VTech Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 303)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2015

PERFORMANCE HIGHLIGHTS

- Group revenue declined by 1.0% to US$1,879.8 million
- Profit attributable to shareholders of the Company down 2.8% to US$198.1 million
- Gross profit margin declined to 32.5%, from 33.4% in the last financial year
- Strong financial position, with deposits and cash of US$294.2 million, and debt free
- Final dividend of US61.0 cents per ordinary share, providing a full-year dividend of US78.0 cents per ordinary share, a 2.5% decrease over last year
- Strong pipeline of new products

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 2015 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2015

	Note	**2015** **US$ million**	2014 (Restated) US$ million
Revenue	2	**1,879.8**	1,898.9
Cost of sales		**(1,269.3)**	(1,264.6)
Gross profit		**610.5**	634.3
Selling and distribution costs		**(268.2)**	(286.4)
Administrative and other operating expenses		**(66.1)**	(63.3)
Research and development expenses		**(56.1)**	(58.0)
Operating profit	2&3	**220.1**	226.6
Net finance income		**1.6**	1.4
Profit before taxation		**221.7**	228.0
Taxation	4	**(23.6)**	(24.2)
Profit for the year and attributable to shareholders of the Company		**198.1**	203.8
Earnings per share (US cents)	6		
- Basic		**78.9**	81.3
- Diluted		**78.9**	81.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015 US$ million	2014 (Restated) US$ million
Profit for the year	**198.1**	203.8
Other comprehensive income (after tax and reclassification adjustments) for the year		
Item that will not be reclassified to profit or loss:		
Effect of remeasurement of net liability of defined benefit scheme, net of deferred tax	**(0.6)**	4.7
	(0.6)	4.7
Items that may be reclassified subsequently to profit or loss:		
Fair value gains / (losses) on hedging	**5.0**	(4.3)
Realisation of hedging reserve	**4.4**	(2.3)
Exchange translation differences	**(28.0)**	6.4
	(18.6)	(0.2)
Other comprehensive income for the year	**(19.2)**	4.5
Total comprehensive income for the year	**178.9**	208.3

CONSOLIDATED BALANCE SHEET

As at 31 March 2015

	Note	**31 March 2015 US$ million**	31 March 2014 (Restated) US$ million	1 April 2013 (Restated) US$ million
Non-current assets				
Tangible assets		**67.0**	68.6	69.2
Leasehold land payments		**5.0**	5.1	5.2
Investments		**0.1**	0.1	0.1
Deferred tax assets		**4.5**	2.5	4.6
		76.6	76.3	79.1
Current assets				
Stocks		**290.2**	265.9	276.9
Debtors, deposits and prepayments	7	**259.9**	235.8	257.1
Taxation recoverable		**-**	0.9	0.4
Deposits and cash		**294.2**	322.9	308.6
		844.3	825.5	843.0
Current liabilities				
Creditors and accruals	8	**(342.6)**	(304.4)	(330.6)
Provisions		**(27.3)**	(27.9)	(28.2)
Taxation payable		**(7.2)**	(5.1)	(7.2)
		(377.1)	(337.4)	(366.0)
Net current assets		**467.2**	488.1	477.0
Total assets less current liabilities		**543.8**	564.4	556.1
Non-current liability				
Net obligations on defined benefit scheme		**(3.0)**	(2.0)	(6.5)
Net assets		**540.8**	562.4	549.6
Capital and reserves				
Share capital		**12.5**	12.5	12.5
Reserves		**528.3**	549.9	537.1
Total equity		**540.8**	562.4	549.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Note	Attributable to shareholders of the Company								
		Share capital US$ million	Share premium US$ million	Shares held for Share Purchase Scheme US$ million	Properties revaluation reserve US$ million	Exchange reserve US$ million	Capital reserve US$ million	Hedging reserve US$ million	Revenue reserve US$ million	Total equity US$ million
At 1 April 2013, as previously reported		12.5	138.6	(0.9)	19.6	5.8	2.2	2.4	384.1	564.3
Effect of change in accounting policy for tangible assets	1	-	-	-	(19.6)	(1.0)	-	-	5.9	(14.7)
At 1 April 2013, as restated		12.5	138.6	(0.9)	-	4.8	2.2	2.4	390.0	549.6
Changes in equity for the year ended 31 March 2014										
Comprehensive income										
Profit for the year, as restated		-	-	-	-	-	-	-	203.8	203.8
Other comprehensive income (after tax and reclassification adjustments)										
Fair value losses on hedging		-	-	-	-	-	-	(4.3)	-	(4.3)
Realisation of hedging reserve		-	-	-	-	-	-	(2.3)	-	(2.3)
Exchange translation differences, as restated	1	-	-	-	-	6.4	-	-	-	6.4
Effect of remeasurement of net liability of defined benefit scheme, net of deferred tax		-	-	-	-	-	-	-	4.7	4.7
Other comprehensive income for the year, as restated		-	-	-	-	6.4	-	(6.6)	4.7	4.5
Total comprehensive income for the year, as restated		-	-	-	-	6.4	-	(6.6)	208.5	208.3
Final dividend in respect of the previous year		-	-	-	-	-	-	-	(160.5)	(160.5)
Interim dividend in respect of the current year	5	-	-	-	-	-	-	-	(40.1)	(40.1)
Shares issued under share option scheme		-	4.7	-	-	-	-	-	-	4.7
Equity-settled share based payments		-	1.2	-	-	-	(1.2)	-	-	-
Shares purchased for Share Purchase Scheme		-	-	(1.0)	-	-	-	-	-	(1.0)
Vesting of shares of Share Purchase Scheme		-	-	1.4	-	-	-	-	-	1.4
At 31 March 2014, as restated		12.5	144.5	(0.5)	-	11.2	1.0	(4.2)	397.9	562.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 31 March 2015

		Attributable to shareholders of the Company								
	Note	Share capital US$ million	Share premium US$ million	Shares held for Share Purchase Scheme US$ million	Properties revaluation reserve US$ million	Exchange reserve US$ million	Capital reserve US$ million	Hedging reserve US$ million	Revenue reserve US$ million	Total equity US$ million
At 1 April 2014, as previously reported		12.5	144.5	(0.5)	18.3	12.5	1.0	(4.2)	391.5	575.6
Effect of change in accounting policy for tangible assets	1	-	-	-	(18.3)	(1.3)	-	-	6.4	(13.2)
At 1 April 2014, as restated		12.5	144.5	(0.5)	-	11.2	1.0	(4.2)	397.9	562.4
Changes in equity for the year ended 31 March 2015										
Comprehensive income										
Profit for the year		-	-	-	-	-	-	-	198.1	198.1
Other comprehensive income (after tax and reclassification adjustments)										
Fair value gains on hedging		-	-	-	-	-	-	5.0	-	5.0
Realisation of hedging reserve		-	-	-	-	-	-	4.4	-	4.4
Exchange translation differences		-	-	-	-	(28.0)	-	-	-	(28.0)
Effect of remeasurement of net liability of defined benefit scheme, net of deferred tax		-	-	-	-	-	-	-	(0.6)	(0.6)
Other comprehensive income for the year		-	-	-	-	(28.0)	-	9.4	(0.6)	(19.2)
Total comprehensive income for the year		-	-	-	-	(28.0)	-	9.4	197.5	178.9
Final dividend in respect of the previous year	5	-	-	-	-	-	-	-	(160.8)	(160.8)
Interim dividend in respect of the current year	5	-	-	-	-	-	-	-	(42.7)	(42.7)
Shares issued under share option scheme		-	3.4	-	-	-	-	-	-	3.4
Equity-settled share based payments		-	0.9	-	-	-	(0.9)	-	-	-
Share option lapsed during the year		-	-	-	-	-	(0.1)	-	0.1	-
Shares purchased for Share Purchase Scheme		-	-	(1.7)	-	-	-	-	-	(1.7)
Vesting of shares of Share Purchase Scheme		-	-	1.3	-	-	-	-	-	1.3
At 31 March 2015		12.5	148.8	(0.9)	-	(16.8)	-	5.2	392.0	540.8

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Note	**2015** US$ million	2014 (Restated) US$ million
Operating activities			
Operating profit		**220.1**	226.6
Depreciation of tangible assets	3	**31.5**	30.7
Amortisation of leasehold land payments	3	**0.1**	0.1
Gain on disposal of tangible assets	3	**(0.2)**	(0.1)
(Increase) / decrease in stocks		**(24.3)**	11.0
(Increase) / decrease in debtors, deposits and prepayments		**(18.1)**	18.9
Increase / (decrease) in creditors and accruals		**41.6**	(30.4)
Decrease in provisions		**(0.6)**	(0.3)
Increase in net obligations on defined benefit scheme		**0.3**	0.7
Cash generated from operations		**250.4**	257.2
Interest received		**1.6**	1.4
Taxes paid		**(22.5)**	(25.1)
Net cash generated from operating activities		**229.5**	233.5
Investing activities			
Purchase of tangible assets		**(30.9)**	(30.1)
Proceeds from disposal of tangible assets		**0.2**	0.3
Proceeds received from bank deposits with maturity greater than three months		**65.0**	-
Net cash generated from / (used in) investing activities		**34.3**	(29.8)
Financing activities			
Proceeds from shares issued upon exercise of share options		**3.4**	4.7
Payment for shares acquired for Share Purchase Scheme		**(1.7)**	(1.0)
Dividends paid	5	**(203.5)**	(200.6)
Net cash used in financing activities		**(201.8)**	(196.9)
Effect of exchange rate changes		**(25.7)**	7.5
Increase in cash and cash equivalents		**36.3**	14.3
Cash and cash equivalents at 1 April		**187.9**	173.6
Cash and cash equivalents at 31 March		**224.2**	187.9
Analysis of the balance of cash and cash equivalents			
Deposits and cash in the consolidated balance sheet		**294.2**	322.9
Less: Bank deposits with maturity greater than three months		**(70.0)**	(135.0)
Cash and cash equivalents in the consolidated statement of cash flows		**224.2**	187.9

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related Interpretations promulgated by the International Accounting Standards Board ("IASB").

These financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32). These financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued the following new and revised IFRSs 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:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*

Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The adoption to these amendments does not have an impact to the financial statements of the Group.

Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

1. Basis of preparation *(continued)*

Change in accounting policy under IAS 16, *Property, plant and equipment*

The Group has reconsidered the appropriateness of the application of the fair value model on the measurement of the non-current assets of the Group held for own use purposes. Specifically, the Group owns a freehold property in the Netherlands and a leasehold industrial property in Hong Kong, both of which are core assets of the Group's operations and the Group does not intend to sell these properties in the foreseeable future. The Group has noted that the fair value of these properties is immaterial to the Group's consolidated net assets and that the additional depreciation charge on the revalued amount is immaterial to the Group's consolidated income statement. The Group has also noted that the adoption of the fair value model for such own use properties is inconsistent with the market practices adopted by companies in similar industries. On this basis, the Group has concluded that the "cost model" is a more appropriate accounting policy for these properties.

In order to present the comparative information on a consistent basis, the Group has applied this change in accounting policy retrospectively. Upon retrospective adoption of the accounting policy, the reported carrying value of the Group's net assets as at 1 April 2013 and 31 March 2014 decreased by US$14.7 million and US$13.2 million respectively to US$549.6 million and US$562.4 million respectively. There is no material impact to the Group's profit or loss for the year ended 31 March 2014.

	As previously reported US$ million	Effect of adoption of change in accounting policy US$ million	As restated US$ million
Consolidated income statement for the year ended 31 March 2014			
Administrative and other operating expenses	(63.8)	0.5	(63.3)
Profit for the year	203.3	0.5	203.8
Basic earnings per share (US cents)	81.1	0.2	81.3
Diluted earnings per share (US cents)	81.1	0.2	81.3
Consolidated statement of comprehensive income for the year ended 31 March 2014			
Deficit arising on revaluation of properties, net of deferred tax	(1.3)	1.3	-
Exchange translation differences	6.7	(0.3)	6.4
Total comprehensive income for the year	206.8	1.5	208.3
Consolidated balance sheet as at 31 March 2014			
Tangible assets	85.9	(17.3)	68.6
Deferred tax liabilities	(4.1)	4.1	-
Properties revaluation reserve	18.3	(18.3)	-
Exchange reserve	12.5	(1.3)	11.2
Revenue reserve	391.5	6.4	397.9
Consolidated balance sheet as at 1 April 2013			
Tangible assets	88.4	(19.2)	69.2
Deferred tax liabilities	(4.5)	4.5	-
Properties revaluation reserve	19.6	(19.6)	-
Exchange reserve	5.8	(1.0)	4.8
Revenue reserve	384.1	5.9	390.0

2. 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
- Others, 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 derive their revenue from the sale of telecommunication products, electronic learning products and products from contract manufacturing services to customers in the relevant geographical region.

All of these products and services are manufactured and performed in the Group's manufacturing facilities located primarily in the People's Republic of China under the Asia Pacific segment.

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

(a) Segment revenues and results

Revenue is allocated to the reporting segment based on the location of the 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, depreciation and amortisation, and impairment of assets.

(b) Segment assets and liabilities

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

Segment liabilities include creditors and accruals and provisions with the exception of taxation payable.

Year ended 31 March 2015

	North America US$ million	Europe US$ million	Asia Pacific US$ million	Others US$ million	Total US$ million
Reportable segment revenue	**899.5**	**812.3**	**117.6**	**50.4**	**1,879.8**
Reportable segment profit	**89.1**	**105.8**	**17.2**	**8.0**	**220.1**
Depreciation and amortisation	**0.6**	**0.6**	**30.4**	**-**	**31.6**
Reportable segment assets	**162.2**	**67.6**	**686.4**	**0.1**	**916.3**
Reportable segment liabilities	**(41.7)**	**(21.8)**	**(309.1)**	**(0.3)**	**(372.9)**

2. Segment information *(continued)*

(b) Segment assets and liabilities *(continued)*

Year ended 31 March 2014, as restated

	North America US$ million	Europe US$ million	Asia Pacific US$ million	Others US$ million	Total US$ million
Reportable segment revenue	950.7	791.8	108.9	47.5	1,898.9
Reportable segment profit	94.8	110.6	14.0	7.2	226.6
Depreciation and amortisation	0.6	1.7	28.5	-	30.8
Reportable segment assets	154.6	96.8	646.5	0.4	898.3
Reportable segment liabilities	(52.8)	(27.3)	(253.8)	(0.4)	(334.3)

(c) Reconciliations of reportable segment assets and liabilities

	2015 **US$ million**	2014 (Restated) US$ million
Assets		
Reportable segment assets	**916.3**	898.3
Investments	**0.1**	0.1
Taxation recoverable	**-**	0.9
Deferred tax assets	**4.5**	2.5
Consolidated total assets	**920.9**	901.8
Liabilities		
Reportable segment liabilities	**(372.9)**	(334.3)
Taxation payable	**(7.2)**	(5.1)
Consolidated total liabilities	**(380.1)**	(339.4)

For the year ended 31 March 2015, approximately 13% (2014: 15%) of the Group's revenue is derived from a single external customer. This revenue is attributable to the North America segment.

3. Operating profit

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

	2015 **US$ million**	2014 (Restated) US$ million
Depreciation of tangible assets	**31.5**	30.7
Amortisation of leasehold land payments	**0.1**	0.1
Gain on disposal of tangible assets	**(0.2)**	(0.1)
Net foreign exchange loss	**0.3**	0.4
Net loss / (gain) on forward foreign exchange contracts		
- Net loss / (gain) on cash flow hedging instruments reclassified from equity	**4.4**	(2.3)
- Net (gain) / loss on forward foreign exchange contracts	**(0.4)**	0.5

4. Taxation

	2015	2014
	US$ million	US$ million
Current tax		
- Hong Kong	**17.1**	15.3
- Overseas	**8.1**	7.3
Under / (Over)-provision in respect of prior years		
- Hong Kong	**0.3**	(0.1)
Deferred tax		
- Origination and reversal of temporary differences	**(1.9)**	1.7
	23.6	24.2

(a) Hong Kong Profits Tax has been calculated at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year.

(b) Overseas taxation has been calculated at the rates of taxation prevailing in the countries in which the Group operates.

5. Dividends

	2015	2014
	US$ million	US$ million
Interim dividend of US17.0 cents (2014: US16.0 cents) per share declared and paid	**42.7**	40.1
Final dividend of US61.0 cents (2014: US64.0 cents) per share proposed after the balance sheet date	**153.2**	160.6

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

At a meeting held on 22 May 2014, the Directors proposed a final dividend of US64.0 cents per ordinary share for the year ended 31 March 2014, which was estimated to be US$160.6 million at the time calculated on the basis of the ordinary shares in issue as at 31 March 2014. The final dividend was approved by shareholders at the annual general meeting on 18 July 2014. As a result of shares issuance upon exercise of share options during the period between 1 April 2014 and 18 July 2014, the final dividend paid in respect of the year ended 31 March 2014 totaled US$160.8 million.

6. Earnings per share

The calculations of basic and diluted earnings per share are based on the Group’s profit attributable to shareholders of the Company of US$198.1 million (2014: US$203.8 million, as restated).

The calculation of basic earnings per share is based on the weighted average of 251.1 million (2014: 250.7 million) ordinary shares in issue during the year after adjusting for shares held for Share Purchase Scheme.

The calculation of diluted earnings per share is based on 251.1 million (2014: 250.8 million) ordinary shares which is the weighted average number of ordinary shares in issue during the year after adjusting for shares held for Share Purchase Scheme and the number of dilutive potential ordinary shares under the Company’s share option scheme.

6. Earnings per share *(continued)*

	2015	2014 (Restated)
Profit attributable to shareholders (US$ million)	**198.1**	203.8
Weighted average number of ordinary shares in issue less shares held for Share Purchase Scheme (in million)	**251.1**	250.7
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (in million)	**-**	0.1
Weighted average number of ordinary shares (diluted) (in million)	**251.1**	250.8
Diluted earnings per share (US cents)	**78.9**	81.3

7. Debtors, deposits and prepayments

At 31 March 2015, total debtors, deposits and prepayments of US$259.9 million (31 March 2014: US$235.8 million) included net trade debtors of US$221.9 million (31 March 2014: US$208.6 million).

At the balance sheet date, the ageing analysis of trade debtors, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2015 US$ million	2014 US$ million
0-30 days	**127.9**	120.6
31-60 days	**71.6**	67.9
61-90 days	**21.2**	18.4
>90 days	**1.2**	1.7
Total	**221.9**	208.6

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.

8. Creditors and accruals

At 31 March 2015, total creditors and accruals of US$342.6 million (31 March 2014: US$304.4 million) included trade creditors of US$186.1 million (31 March 2014: US$140.8 million).

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

	2015 US$ million	2014 US$ million
0-30 days	**60.7**	56.5
31-60 days	**46.5**	33.4
61-90 days	**56.4**	34.8
>90 days	**22.5**	16.1
Total	**186.1**	140.8

FINAL DIVIDEND

The Board of Directors (the "Board") has recommended a final dividend (the "Final Dividend") of US61.0 cents per ordinary share in respect of the year ended 31 March 2015, payable on 30 July 2015 to shareholders whose names appear on the register of members of the Company as at the close of business on 21 July 2015 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 15 July 2015 (the "2015 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 17 July 2015.

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 2015 AGM, the register of members of the Company will be closed from 10 July 2015 to 15 July 2015 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend and vote at the 2015 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the principal share registrar of the Company, MUFG Fund Services (Bermuda) Limited of The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda, or the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. (local time of the relevant share registrar) on 9 July 2015.

(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 21 July 2015, during 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, MUFG Fund Services (Bermuda) Limited of The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda, or the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. (local time of the relevant share registrar) on 20 July 2015.

LETTER TO SHAREHOLDERS

In the financial year 2015, VTech continued its drive for product innovation and expanded its presence in existing and new markets, while continuing to raise levels of productivity. Telecommunication (TEL) products returned to growth and contract manufacturing services (CMS) again performed well. However, electronic learning products (ELPs) faced challenges in the children's tablet market, affecting the Group's revenue and profitability.

Results and Dividend

Group revenue for the year ended 31 March 2015 declined by 1.0% to US$1,879.8 million. The decrease was mainly due to lower revenue in North America, which offset higher revenue in Europe, Asia Pacific and Other Regions.

Profit attributable to shareholders of the Company decreased by 2.8% to US$198.1 million, as gross profit declined because of a change in product mix and the weaker-than-expected performance of children's educational tablets. Basic earnings per share fell by 3.0% to US78.9 cents, compared to US81.3 cents in the previous financial year.

The Board of Directors has proposed a final dividend of US61.0 cents per ordinary share, providing a full-year dividend of US78.0 cents per ordinary share, a 2.5% decrease over the US80.0 cents per ordinary share declared in the financial year 2014.

Costs and Operations

Cost of materials remained largely unchanged in the financial year 2015 and a weakening of the Renminbi against the US dollar helped reduce costs. Despite wage inflation in China, labour costs and manufacturing overheads were also slightly lower as the Group continued to improve productivity through automation, process improvement and product optimisation. As a result, in the financial year 2015, the number of workers fell by a further 4.7% over the previous financial year. Despite these positive factors, the Group's gross margin declined year-on-year due to a change in product mix and the weaker-than-expected performance of children's educational tablets, which resulted in higher-than-anticipated trade allowances and increased stock provision.

Our Business

In the financial year 2015, ELPs remained the largest product line of the Group, followed by TEL products and CMS.

Overall sales of the Group via e-tailers have continued to grow, although sales of content downloaded from VTech's app store, Learning Lodge™, were affected by the lower sales of children's educational tablets and posted a decline.

The financial year 2015 was a challenging one for ELPs. In North America and Europe, holiday sales of children's educational tablets were lower than anticipated. This was due to higher-than-expected channel inventory, intensified competition and the overall contraction of the market. In addition, the strength of the US dollar against other currencies negatively impacted the reported revenue of ELPs.

Despite the difficult environment, there were a number of notable successes. In the calendar year 2014, InnoTab®/Storio® regained the number one position among all toys in the top five European markets, while retaining its position as the best-selling children's educational tablet in Europe[1]. The Group launched Kidizoom® Smartwatch, the world's first children's smartwatch with a built-in camera, which turned in a strong performance globally.

In contrast to children's educational tablets, standalone products recorded growth in sales, with the Go! Go! Smart family of infant vehicles and playsets performing particularly well. In the calendar year 2014, VTech strengthened its position as the number one infant toy manufacturer in France, the UK and Germany, while becoming the largest infant toy manufacturer in Spain[2]. In the US, VTech became the number one manufacturer in Infant and Preschool Electronic Learning toys[3]. In the financial year 2015, standalone products accounted for approximately 77% of total ELPs revenue, while platform products accounted for about 23%, as compared to approximately 68% and 32% respectively in the

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[1] Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales of InnoTab/Storio by unit for the combined market of France, the UK, Germany, Spain and Italy

[2] Source: NPD Group, Retail Tracking Service

[3] Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales in the combined toy categories of infant electronic learning, other infant toys and preschool electronic learning for the 12 months ending December 2014

financial year 2014. This decline in the share of revenue from platform products was mainly due to lower sales of children's educational tablets.

TEL products revenue returned to a growth path in the financial year 2015. All regions recorded increased sales, which were driven by market share gains in residential phones and higher sales of commercial phones and other telecommunication products. In residential phones, VTech strengthened its position as the number one cordless phone manufacturer globally, gaining market share in North America, Asia Pacific and Other Regions, while market share in Europe held steady[4].

In commercial phones and other telecommunication products, baby monitors saw a particularly strong performance. This came as the Group expanded its distribution channels to increase market presence, while major retailers in the US moved to replace the older analogue models on the market with VTech digital baby monitors. Within this category, video baby monitors sold especially well. In commercial phones, shipment of ErisStation™, the Group's first conference phone with wireless microphones, and ErisTerminal™, its SIP (Session Initiation Protocol) phone systems, generated incremental sales. In the financial year 2015, commercial phones and other telecommunication products grew to approximately 19% of total TEL products revenue, compared to around 14% in the previous financial year.

CMS marked its 13th consecutive year of growth in the financial year 2015, once again outperforming the global EMS market[5]. Growth in wireless products was robust, while there were good sales increases in switching mode power supplies, home appliances and solid-state lighting. A strong reputation, expertise in certain product categories and excellent customer service have enabled VTech consistently to grow with existing customers while adding new ones. This in turn has allowed the Group to expand into new product categories such as wearable and smart hearable devices. In the financial year 2015, professional audio equipment, wireless products, switching mode power supplies and solid-state lighting remained the top four product categories for CMS.

Our Strategy

The Group's proven strategy focuses on four main areas: product innovation, market share gains, geographic expansion and operational excellence.

Product Innovation

Product innovation is the key to VTech staying ahead of the competition in fast-changing markets.

With regard to ELPs, the Group has a strong pipeline of products. In standalone products, the successful Go! Go! Smart family is being expanded through the introduction of different themes, more vehicles and more playsets. In the US, Go! Go! Smart Friends®, which was launched exclusively with Toys“R”Us last year, will be introduced nationwide in the calendar year 2015. VTech will also enter new aisles by launching new categories of product. The global launch of Flipsies™, a range of transformable dolls and playsets, will enable the Group to penetrate into the girl aisle. VTech is also successfully breaking into the dolls aisle with a range of interactive dolls, branded Little Love® in Europe and Baby Amaze™ in the US, which was first launched in the European markets in June 2014. Kidizoom Action Cam, the latest addition to VTech's range of cameras for children, will also be launched globally in the calendar year 2015. For core learning products, VTech will continue to broaden and refresh its product portfolio, adding over 100 new models worldwide.

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[4] Source: MZA Ltd, 2015
[5] Source: *Manufacturing Market Insider*, March 2015

The portfolio of platform products will become more diversified. The Group will build on the success of Kidizoom Smartwatch to roll out a new generation of this popular product. The calendar year 2015 will also see the launch of new innovative platform products. Despite recent challenges, VTech intends to stay in the children's tablet market as it remains a sizeable business around the world. Market research shows that parents are still looking for VTech tablets, as they are specifically designed for children, with content that is both educational and engaging. The Group will focus on bringing out tablet products that are even more compelling for both children and their parents.

In TEL products, commercial phones and other telecommunication products will continue to be the growth drivers. New models will be introduced for ErisTerminal and ErisStation to complete a full product range for VTech SIP phone systems and conference phones. The highly successful baby monitor range will be expanded with new video models boasting a bigger screen, as well as Wi-Fi enabled devices. The Group is also planning to enter the "Smart Home" arena by launching a range of wireless monitoring devices based on the ULE (Ultra Low Energy) standard. These products include specially designed, ULE enabled cordless phones, IP hubs, baby monitors and a high-definition Wi-Fi camera, which wirelessly connect to a range of ULE controls and sensors. In residential phones, the Group will continue to launch feature-rich products with superior design to strengthen its global leadership in cordless phones.

VTech CMS enjoys an enviable reputation for service and expertise in certain product categories. Supported by a stringent quality control system and an experienced management team, the Group will continue to innovate in the area of Design for Manufacture (DFM), delivering flexible service and high quality products. Competence in handling low to medium volumes and a high mix of different products enables VTech to grow with new customers from a small base, which is an important factor in the continuous growth of CMS.

Gains in Market Share

In addition to developing a steady stream of innovative products and breaking into new product categories, VTech strives to increase market share through improving services and increasing its efforts in sales and marketing.

In the calendar year 2014, VTech gained market share and reaffirmed its position as the number one cordless phone manufacturer worldwide[6]. The Group also strengthened its position as the global leader in ELPs from infancy and preschool[7]. VTech CMS continued to be one of the world's top 50 EMS providers[8].

Geographic Expansion

As markets outside North America and Europe currently account for less than 10% of Group revenue, VTech will put more emphasis on expanding in Asia Pacific and Other Regions. In Asia Pacific, the Group will focus on increasing its presence in China and Australia, where its products have been well received. Recently, VTech has established its own sales office for ELPs in Australia, aiming to drive growth by providing better support to its retailer customers and increasing sales and marketing efforts. The Group has also started selling residential phones under the VTech brand in Australia, following the expiry of the licensing agreement with Telstra in December 2014. The Group will step up its efforts to extend its reach into Japan and Korea. In Other Regions, selected markets in Latin America and the Middle East will continue to be developed.

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6 Source: MZA Ltd, 2015

7 Source: MarketWise Consumer Insights, LLC and NPD Group Retail Tracking Service. Ranking based on 2014 total estimated annual retail sales in the combined toy categories of infant electronic learning and preschool electronic learning

8 Source: *Manufacturing Market Insider*, March 2015

Operational Excellence

Operational excellence is crucial for raising competitiveness and driving profitable growth. As wages in China continue to rise and recruitment becomes more difficult, VTech will increase automation by deploying more standard and in-house custom-made machines. Together with continuous process improvement and the optimisation of products for manufacturing, this will allow the Group to reduce the number of workers further while increasing output.

Outlook

The US economy continues its moderate recovery. However, the prospects for Europe are uncertain and quantitative easing by the European Central Bank has already led to a significant depreciation of the Euro, which will have a negative impact on our European revenue.

Despite a mixed picture, the Group is planning for a modest revenue increase in the financial year 2016.

The business of ELPs is expected to be stable. Sales of platform products are forecast to decline, as the children's tablet market remains challenging. The sales contribution of children's educational tablets will become smaller year-on-year, while Kidizoom Smartwatch will continue to grow. Furthermore, new innovative platform products will contribute additional revenue streams. Standalone products are forecast to grow, bolstered by the expansion of the Go! Go! Smart family, nationwide distribution of Go! Go! Smart Friends in the US and the launch of Kidizoom Action Cam and Flipsies worldwide. Extension of the Little Love/Baby Amaze line will enable VTech to increase its presence in the dolls category in Europe, while winning shelf space in the US. The new core infant and preschool learning products will strengthen the Group's leadership position in these categories.

TEL products are expected to maintain their positive sales trend, led by commercial phones and other telecommunication products. In commercial phones, the Group will benefit from the full deployment of CAT-iq (Cordless Advanced Technology - internet and quality) handsets in major European countries such as France, Germany and Switzerland. The introduction of the new conference phones and SIP phone models will further stimulate growth. VTech is also stepping up its efforts on the interoperability of its SIP based products with Network Operators, which will boost market presence further. Higher sales of other telecommunication products will come from the strong momentum of baby monitors, as sales channels are expanded and further new products introduced. The global launch of the wireless monitoring system will add incremental sales. Despite the continued decline of the overall fixed-line telephone market, sales of VTech residential phones are forecast to be stable as the Group is maintaining its leading position in North America and Europe, while growing its market share in Asia Pacific and Other Regions.

Sales of CMS are expected to increase. Professional audio equipment is on track to return to a growth path. The customer who faced excess inventory has worked through the issue and intends to increase orders. Business with other professional audio customers will grow, as VTech secures more projects owing to its service excellence. The Group also added new clients in professional audio equipment in the last financial year, who will ramp up orders gradually in this financial year. Wireless headsets will achieve further growth as existing customers launch new products. VTech's strong reputation in the wireless product area enables the Group to enter new product categories, such as smart hearable and wearable devices. Business from solid-state lighting will remain stable. In contrast, the change of ownership of a customer in switching mode power supplies creates uncertainty. To cope with the growth, a new factory building has been built for CMS. It will commence operations in July 2015, increasing manufacturing capacity by 25%.

On gross margin, the Group does not anticipate any improvement year-on-year against the backdrop of the strong US dollar. Cost of materials is expected to be stable and the Renminbi to remain in a narrow range. Labour costs and manufacturing overheads in China will rise further. The Group will continue to offset these cost increases through automation, process improvement and product optimisation.

In closing, I would like to thank all my colleagues for their dedication and hard work over the past year, my fellow directors for their counsel and all shareholders, customers and suppliers for their support. VTech has a culture rooted in innovation and technology. Our market leadership, R&D capability, strong balance sheet and operational efficiency differentiate us from our competitors. We will continue to bring out innovative products, increase market share, expand geographically and strive for operational excellence to generate sustainable returns for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

For the year ended 31 March 2015

	2015 **US$ million**	2014 (Restated) US$ million	Change US$ million
Revenue	**1,879.8**	1,898.9	(19.1)
Gross profit	**610.5**	634.3	(23.8)
Gross profit margin	**32.5%**	33.4%	
Total operating expenses	**(390.4)**	(407.7)*	17.3
Total operating expenses as a percentage of revenue	**20.8%**	21.5%	
Operating profit	**220.1**	226.6*	(6.5)
Operating profit margin	**11.7%**	11.9%	
Net finance income	**1.6**	1.4	0.2
Profit before taxation	**221.7**	228.0*	(6.3)
Taxation	**(23.6)**	(24.2)	0.6
Effective tax rate	**10.6%**	10.6%	
Profit for the year and attributable to shareholders of the Company	**198.1**	203.8*	(5.7)
Net profit margin	**10.5%**	10.7%	

* Restated upon the change of accounting policy as described in note 1 to the financial statements.

Revenue

Group revenue for the year ended 31 March 2015 reduced by 1.0% to US$1,879.8 million compared with the previous financial year. The decrease in revenue was largely driven by lower sales in North America, which offset the increase in revenue in Europe, Asia Pacific and other regions.

	2015		2014		Increase / (decrease)	
	US$ million	**%**	US$ million	%	US$ million	%
North America	**899.5**	**47.8%**	950.7	50.1%	(51.2)	(5.4%)
Europe	**812.3**	**43.2%**	791.8	41.7%	20.5	2.6%
Asia Pacific	**117.6**	**6.3%**	108.9	5.7%	8.7	8.0%
Other regions	**50.4**	**2.7%**	47.5	2.5%	2.9	6.1%
	1,879.8	**100.0%**	1,898.9	100.0%	(19.1)	(1.0%)

Gross Profit/Margin

Gross profit for the financial year 2015 was US$610.5 million, a decrease of US$23.8 million or 3.8% compared to the US$634.3 million recorded in the previous financial year. Gross profit margin for the year also reduced from 33.4% to 32.5%. It was mainly attributable to the change in product mix and the weaker-than-expected performance of children's educational tablets, which resulted in the higher-than-anticipated trade allowances and increase in stock provisions. The labour costs and manufacturing overheads, however, were slightly lower as the Group continued to improve productivity through automation, process improvements and product optimisation to offset the higher wages in China. Cost of materials also remained largely stable in the financial year 2015.

Operating Profit/Margin

Operating profit for the year ended 31 March 2015 was US$220.1 million, a decrease of US$6.5 million or 2.9% compared with the previous financial year. It was mainly due to the decrease in gross profit and gross profit margin, which offset the decrease in total operating expenses.

Operating profit margin reduced from 11.9% to 11.7%. It was mainly due to the decrease in gross profit margin, which offset the decrease in total operating expenses as a percentage of Group revenue. The ratio of EBITDA to revenue declined from 13.6% to 13.4%.

Total operating expenses were US$390.4 million, a decrease of 4.2% over the last financial year. Correspondingly, total operating expenses as a percentage of Group revenue declined from 21.5% to 20.8%.

Selling and distribution costs declined from US$286.4 million to US$268.2 million, a decrease of 6.4% compared with the last financial year. It was mainly attributable to the decreased spending on advertising and promotional activities by the Group during the financial year 2015. As a percentage of Group revenue, selling and distribution costs reduced from 15.1% to 14.3%.

Administrative and other operating expenses increased from US$63.3 million to US$66.1 million over the same period last year. It was mainly due to the increase in employee related costs, which was partially offset by a lower exchange loss of US$0.3 million arising from the Group's global operations in the ordinary course of business, as compared with an exchange loss of US$0.4 million in the last financial year. Administrative and other operating expenses as a percentage of Group revenue increased from 3.3% to 3.5%.

During the financial year 2015, the research and development expenses were US$56.1 million, a decrease of 3.3% compared with the previous financial year. Research and development expenses as a percentage of Group revenue decreased from 3.1% to 3.0%.

Profit Attributable to Shareholders and Earnings per Share

Profit attributable to shareholders of the Company for the year ended 31 March 2015 was US$198.1 million, a decrease of US$5.7 million or 2.8% as compared to the last financial year. Net profit margin also reduced from 10.7% to 10.5%.

Taxation charges declined from US$24.2 million in the last financial year to US$23.6 million in the financial year 2015. The effective tax rate remained at 10.6%.

Basic earnings per share for the year ended 31 March 2015 were US78.9 cents as compared to US81.3 cents in the previous financial year.

Dividends

During the financial year 2015, the Group declared and paid an interim dividend of US17.0 cents per share, which aggregated to US$42.7 million. The Directors have proposed a Final Dividend of US61.0 cents per share, which is estimated to be US$153.2 million.

Liquidity and Financial Resources

Shareholders' funds as at 31 March 2015 were US$540.8 million, a decrease of 3.8% from US$562.4 million in the last financial year. Shareholders' funds per share decreased by 4.0% from US$2.24 to US$2.15.

The Group had no borrowings as at 31 March 2014 and 31 March 2015.

The Group's financial resources remain strong. As at 31 March 2015, deposits and cash decreased from US$322.9 million to US$294.2 million, a decrease of 8.9% compared with the last financial year-end-date. It was mainly due to the unfavourable foreign currency exchange movements on the Group's net assets as a result of the depreciation in foreign currencies against United States Dollar during the year.

Analysis of Cash Flow from Operations

	2015	2014 (Restated)	Change
	US$ million	US$ million	US$ million
Operating profit	**220.1**	226.6	(6.5)
Depreciation and amortisation	**31.6**	30.8	0.8
EBITDA	**251.7**	257.4	(5.7)
Gain on disposal of tangible assets	**(0.2)**	(0.1)	(0.1)
Working capital change	**(1.1)**	(0.1)	(1.0)
Cash generated from operations	**250.4**	257.2	(6.8)

The Group's cash generated from operations for the year ended 31 March 2015 was US$250.4 million, a decrease of 2.6% as compared to US$257.2 million in the previous financial year. The reduction was mainly attributable to the decrease in EBITDA in the financial year 2015 and the higher working capital investment compared with the previous financial year.

Working Capital Change

	Balance as at 31 March 2014 US$ million	Hedging & others US$ million	Working capital change per cash flow US$ million	Balance as at 31 March 2015 US$ million
Stocks	265.9	-	24.3	**290.2**
Trade debtors	208.6	-	13.3	**221.9**
Other debtors, deposits and prepayments	27.2	6.0	4.8	**38.0**
Trade creditors	(140.8)	-	(45.3)	**(186.1)**
Other creditors and accruals	(163.6)	3.4	3.7	**(156.5)**
Provisions	(27.9)	-	0.6	**(27.3)**
Net obligations on defined benefit scheme	(2.0)	(0.7)	(0.3)	**(3.0)**
Total working capital	167.4	8.7	1.1	**177.2**

Stocks as of 31 March 2015 were US$290.2 million, increased from US$265.9 million as of 31 March 2014. The turnover days also increased from 87 days to 96 days. The higher stock level was primarily to cater for increased demand for the Group's product in the first quarter of the financial year 2016. Furthermore, we had arranged early production of the Group's products in order to better utilise the Group's production capacities.

As at 31 March 2015 and 2014

All figures are in US$ million unless stated otherwise	**2015**	2014
Stocks	**290.2**	265.9
Average stocks as a percentage of Group revenue	**14.8%**	14.3%
Turnover days	**96 days**	87 days

Trade debtors as of 31 March 2015 were US$221.9 million, increased from US$208.6 million as of 31 March 2014. Debtor turnover days also increased from 54 days to 57 days. The higher trade debtor balance as at 31 March 2015 was mainly due to an increase in revenue in the fourth quarter of the financial year 2015 compared with the corresponding period of the previous financial year. The Group has tight management on credit exposure. The overdue balances greater than 30 days accounted for 1.4% of the gross trade debtors as of 31 March 2015.

As at 31 March 2015 and 2014

All figures are in US$ million unless stated otherwise	**2015**	2014
Trade debtors	**221.9**	208.6
Average trade debtors as a percentage of Group revenue	**11.5%**	11.4%
Turnover days	**57 days**	54 days

Other debtors, deposits and prepayments as of 31 March 2015 were US$38.0 million, increased from US$27.2 million as of 31 March 2014. It was mainly attributable to the increase in fair value gain on forward foreign exchange contracts in the financial year 2015.

Trade creditors as of 31 March 2015 were US$186.1 million, as compared to US$140.8 million as of 31 March 2014. Creditor turnover days also increased from 78 days to 85 days.

As at 31 March 2015 and 2014 All figures are in US$ million unless stated otherwise	**2015**	2014
Trade creditors	**186.1**	140.8
Turnover days	**85 days**	78 days

Other creditors and accruals as of 31 March 2015 were US$156.5 million, reduced from US$163.6 million as of 31 March 2014. It was largely attributable to the decrease of fair value losses on forward foreign exchange contracts upon settlement and the reduction in accruals of advertising expenses and other allowances to customers.

Provisions as of 31 March 2015 were US$27.3 million, as compared to US$27.9 million as of 31 March 2014.

Net obligations on defined benefit scheme as of 31 March 2015 were US$3.0 million, as compared to US$2.0 million as of 31 March 2014. The increase was mainly due to the re-measurement of net liability of defined benefit scheme.

Treasury Policies

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations and to minimise the Group's financial risks. The Group principally uses forward foreign exchange contracts as appropriate for risk management purposes only, for hedging foreign currency 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.

Capital Expenditure

For the year ended 31 March 2015, the Group invested US$30.9 million in the purchase of tangible assets including machinery and equipment, leasehold improvements, computer systems, as well as the improvement of manufacturing working environment. All of these capital expenditures were financed from internal resources.

Capital Commitments and Contingencies

In the financial year 2016, the Group will incur capital expenditure of US$34.9 million for ongoing business operations.

All of these capital expenditures 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 2015 was around 29,500, compared to 30,900 in the previous financial year. Staff related costs for the year ended 31 March 2015 were approximately US$308 million, as compared to approximately US$293 million in the financial year 2014.

Review of Operations

North America

Group revenue in North America decreased by 5.4% to US$899.5 million in the financial year 2015. Lower revenues from ELPs and CMS offset higher revenue from TEL products. North America remained VTech's largest market, accounting for 47.8% of Group revenue.

ELPs revenue in North America decreased by 16.2% to US$300.0 million, as sales of both platform and standalone products declined. Nevertheless, in the calendar year 2014, VTech became the number one manufacturer in Infant and Preschool Electronic Learning toys in the US market[9].

In platform products, sales of VTech's InnoTab range of educational tablets suffered from higher-than-expected channel inventory and severe competition, heightened by the contraction of the children's tablet market[10]. In July 2014, VTech launched Kidizoom Smartwatch, the world's first smartwatch for children with a built-in camera, in the US. It achieved strong sales and was recognised in numerous top toy lists.

Standalone products showed a slight sales decline, as retailers tightened inventory management. Strong growth of the Go! Go! Smart family of products was offset by lower sales of the core infant and preschool learning products. Switch & Go Dinos® also recorded a sales decrease as the product line matured. During the financial year 2015, Go! Go! Smart Wheels® was extended with the introduction of new models. The launch of Go! Go! Smart Animals™ nationwide, coupled with the exclusive launch of Go! Go! Smart Friends in partnership with Toys"R"Us, added incremental sales. The Go! Go! Smart Animals Zoo Explorers Playset won the prestigious "2015 Infant/Toddler Toy of the Year (TOTY) Award" from the American Toy Industry Association.

TEL products revenue in North America rose by 4.4% to US$416.0 million. The increase was driven by higher sales of commercial phones and other telecommunication products, offsetting a slight sales decline in residential phones.

Commercial phone sales continued to grow, as a result of higher sales of VTech's small-to-medium sized business (SMB) phones and cordless headsets. This was augmented by the launch of ErisStation, the Group's first conference phone with wireless microphones, and ErisTerminal, its SIP (Session Initiation Protocol) phone systems. Hotel phones also reported higher sales, as VTech continued to win new installations from global hotel brands. In other telecommunication products, baby monitors recorded a strong sales increase. The Group expanded its distribution channels and gained more placements, as major retailers began to replace older analogue models with VTech's more advanced digital baby monitors.

Sales of residential phones, however, recorded a slight decline owing to the further contraction of the fixed-line telephone market. Despite this, VTech maintained its number one position in the US residential phones market[11]. The Group continued to gain retail shelf space and expand sales channels.

The revenue from CMS in North America decreased by 5.4% to US$183.5 million, as sales declines in professional audio equipment and communication products were only partially offset by higher sales of solid-state lighting, industrial products, home appliances and medical and health products.

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9 Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales in the combined toy categories of infant electronic learning, other infant toys and preschool electronic learning for the 12 months ending December 2014

10 Source: NPD Group, Retail Tracking Service

11 Source: MarketWise Consumer Insights, LLC

Sales of professional audio equipment declined as an existing customer placed fewer orders in response to over-inventory and completed transferring the manufacture of one product family to its own facility, where there was excess capacity. Sales of communication products also decreased, as a client's product line reached the end of its life cycle. In contrast, sales of solid-state lighting and industrial products grew, as a customer ramped up orders in solid-state lighting. VTech has also started to become the sole supplier to an existing industrial products customer. Home appliances posted good growth as a customer expanded its sales channels. Medical and health products recorded higher sales owing to new product launches by customers.

Europe

Group revenue in Europe increased by 2.6% to US$812.3 million in the financial year 2015. Higher sales of TEL products and CMS offset a sales decline in ELPs. Europe was VTech's second largest market, accounting for 43.2% of Group revenue.

ELPs revenue in Europe decreased by 6.0% to US$362.6 million, as higher sales of standalone products failed to offset a decrease in sales of platform products. The depreciation of the Euro and Pound Sterling against the US dollar during the financial year 2015 also negatively impacted the reported revenue. Among the Group's key Western European markets, sales in Germany increased, while those in the UK, France and Spain declined.

For platform products, VTech's educational tablet InnoTab/Storio faced similar challenges as in North America, namely, high channel inventory and market contraction. Despite this, InnoTab/Storio remained the best-selling children's tablet in Europe, and regained the number one position among all toys in the top five European markets in the calendar year 2014[12]. Kidizoom Smartwatch was introduced to the Group's major European markets in June 2014 and performed well, becoming one of the top 10 best-selling new toys in the UK in 2014[13]. It was also selected as one of the "Top 12 Dream Toys 2014" by the British Toy Retailers Association.

For standalone products, growth was driven by the Toot-Toot family of products. New models were added to the popular Toot-Toot Drivers® range, while Toot-Toot Animals® was launched in VTech's key European markets. In the calendar year 2014, VTech again increased its market share and strengthened its position as the number one infant toy manufacturer in France, the UK and Germany, while becoming the largest infant toy manufacturer in Spain[14].

Among new products, the Group launched Kidizoom Action Cam in its major European markets in March 2015. This latest addition to the popular Kidizoom range of cameras has been well received by customers. In the fourth quarter of the financial year 2015, new models of Little Love, a range of interactive baby dolls, hit the shelves. They met with an especially positive reception in France, where the new Peek-a-Boo doll became the best-selling nurturing doll of Spring 2015[15].

Revenue from TEL products in Europe increased by 2.0% to US$157.4 million, as higher sales of commercial phones and other telecommunication products offset a sales decline in residential phones.

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[12] Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales of InnoTab/Storio by unit for the combined market of France, the UK, Germany, Spain and Italy

[13] Source: NPD Group, Retail Tracking Service

[14] Source: NPD Group, Retail Tracking Service

[15] Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales of all nurturing dolls in France by unit from January to April 2015

For commercial phones, sales of SIP phones increased as VTech continued to expand its distribution channels. Sales of CAT-iq handsets enjoyed strong growth as Network Operators continue to encourage the replacement of traditional PSTN (Public Switched Telephone Network) services with VoIP (Voice over Internet Protocol) services. Sales of baby monitors increased as the Group introduced new video models, completing a full range of products for the market.

Sales of residential phones were lower, mainly due to the decline of the fixed-line telephone market. Despite this, VTech maintained its market share as one of the leading cordless phone manufacturers in the region[16].

CMS revenue in Europe increased by 16.1% to US$292.3 million, driven by higher sales in most product categories. Sales of wireless headsets saw growth as VTech secured more orders from existing customers. One client placed additional orders in recognition of good customer service while another launched new products that were well-received by the market. Sales of switching mode power supplies were higher as an existing customer increased orders in a new business area for data centres, and in response to the region's general upgrade from 3G to 4G technology. Sales of home appliances rose owing to more orders from an existing customer in Italy. Sales of professional audio equipment, however, registered a decline, as a client transferred products requiring custom configuration to in-house production.

Asia Pacific

Group revenue in Asia Pacific increased by 8.0% to US$117.6 million in the financial year 2015, with higher sales in all three product lines. Asia Pacific accounted for 6.3% of Group revenue.

Revenue from ELPs in the Asia Pacific increased by 21.6% to US$25.9 million, on the back of growth in China, Hong Kong and Korea. The growth in China was driven by the continued good performance of Switch & Go Dinos, together with the introduction of Go! Go! Smart Wheels and Kidizoom Smartwatch. In Hong Kong, growth was seen in all product categories as the Group increased its sales and marketing efforts. Further inroads were made in Korea, following the expansion of the distribution network. Sales in Australia recorded a decline as VTech completed the transition from the previous distribution arrangement for ELPs to its own sales office, positioning itself for future growth.

TEL products revenue increased by 4.6% to US$43.0 million. Sales growth was recorded in Australia and Japan, the Group's major markets in Asia Pacific. Sales in Australia rose as residential phones and baby monitors recorded higher sales. For residential phones, VTech increased market share as a result of gaining more retail shelf space, while baby monitors were supported by the expansion of distribution channels in the country. Higher sales were achieved in Japan as a customer launched new models. The Group also made inroads in Thailand, Malaysia and Korea.

CMS revenue in Asia Pacific increased by 4.7% to US$48.7 million, driven by higher sales of wireless products, medical and health products and solid-state lighting. Sales of wireless products posted good growth, driven by increased orders of wireless headsets and the sales contribution from a new customer. Sales of medical and health products increased, as a customer in Japan benefited from the weaker Japanese Yen and achieved higher sales. Growth in solid-state lighting was supported by additional orders arising from the Youth Olympic Games in Nanjing, China in the first half of the financial year 2015.

[16] Source: MZA Ltd, 2015

Other Regions

Group revenue in Other Regions, namely Latin America, the Middle East and Africa, rose by 6.1% to US$50.4 million in the financial year 2015. Other Regions accounted for 2.7% of Group revenue.

ELPs revenue in Other Regions increased by 10.4% to US$14.8 million, as a sales decline in the Middle East was offset by higher sales in Latin America and Africa.

TEL products revenue in Other Regions increased by 6.7% to US$35.1 million, with higher sales in Latin America, the Middle East and Africa.

CMS revenue in Other Regions was US$0.5 million in the financial year 2015, as compared to US$1.2 million in the previous financial year.

CORPORATE GOVERNANCE PRACTICES

The Company is incorporated in Bermuda and has its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The corporate governance rules applicable to the Company are the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 March 2015, 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 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. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as independent non-executive Directors form the majority of the Board, with four out of seven of the Directors being independent non-executive Directors. The Board believes the appointment of Dr. Allan WONG Chi Yun 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 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 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 2015.

AUDIT COMMITTEE

The Audit Committee is chaired by Mr. WONG Kai Man with Dr. William FUNG Kwok Lun and Mr. Michael TIEN Puk Sun as members. All of the members are independent non-executive Directors. It has been established to assist the Board in fulfilling its overseeing responsibilities for financial reporting, risk management, corporate governance functions and evaluation of internal controls and auditing processes. It also ensures that the Group complies with all applicable laws and regulations.

Mr. WONG Kai Man, as the chairman of the Audit Committee, has the appropriate financial management expertise as required under the Listing Rules. The Audit Committee held two meetings during the financial year. In addition to the Audit Committee members, the meetings were attended by the Group Chief Executive Officer, the Chief Compliance Officer, the Chief Financial Officer and the external auditor. In addition, the chairman of the Audit Committee held periodic independent meetings with the Chief Compliance Officer, the Chief Financial Officer and the external auditor. Work performed by the Audit Committee during the financial year included, but not limited to, reviewing the following:

- audited Group financial statements and reports for the year ended 31 March 2014;
- report from the external auditor for the year ended 31 March 2014;
- unaudited Group Interim Financial Report for the six months ended 30 September 2014 in the 2014/2015 Interim Report;
- report from the external auditor based on limited agreed-upon procedures on the unaudited Group Interim Financial Report for the six months ended 30 September 2014 in the 2014/2015 Interim Report;
- accounting principles and practices adopted by the Group;
- appointment of the external auditor and its remuneration;
- significant findings by the Internal Audit Department and recommendations for corrective actions;
- reports made under Whistleblowing Policy;
- respective audit plans of the internal and external auditors;
- revised Audit Committee Charter;
- Audit Committee self-assessment results; and
- training and continuous professional development of Directors and senior management.

During the financial year, the Audit Committee has organised a one-day training session conducted by qualified professionals on accounting, taxation and Listing Rules requirements for the Directors and relevant staff.

On 19 May 2015 (the date of this Announcement), the Audit Committee met to review the audited Group financial statements and reports for the year ended 31 March 2015 in conjunction with the Company's external auditor and senior management before recommending them to the Board for consideration and approval. The financial results for the year ended 31 March 2015 have been reviewed with no disagreement by the Audit Committee. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2015 have been agreed with the Company's external auditor to the amounts set out in the Group's consolidated financial statements for the financial year.

In addition to the above, the Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control during the financial year. It reviews the process by which the Group evaluates its control environment and risk assessment procedures, and the way in which business and control risks are managed. Based on the information received from the management, the external auditor and the Internal Audit Department, the Audit Committee is satisfied that the overall financial and operational controls for the Group continue to be effective and adequate.

The Audit Committee has also been given the responsibility to oversee the effectiveness of formal procedures for employees to raise any matters of serious concerns and is required to review any reports made by the Internal Audit Department regarding this.

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 10 to the Listing Rules regarding securities transactions by Directors and senior management. After specific enquiry, all Directors confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 31 March 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company and its subsidiaries have not redeemed any of its shares during the financial year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the financial year, except that the trustee of the Share Purchase Scheme, pursuant to the rules and trust deed of the Share Purchase Scheme, purchased on the Stock Exchange a total of 130,200 Company's shares at a consideration of US$1.7 million.

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

Hong Kong, 19 May 2015

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 Independent Non-executive Directors of the Company are Dr. William FUNG Kwok Lun, Mr. Michael TIEN Puk Sun, Dr. Patrick WANG Shui Chung and Mr. WONG Kai Man.

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