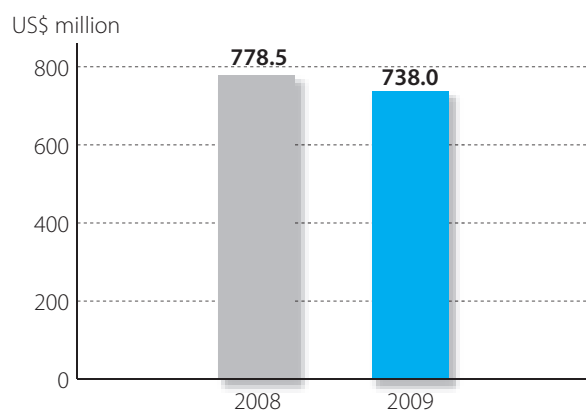
Group revenue for the six-month period ended 30th September 2009 decreased by 5.2% over the corresponding period of the previous financial year to US\$738.0 million. This was the result of a decrease in revenue from the European market and other regions, which contrasted with an increase in revenue at North American market and Asia Pacific regions. Revenue from the North American market was US\$441.8 million, an increase of 5.7% over the same period of the last financial year, and accounting for 59.9% of Group revenue. In Asia Pacific, revenue increased by 35.8% to US\$42.5 million, representing 5.8% of Group revenue. Sales to Europe declined by 24.4% to US\$225.6 million, accounting for 30.5% of Group revenue. Revenue from other regions decreased by 9.6% to US\$28.1 million, representing 3.8% of Group revenue.

The increase in revenue from North America was mainly due to higher sales of TEL products, which offset a decrease in the revenue of ELPs and CMS. Revenue from TEL products in North America was US\$289.4 million, an increase of 31.6% over the same period of the previous financial year. Growth in TEL revenue was mainly driven by increase in market share, strong industrial design and competitive product price points of TEL products. For ELPs, revenue decreased by 25.1% to US\$103.6 million, mainly as a result of a decrease in sales of platform products. Revenue from CMS fell by 18.0% to US\$48.8 million. The decrease in sales partly reflects a comparison with a very strong first half of the financial year 2009.

The European market saw a decline in revenue in TEL products, ELPs and CMS. For TEL products, which we sell in Europe on an ODM basis, revenue decreased by 24.4% to US\$76.9 million over the corresponding period of the previous financial year. The decrease was mainly attributable to reduced orders from customers. Sales of ELPs to Europe declined to US\$95.4 million, a decrease of 26.1%. The decrease resulted from declining consumer demand and lower average selling prices of ELPs. Revenue from CMS fell by 21.0% to US\$53.3 million. The decrease was mainly due to lower sales in the areas of switching mode power supplies and wireless products.

## GROUP REVENUE

for the six months ended 30th September

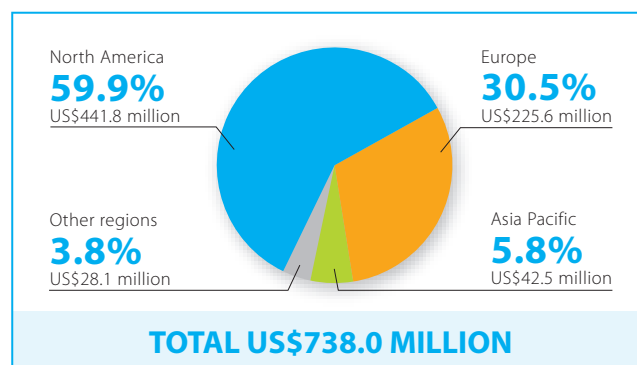


Revenue growth in Asia Pacific was mainly driven by an increase in sales of CMS. Revenue from CMS increased by 58.6% to US\$24.1 million over the previous financial period as a result of strong demand from customers in the area of solid state lighting. For TEL products, revenue from Asia Pacific increased by 9.5% to US\$8.1 million. Sales of ELPs to Asia Pacific increased by 18.4% to US\$10.3 million in current financial period as a result of increased sales of platform and standalone products.

For other regions, revenue decrease was mainly attributable to a sales decline in both TEL products and ELPs. Sales of TEL products to other regions in the first six months of current financial year was US\$16.2 million, a decrease of 5.8% over the same period of financial year 2009. Revenue of ELPs from other regions decreased by 15.1% to US\$11.8 million in current financial period.

## GROUP REVENUE BY REGION

for the six months ended 30th September 2009



## GROSS PROFIT/MARGIN

The gross profit for the six-month period ended 30th September 2009 was US\$254.5 million, a decrease of US\$8.9 million or 3.4% compared to the US\$263.4 million recorded in the previous financial period. Gross profit margin for the period increased from 33.8% to 34.5%. The Group was able to improve gross profit margin because of lower material costs and measures taken to enhance efficiency in the manufacturing process and raise productivity.

## OPERATING PROFIT/MARGIN

The operating profit for the six-month period ended 30th September 2009 was US\$100.7 million, an increase of US\$25.9 million or 34.6% over the corresponding period of previous financial year. The operating profit margin also increased from 9.6% in the previous financial period to 13.6% in the current financial period.

Selling and distribution costs decreased by 17.4% from US\$117.5 million in the first six months of the previous financial year to US\$97.0 million in the current financial period. The decrease was mainly attributable to decreased spending on advertising and promotional activities by the Group. As a percentage of Group revenue, selling and distribution costs decreased from 15.1% in the previous financial period to 13.1% in the current financial period.

# Management Discussion and Analysis

Administrative and other operating expenses decreased from US\$41.5 million in the previous financial period to US\$29.3 million in the current financial period. An exchange gain of US\$0.9 million arising from the Group's global operations in the ordinary course of business was recorded under administrative and other operating expenses in the current financial period. This contrasted with an exchange loss of US\$11.2 million recorded in the previous financial period owing to the depreciation of the Euro and Sterling against the US dollar. Excluding the effect of exchange differences, the administrative and other operating expenses decreased slightly by US\$0.1 million compared to the previous financial period. Administrative and other operating expenses as a percentage of Group revenue, excluding the effect of exchange differences, increased slightly from 3.9% in the previous financial period to 4.1% in the current financial period.

Research and development activities are vital for the long-term development of the Group. During the first half of the financial year 2010, the research and development expense was US\$27.5 million, a decrease of 7.1% over the previous financial period. Research and development expenses as a percentage of Group revenue decreased from 3.8% in the previous financial period to 3.7% in the current financial period.

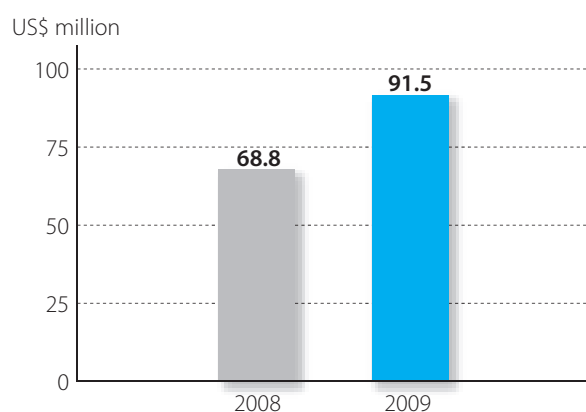
## NET PROFIT AND DIVIDEND

The profit attributable to equity shareholders of the Company for the period ended 30th September 2009 was US\$91.5 million, an increase of US\$22.7 million as compared to the corresponding period of previous financial year.

Basic earnings per share for the period ended 30th September 2009 were US37.2 cents as compared to US28.2 cents in the first half of the previous financial year. Since the balance sheet date, the directors have declared an interim dividend of US16.0 cents per share, which will aggregate to US\$39.5 million.

## PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

for the six months ended 30th September



## LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial resources remain strong. As at 30th September 2009, the Group had net cash of US\$229.9 million and was debt-free. The Group has adequate liquidity to meet its current and future working capital requirements.

## 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 and to minimise the Group's financial risks. The Group cautiously uses derivatives, principally forward foreign exchange contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions for speculative purposes.

## WORKING CAPITAL

The stock balance as at 30th September 2009 was US\$197.8 million, as compared to US\$128.0 million as at 31st March 2009. The increase in stock level was primarily to cater for the increased demand for the Group's products in the second half of the financial year 2010. The turnover days for stock stood at 98 days compared to 95 days in the corresponding period of the last financial year.

The trade debtors balance as at 30th September 2009 was US\$280.4 million, as compared to US\$154.0 million as at 31st March 2009. The increase in trade debtors was mainly due to increased sales of TEL products in the first six months period of financial year 2010. The turnover days for trade debtors stood at 55 days compared to 62 days in the corresponding period of the last financial year.

## CAPITAL EXPENDITURE AND CONTINGENCIES

For the period ended 30th September 2009, the Group invested US\$18.1 million in the purchase of plant and machinery, equipment, computer systems and other tangible assets. All of these capital expenditures were financed from internal resources.

As of the financial period end date, the directors have been advised that certain accusations of infringements of patents have been lodged against the Company and its subsidiaries. Such accusations are strenuously refuted and vigorously defended. In the opinion of the legal counsel, it is too early to evaluate the outcome of these cases and provisions have been made only to the extent that the amounts can be reliably estimated.

# Interim Financial Report

## CONSOLIDATED INCOME STATEMENT

	Note	<b>(Unaudited)</b> <b>Six months ended</b> <b>30th September</b>		<b>(Audited)</b> <b>Year ended</b> <b>31st March</b>
		<b>2009</b>	<b>2008</b>	<b>2009</b>
		<b>US\$ million</b>	<b>US\$ million</b>	<b>US\$ million</b>
<b>Revenue</b>	3	<b>738.0</b>	778.5	1,448.2
Cost of sales		<b>(483.5)</b>	(515.1)	(920.7)
<b>Gross profit</b>		<b>254.5</b>	263.4	527.5
Selling and distribution costs		<b>(97.0)</b>	(117.5)	(232.1)
Administrative and other operating expenses		<b>(29.3)</b>	(41.5)	(84.2)
Research and development expenses		<b>(27.5)</b>	(29.6)	(56.9)
<b>Operating profit</b>	3&4	<b>100.7</b>	74.8	154.3
Net finance income		<b>1.0</b>	3.5	4.7
<b>Profit before taxation</b>		<b>101.7</b>	78.3	159.0
Taxation	5	<b>(10.6)</b>	(9.5)	(15.8)
<b>Profit for the period/year</b>		<b>91.1</b>	68.8	143.2
<b>Attributable to:</b>				
Equity shareholders of the Company		<b>91.5</b>	68.8	143.2
Minority interests		<b>(0.4)</b>	–	–
<b>Profit for the period/year</b>		<b>91.1</b>	68.8	143.2
<b>Interim dividend</b>	6	<b>39.5</b>	29.5	29.5
<b>Final dividend</b>	6			100.8
<b>Earnings per share (US cents)</b>	7			
– Basic		<b>37.2</b>	28.2	58.5
– Diluted		<b>37.1</b>	28.0	58.4

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>(Unaudited)</b> <b>Six months ended</b> <b>30th September</b>		<b>(Audited)</b> <b>Year ended</b> <b>31st March</b>
		<b>2009</b>	<b>2008</b>	<b>2009</b>
		<b>US\$ million</b>	<b>US\$ million</b>	<b>US\$ million</b>
<b>Profit for the period/year</b>		<b>91.1</b>	68.8	143.2
<b>Other comprehensive income (after tax and reclassification adjustments)</b>				
Realisation of hedging reserve		<b>0.3</b>	(0.4)	(0.6)
Fair value gains on hedging during the period/year		–	1.4	1.3
Exchange translation differences		<b>7.7</b>	(5.3)	(14.6)
Surplus arising on revaluation of properties		–	–	4.8
Other comprehensive income for the period/year		<b>8.0</b>	(4.3)	(9.1)
<b>Total comprehensive income for the period/year</b>		<b>99.1</b>	64.5	134.1
<b>Attributable to:</b>				
Equity shareholders of the Company		<b>99.5</b>	64.5	134.1
Minority interests		<b>(0.4)</b>	–	–
<b>Total comprehensive income for the period/year</b>		<b>99.1</b>	64.5	134.1

The notes on pages 9 to 13 form part of this Interim Financial Report.

## CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) 30th September 2009 US\$ million	2008 US\$ million	(Audited) 31st March 2009 US\$ million
<b>Non-current assets</b>				
Tangible assets		101.6	101.5	99.9
Leasehold land payments		3.7	3.8	3.8
Deferred tax assets		9.2	9.4	5.2
Investments		0.2	0.2	0.2
		<b>114.7</b>	114.9	109.1
<b>Current assets</b>				
Stocks		197.8	207.3	128.0
Debtors and prepayments	8	311.4	377.0	190.2
Financial assets at fair value through profit or loss		–	19.3	4.9
Taxation recoverable		0.4	0.3	3.1
Deposits and cash		229.9	143.7	287.2
		<b>739.5</b>	747.6	613.4
<b>Current liabilities</b>				
Creditors and accruals	9	(339.4)	(395.5)	(232.9)
Provisions		(51.4)	(48.5)	(41.8)
Taxation payable		(12.6)	(16.1)	(3.3)
		<b>(403.4)</b>	(460.1)	(278.0)
<b>Net current assets</b>		<b>336.1</b>	287.5	335.4
<b>Total assets less current liabilities</b>		<b>450.8</b>	402.4	444.5
<b>Non-current liabilities</b>				
Deferred tax liabilities		(4.0)	(3.3)	(4.3)
<b>Net assets</b>		<b>446.8</b>	399.1	440.2
<b>Capital and reserves</b>				
Share capital	10	12.3	12.3	12.3
Reserves		431.8	386.8	427.9
<b>Total shareholders' fund attributable to equity shareholders of the Company</b>		<b>444.1</b>	399.1	440.2
Minority interests	11	2.7	–	–
<b>Shareholders' funds</b>		<b>446.8</b>	399.1	440.2

The notes on pages 9 to 13 form part of this Interim Financial Report.

# Interim Financial Report

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

For the six months ended 30th September 2009 – unaudited

	Attributable to equity shareholders of the Company										Total Shareholders' funds US\$ million
	Note	Share capital US\$ million	Share premium US\$ million	Properties revaluation reserve US\$ million	Revenue reserve US\$ million	Exchange reserve US\$ million	Capital reserve US\$ million	Hedging reserve US\$ million	Total US\$ million	Minority interests US\$ million	
<b>At 1st April 2008</b>		12.1	98.3	6.1	318.3	16.7	1.8	(1.0)	452.3	–	452.3
<b>Changes in equity for the six months ended 30th September 2008</b>											
Total comprehensive income for the period		–	–	–	68.8	(5.3)	–	1.0	64.5	–	64.5
Dividends approved and paid during the period	6	–	–	–	(125.4)	–	–	–	(125.4)	–	(125.4)
Shares issued under share option scheme	10	0.2	6.6	–	–	–	–	–	6.8	–	6.8
Equity-settled share based payments		–	1.9	–	–	–	(1.0)	–	0.9	–	0.9
<b>At 30th September 2008</b>		<b>12.3</b>	<b>106.8</b>	<b>6.1</b>	<b>261.7</b>	<b>11.4</b>	<b>0.8</b>	<b>–</b>	<b>399.1</b>	<b>–</b>	<b>399.1</b>
<b>At 1st April 2009</b>		12.3	106.9	10.9	306.6	2.1	1.7	(0.3)	440.2	–	440.2
<b>Changes in equity for the six months ended 30th September 2009</b>											
Total comprehensive income for the period		–	–	–	91.5	7.7	–	0.3	99.5	(0.4)	99.1
Dividends approved and paid during the period	6	–	–	–	(101.2)	–	–	–	(101.2)	–	(101.2)
Shares issued under share option scheme	10	–	5.2	–	–	–	–	–	5.2	–	5.2
Equity-settled share based payments		–	0.7	–	–	–	(0.3)	–	0.4	–	0.4
Minority interests of a subsidiary acquired during the period		–	–	–	–	–	–	–	–	3.1	3.1
<b>At 30th September 2009</b>		<b>12.3</b>	<b>112.8</b>	<b>10.9</b>	<b>296.9</b>	<b>9.8</b>	<b>1.4</b>	<b>–</b>	<b>444.1</b>	<b>2.7</b>	<b>446.8</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) Six months ended 30th September 2009		(Audited) Year ended 31st March 2009
	US\$ million	2008 US\$ million	US\$ million
<b>Net cash generated from/(used in) operating activities</b>	<b>41.5</b>	(4.5)	177.9
<b>Net cash generated from/(used in) investing activities</b>	<b>4.8</b>	(21.1)	(62.1)
<b>Net cash used in financing activities</b>	<b>(95.9)</b>	(118.6)	(148.0)
Effect of exchange rate changes	<b>6.9</b>	2.5	(11.0)
<b>Decrease in cash and cash equivalents</b>	<b>(42.7)</b>	(141.7)	(43.2)
Cash and cash equivalents at beginning of period/year	<b>242.2</b>	285.4	285.4
<b>Cash and cash equivalents at end of period/year</b>	<b>199.5</b>	143.7	242.2
<b>Analysis of the balance of cash and cash equivalents</b>			
Deposits and cash in the consolidated balance sheet	<b>229.9</b>	143.7	287.2
Less: Bank deposits with maturity greater than three months	<b>(30.4)</b>	–	(45.0)
<b>Cash and cash equivalents in the condensed consolidated cash flow statement</b>	<b>199.5</b>	143.7	242.2

The notes on pages 9 to 13 form part of this Interim Financial Report.

# Notes to the Unaudited Interim Financial Report

## 1 BASIS OF PREPARATION

The Directors are responsible for preparing this Interim Financial Report in accordance with applicable law and regulations. The unaudited interim financial report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") including compliance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting adopted by the International Accounting Standards Board ("IASB").

The same accounting policies adopted in the 2009 annual financial statements have been applied to the Interim Financial Report except for the changes mentioned 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 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for 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 the Auditing Practices Board guidance on "Review of Interim Financial Information".

The financial information relating to the financial year ended 31st March 2009 included in the Interim Financial Report does not constitute the Company's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31st March 2009 are available at the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15th June 2009.

## 2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

IAS 1 (Revised)	Presentation of financial statements
IFRS 8	Operating segments

### *IAS 1 (Revised) – Presentation of financial statements*

As a result of the adoption of IAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in shareholders' funds. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in shareholders' funds has been adopted in the Interim Financial Report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

### *IFRS 8 – Operating segments*

IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's senior executive management, and has resulted in amended disclosure being presented (see note 3). As this is the first period in which the Group has presented segment information in accordance IFRS 8, additional explanations have been included in the Interim Financial Report which explain the basis of preparation of the information. Corresponding amounts have been restated on a basis consistent with the revised segment information.

The adoption of other new and revised IFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods.

## 3 SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by geography. Upon its first time adoption of 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
- Others segment covers sales of electronic products to rest of the world, some of which are sourced from within the Group.

## Notes to the Unaudited Interim Financial Report

### 3 SEGMENT INFORMATION (CONTINUED)

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

Each of the above reportable segments primarily derive their revenue from the sale of telecommunication products, electronic learning products and contract manufacturing service to customers in the geographical region.

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:

#### (a) Segment revenues and results

Revenue is allocated to the reporting segment based on the local entities' 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 (including inter-segment sales).

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

#### (b) Segment assets

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets including taxation recoverable and interests in associates.

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

	Reportable segment revenue (Unaudited) Six months ended 30th September		Reportable segment profit (Unaudited) Six months ended 30th September		Reportable segment assets (Unaudited) (Audited)	
	2009	2008	2009	2008	30th September 2009	31st March 2009
	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
North America	441.8	417.8	52.8	27.4	190.2	124.9
Europe	225.6	298.3	32.4	37.2	131.6	65.1
Asia Pacific	42.5	31.3	8.8	5.2	519.7	521.1
Others	28.1	31.1	6.7	5.0	2.9	2.9
	<b>738.0</b>	778.5	<b>100.7</b>	74.8	<b>844.4</b>	714.0

### 4 OPERATING PROFIT

The operating profit is arrived at after charging/(crediting) the following:

	(Unaudited) Six months ended 30th September	
	2009	2008
	US\$ million	US\$ million
Depreciation of tangible assets	17.5	15.7
Loss on disposal of tangible assets	-	0.2
Net foreign exchange (gain)/loss	(6.9)	11.6
Net loss/(gain) on forward foreign exchange contracts	6.0	(0.4)

### 5 TAXATION

	(Unaudited) Six months ended 30th September	
	2009	2008
	US\$ million	US\$ million
<b>Company and subsidiaries</b>		
Income tax		
– Hong Kong	12.5	10.1
– Overseas	2.3	3.1
Deferred tax		
– Origination and reversal of temporary differences	(4.2)	(3.7)
	<b>10.6</b>	9.5
Income tax	14.8	13.2
Deferred tax	(4.2)	(3.7)
	<b>10.6</b>	9.5

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

# Notes to the Unaudited Interim Financial Report

## 6 DIVIDENDS

(a) Dividends attributable to the period:

	(Unaudited) Six months ended 30th September 2009		2008
	US\$ million	US\$ million	US\$ million
Interim dividend of US16.0 cents (2008: US12.0 cents) per share declared	39.5		29.5

The interim dividend was proposed after the balance sheet date and has not been recognised as liabilities at the balance sheet date.

(b) At a meeting held on 15th June 2009, the directors proposed a final dividend of US41.0 cents (2008: US51.0 cents) per ordinary share for the year ended 31st March 2009, which was estimated to be US\$100.8 million at the time calculated on the basis of the ordinary shares in issue as at 31st March 2009. The final dividend was approved by shareholders at the Annual General Meeting on 7th August 2009. As a result of shares issuance upon exercise of share options during the period between 1st April 2009 and 7th August 2009, the final dividend paid in respect of the year ended 31st March 2009 totaled US\$101.2 million (2008: US\$125.4 million).

## 7 EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the profit attributable to equity shareholders of the Company of US\$91.5 million (2008: US\$68.8 million).

The calculation of basic earnings per share is based on the weighted average of 246.2 million (2008: 243.8 million) ordinary shares in issue during the period. The calculation of diluted earnings per share is based on 246.9 million (2008: 245.4 million) ordinary shares which is the weighted average number of ordinary shares in issue during the period after adjusting for the number of dilutive potential ordinary shares under the employee share option scheme.

## 10 SHARE CAPITAL AND SHARE OPTIONS

(a) *Share Capital*

	(Unaudited) 30th September 2009		(Audited) 31st March 2009	
	US\$ million		US\$ million	
<i>Authorised</i>				
Ordinary shares: 400,000,000 (31st March 2009: 400,000,000) of US\$0.05 each		20.0		20.0

	(Unaudited) 30th September 2009		(Audited) 31st March 2009	
	No. of shares	US\$ million	No. of shares	US\$ million
<i>Issued and fully paid</i>				
Ordinary shares of US\$0.05 each:				
At beginning of period/year	245,852,133	12.3	242,577,133	12.1
Issued shares upon exercise of share options	1,048,000	–	3,275,000	0.2
At end of period/year	246,900,133	12.3	245,852,133	12.3

## 8 DEBTORS AND PREPAYMENTS

Debtors and prepayments of US\$311.4 million (31st March 2009: US\$190.2 million) includes trade debtors of US\$280.4 million (31st March 2009: US\$154.0 million).

An ageing analysis of net trade debtors by transaction date is as follows:

	(Unaudited) 30th September 2009		(Audited) 31st March 2009	
	US\$ million		US\$ million	
0-30 days	175.7			67.2
31-60 days	72.2			43.4
61-90 days	29.3			22.6
>90 days	3.2			20.8
Total	280.4			154.0

The majority of the Group's sales are on letter 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

Creditors and accruals of US\$339.4 million (31st March 2009: US\$232.9 million) includes trade creditors of US\$173.5 million (31st March 2009: US\$102.4 million).

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

	(Unaudited) 30th September 2009		(Audited) 31st March 2009	
	US\$ million		US\$ million	
0-30 days	75.6			49.2
31-60 days	60.0			30.9
61-90 days	25.4			10.2
>90 days	12.5			12.1
Total	173.5			102.4

# Notes to the Unaudited Interim Financial Report

## 10 SHARE CAPITAL AND SHARE OPTIONS (CONTINUED)

### (b) Share Options

Pursuant to the share option scheme adopted on 10th August 2001 (the "2001 Scheme"), the directors are authorised, at any time during the 10 years from the said date of adoption of the 2001 Scheme, to grant options to full time employees of the Company or subsidiaries of the Group, including executive directors (but excluding non-executive directors) or any other person who devotes substantially all of his/her time and efforts to the business, management and operation of the Company and/or any subsidiary of the Group to subscribe for shares in the

Company at prices to be determined by the directors in accordance with the requirements of the Listing Rules.

As at 30th September 2009, the number of shares issuable under the options granted pursuant to the 2001 Scheme was 2,950,000, which represented approximately 1.2% of the issued share capital of the Company. The movements in the number of share options under the 2001 Scheme during the period were as follows:

Date of grant	Exercise price	Exercisable period (Note 1)	Balance in issue at 1st April 2009	Number of share options exercised during the period	Balance in issue at 30th September 2009
23rd March 2005	HK\$11.41	23rd March 2008 to 22nd April 2010	80,000	(80,000) (Note 2)	–
17th April 2008	HK\$41.07	23rd April 2009 to 29th April 2011	1,306,000	(968,000) (Note 3)	338,000
17th April 2008	HK\$41.07	23rd April 2010 to 29th April 2012	1,306,000	–	1,306,000
17th April 2008	HK\$41.07	23rd April 2011 to 29th April 2013	1,306,000	–	1,306,000
			<u>3,998,000</u>	<u>(1,048,000)</u>	<u>2,950,000</u>

Notes:

- Due to the large number of employees participating in the 2001 Scheme, the relevant information can only be shown within a reasonable range in this Interim Report. The 2001 Scheme does not specify any minimum holding period before the option can be exercised but the Board has the authority to determine the minimum holding period at the time of grant of any particular option.
- An aggregate of 80,000 share options were exercised at the exercise price of HK\$11.41 per share during the financial period. The weighted average closing prices of the shares of the Company immediately before the dates on which the options were exercised and at the dates of exercise were HK\$58.71 per share and HK\$55.93 per share, respectively.
- An aggregate of 968,000 share options were exercised at the exercise price of HK\$41.07 per share during the financial period. The weighted average closing prices of the shares of the Company immediately before the dates on which the options were exercised and at the dates of exercise were HK\$58.36 per share and HK\$55.79 per share, respectively.
- No options were granted, lapsed or cancelled during the financial period.

Share option expenses charged to the consolidated income statement are determined using the Black-Scholes option pricing model based on the following assumptions:

	Date of grant			
	23rd March 2005 (Note 1)	17th April 2008 (Note 2)	17th April 2008 (Note 2)	17th April 2008 (Note 2)
Fair value of each share option as of the date of grant	HK\$3.1	HK\$5.18	HK\$5.76	HK\$5.95
Closing price at the date of grant	HK\$11.4	HK\$40.1	HK\$40.1	HK\$40.1
Exercise price	HK\$11.41	HK\$41.07	HK\$41.07	HK\$41.07
Expected volatility	47.5%	43.33%	43.33%	43.33%
Annual risk-free interest rate	4.0%	1.22%	1.56%	1.88%
Expected average life of options	3.5 years	1.5 years	2.5 years	3.5 years
Expected dividend yield (Note 3)	5.5%	10.3%	10.3%	10.3%
Exercisable period	23rd March 2008 to 22nd April 2010	23rd April 2009 to 29th April 2011	23rd April 2010 to 29th April 2012	23rd April 2011 to 29th April 2013

Notes:

- The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the one year immediately preceding the grant date.
- The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the two years immediately preceding the grant date.
- Expected dividend yield is based on historical dividends over one year prior to grant date.
- Changes in the subjective input assumptions could significantly affect the fair value estimate.

# Notes to the Unaudited Interim Financial Report

## 11 MINORITY INTERESTS

Minority interests represent the equity interests and the share of loss attributable to outside shareholders in respect of the non-wholly owned subsidiary of the Group which commenced operations during the period.

## 12 CAPITAL COMMITMENTS

	(Unaudited) 30th September 2009 US\$ million	(Audited) 31st March 2009 US\$ million
Capital commitments for property, plant and equipment:		
Authorised but not contracted for	8.3	18.0
Contracted but not provided for	25.9	25.9
	<b>34.2</b>	<b>43.9</b>

## 13 CONTINGENT LIABILITIES

The directors have been advised that certain accusations of infringements of patents, trademarks and tradenames have been lodged against the Company and its subsidiaries. In the opinion of the legal counsel, it is too early to evaluate the outcome of these claims and provisions have been made only to the extent that the amounts can be reliably estimated.

Certain subsidiaries of the Group are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed 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.

As at 30th September 2009, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries related to overdrafts, short term loans and credit facilities of up to US\$233.4 million (31st March 2009: US\$233.4 million). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was US\$Nil.

As at the period end date, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

## 14 COMPARATIVE FIGURES

As a result of the application of IAS 1 (revised), Presentation of financial statements, and IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation. Further details of these developments are disclosed in note 2.

## 15 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31ST MARCH 2010

Up to the date of issue of these interim financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting period ending 31st March 2010 and which have not been adopted in these interim financial statements:

	Effective for accounting period beginning on or after
IFRS 3 (Revised), Business combinations	1st July 2009
Amendments to IAS 27, Consolidated and separate financial statements	1st July 2009
Amendments to IAS 39, Financial instruments: Recognition and measurement – Eligible hedged items	1st July 2009
IFRIC 17, Distributions of non-cash assets to owners	1st July 2009
Improvements to IFRSs 2009	1st July 2009 or 1st January 2010

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of this interim financial report, the Group believes that the adoption of the above amendments, new standards and new interpretations is unlikely to have a significant impact on the Group's results of operations and financial position.

## 16 APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the Board on 25th November 2009.

## Disclosure of Interests

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September 2009, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and

Futures Ordinance (the "SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

#### (1) Interests in the Company

Name of director	Number of shares			Equity derivatives (share options)	Total	Approximate percentage of shareholding
	Personal interest	Family interest	Other interest			
Allan WONG Chi Yun	18,150,393	3,968,683	74,101,153 (Note 1)	992,000	97,212,229	39.4%
PANG King Fai	50,000	–	–	744,000	794,000	0.3%
Andy LEUNG Hon Kwong	124,500	–	–	248,000	372,500	0.2%
William FUNG Kwok Lun	449,430	–	592,200 (Note 2)	–	1,041,630	0.4%
Michael TIEN Puk Sun	–	211,500 (Note 3)	211,500 (Note 3)	–	423,000	0.2%
Patrick WANG Shui Chung	12,000	–	–	–	12,000	–

Notes:

- (1) The shares were held as to 1,416,325 directly by Honorex Limited ("Honorex"), as to 65,496,225 directly by Conquer Rex Limited ("Conquer Rex") and as to 7,188,603 directly by Twin Success Pacific Limited ("Twin Success"). Conquer Rex was a wholly owned subsidiary of Honorex. Each of Conquer Rex, Honorex and Twin Success was a wholly owned subsidiary of Trustcorp Limited as the trustee of The Wong Chung Man 1984 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun ("Dr. WONG"), a director of the Company, was the founder. Trustcorp Limited was therefore deemed to have an aggregate indirect interest in 74,101,153 shares. Honorex was also deemed to have an indirect interest in the 65,496,225 shares.
- (2) The shares were registered in the name of Golden Step Limited which was beneficially owned by Dr. William FUNG Kwok Lun.
- (3) The shares were registered in the name of Romsley International Limited which was jointly owned by Mr. Michael TIEN Puk Sun and his spouse.
- (4) All the interests stated above represented long positions.

#### (2) Share Options of the Company

Name of director	Date of grant	Exercise price	Exercisable period	Number of share options held	
				as at 1st April 2009	as at 30th September 2009
Allan WONG Chi Yun	17th April 2008	HK\$41.07	24th April 2009 to 23rd April 2011	496,000	–
	17th April 2008	HK\$41.07	24th April 2010 to 23rd April 2012	496,000	496,000
	17th April 2008	HK\$41.07	24th April 2011 to 23rd April 2013	496,000	496,000
PANG King Fai	8th April 2005	HK\$11.41	8th April 2008 to 7th April 2010	50,000	–
	17th April 2008	HK\$41.07	23rd April 2009 to 22nd April 2011	248,000	248,000
	17th April 2008	HK\$41.07	23rd April 2010 to 22nd April 2012	248,000	248,000
	17th April 2008	HK\$41.07	23rd April 2011 to 22nd April 2013	248,000	248,000
Andy LEUNG Hon Kwong	17th April 2008	HK\$41.07	25th April 2009 to 24th April 2011	124,000	–
	17th April 2008	HK\$41.07	25th April 2010 to 24th April 2012	124,000	124,000
	17th April 2008	HK\$41.07	25th April 2011 to 24th April 2013	124,000	124,000

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

Save as disclosed above, as at 30th September 2009, none of the directors and chief executives of the Company had any interest or short position in 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 required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDINGS

As at 30th September 2009, other than the interests of the directors and chief executives of the Company as disclosed above, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which fell to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Trustcorp Limited	Interest of controlled corporation (Note 1)	74,101,153	30.0%
Newcorp Limited	Interest of controlled corporation (Note 1)	74,101,153	30.0%
Honorex Limited	Interest of controlled corporation (Note 1) Beneficial owner (Note 1)	65,496,225 1,416,325	27.1%
Conquer Rex Limited	Beneficial owner (Note 1)	65,496,225	26.5%
Templeton Asset Management Limited	Investment manager	31,656,500	12.8%

Notes:

(1) The shares were held as to 1,416,325 directly by Honorex, as to 65,496,225 directly by Conquer Rex and as to 7,188,603 directly by Twin Success. Conquer Rex was a wholly owned subsidiary of Honorex. Each of Conquer Rex, Honorex and Twin Success was a wholly owned subsidiary of Trustcorp Limited as the trustee of The Wong Chung Man 1984 Trust, a discretionary trust of which Dr. WONG, a director of the Company, was the founder. Trustcorp Limited was therefore deemed to have an aggregate indirect interest in 74,101,153 shares. Honorex was also deemed to have an indirect interest in the 65,496,225 shares. Dr. WONG's founder interests in the 74,101,153 shares of the Company has also been disclosed under the section headed "Directors' Interests and Short positions in Shares, Underlying Shares and Debentures" above. Trustcorp Limited was wholly owned by Newcorp Limited which was deemed to be interested in such shares by virtue of the SFO.

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

Save as disclosed above, as at 30th September 2009, the Company has not been notified by any person (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying

shares of the Company which fell to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by Company under Section 336 of the SFO.

# Corporate Governance

## CORPORATE GOVERNANCE PRACTICES

VTech Holdings Limited is incorporated in Bermuda and has its shares listing on the Hong Kong Stock Exchange. The corporate governance rules applicable to the Company is the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. Throughout the six months ended 30th September 2009, the Company has complied with all the code provisions of the Code and to a large extent, the recommended best practices in the Code except for the deviation from code provision A.2.1 of the Code as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. WONG has the combined role of Chairman and Group Chief Executive Officer. The Board of the Company considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as the non-executive directors form the majority of the Board, as four out of seven of our directors are independent non-executive directors. The Board believes the appointment of Dr. WONG to the posts of Chairman and Group Chief Executive Officer is beneficial to the Group as he has considerable industry experience.

The Board has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Risk Management Committee with defined terms of reference which are of no less exacting than those set out in the Code. Corporate governance practices adopted by the Company during the six months ended 30th September 2009 are in line with those practices set out in the Company's 2009 Annual Report.

## MODEL CODE OF SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules regarding securities transactions by directors and senior management in relation to the accounting period covered by the Interim Report. After specific enquiry, all directors of the Company confirmed that they have complied with the required standard of dealings set out therein for the six months ended 30th September 2009.

## AUDIT COMMITTEE

The Audit Committee is chaired by Mr. Denis Morgie HO Pak Cho, with Dr. William FUNG Kwok Lun and Mr. Michael TIEN Puk Sun as members, all of whom are independent non-executive directors. It has been established to assist the Board in fulfilling its oversight responsibilities for financial reporting, risk management and evaluation of internal controls and auditing processes. It also ensures that the Group complies with all applicable laws and regulations.

During the financial year to date the Audit Committee met twice, attended by the Chairman, Chief Compliance Officer, Chief Financial Officer and external auditors. The major work performed by the Committee included reviewing the:

- audited Group financial statements and reports for the year ended 31st March 2009;
- report from the external auditors for the year ended 31st March 2009;
- unaudited Group financial statements for the six months ended 30th September 2009;
- report from the external auditors based on limited agreed upon procedures on the unaudited Group financial statements for the six months ended 30th September 2009;
- accounting principles and practices adopted by the Group;
- implementation of applicable International Financial Reporting Standards;
- remuneration of the external auditors;
- enhanced manual on Group Internal Audit Practices and Procedures; and
- significant findings by the internal audit department and recommendations for corrective actions.

## RISK MANAGEMENT COMMITTEE

During the financial year to date the Risk Management Committee, chaired by Dr. Allan WONG Chi Yun, comprising the executive directors, held four meetings to review the Group's risk management and internal control systems and their effectiveness. The Committee also ensured that any new and emerging risks are promptly evaluated and appropriate actions are taken by the management. The Committee reports to the Board in conjunction with the Audit Committee.

### INTERIM DIVIDEND

The Board has declared an interim dividend of US16.0 cents per ordinary share in respect of the six months ended 30th September 2009, payable on 31st December 2009 to shareholders whose names appear on the register of members of the Company as at the close of business on 24th December 2009.

The interim dividend will be payable in United States dollars save that those shareholders with a registered address in Hong Kong will receive the 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 mid rate of exchange prevailing on 21st December 2009.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21st December 2009 to 24th December 2009, both dates inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates, must be lodged with the share registrars of the Company no later than 4:00 p.m., the local time of the share registrars, on Friday, 18th December 2009.

The principal registrar is Butterfield Fulcrum Group (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda and the branch registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

### SHARE OPTIONS SCHEME

The Company operates a share option scheme for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of these share option schemes include executive directors and employees of the Company and its subsidiaries. On 10th August 2001, the Company adopted a share option scheme (the "2001 Scheme") under which the directors may, at their discretion, at any time during the 10 years from the said date of adoption of the 2001 Scheme, invite employees of the Company and any subsidiaries of the Group, including executive directors (but excluding non-executive directors) to take up shares of the Company in accordance with the terms of the 2001 Scheme.

Details of the 2001 Scheme are set out in note 10 to the Interim Financial Report.

### PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the six months ended 30th September 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period under review.

### CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules are set out below:

- Dr. Patrick WANG Shui Chung ceased to be a Member of the Task Force on Economic Challenges with effect from 22nd June 2009;
- Mr. Michael TIEN Puk Sun ceased to be the Chairman of the Standing Committee on Language Education and Research and Member of the Education Commission with effect from 1st July 2009; and
- Dr. William FUNG Kwok Lun was appointed as Non-executive Director of Trinity Limited, shares of which became listed on the Hong Kong Stock Exchange with effect from 3rd November 2009.

# Information for Shareholders

## LISTING

Shares of VTech Holdings Limited are listed on the Stock Exchange of Hong Kong Limited. Ordinary shares are also available in the form of American Depositary Receipts through the Bank of New York Mellon.

## STOCK CODE

The Stock Exchange of Hong Kong Limited	303
American Depositary Receipts	VTKHY

## FINANCIAL CALENDAR

Closure of Register of Members  
21st-24th December 2009 (both dates inclusive)

Payment of Interim Dividend  
31st December 2009

FY2010 Annual Results Announcement  
June 2010

## SHARE INFORMATION

Board Lot	1,000 shares
Issued Shares as at 30th September 2009	246,900,133 shares

## DIVIDEND

Dividend per ordinary share for the six months ended 30th September 2009	US16.0 cents
---	--------------

## SHARE REGISTRAR

### Principal

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

### Hong Kong Branch

Computershare Hong Kong Investor Services Limited  
Room 1712-16, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Tel: (852) 2862 8628  
Fax: (852) 2865 0990  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

## AMERICAN DEPOSITARY RECEIPTS

The Bank of New York Mellon  
BNY Mellon Shareowner Services  
PO Box 358516  
Pittsburgh, PA 15252-8516  
United States  
Tel: 1 888 BNY ADRS (US domestic toll free)  
(1) 201 680 6825 (International)  
Email: [shrrelations@bnymellon.com](mailto:shrrelations@bnymellon.com)

## INVESTOR RELATIONS CONTACT

Corporate Communications Department  
23rd Floor, Tai Ping Industrial Centre  
Block 1, 57 Ting Kok Road  
Tai Po  
New Territories  
Hong Kong  
Tel: (852) 2680 1000  
Fax: (852) 2680 1788  
Email: [investor\\_relations@vtech.com](mailto:investor_relations@vtech.com)

## WEBSITE

[www.vtech.com](http://www.vtech.com)  
[www.irasia.com/listco/hk/vtech](http://www.irasia.com/listco/hk/vtech)

## VTech Holdings Ltd

(Incorporated in Bermuda with limited liability)

23rd Floor, Tai Ping Industrial Centre, Block 1  
57 Ting Kok Road, Tai Po, New Territories, Hong Kong  
Tel: (852) 2680 1000 Fax: (852) 2680 1300  
Email: [investor\\_relations@vtech.com](mailto:investor_relations@vtech.com)  
[www.vtech.com](http://www.vtech.com)

## 偉易達集團

(於百慕達註冊成立之有限公司)

香港新界大埔汀角路57號  
太平工業中心第1期23樓  
電話：(852) 2680 1000 傳真：(852) 2680 1300  
電郵：[investor\\_relations@vtech.com](mailto:investor_relations@vtech.com)  
[www.vtech.com](http://www.vtech.com)