VTech Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 303)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

PERFORMANCE HIGHLIGHTS

- Profit attributable to shareholders of the Company grew 44.2% to US$206.5 million
- Net profit margin expanded by 3.6 percentage points, from 9.9% to 13.5%
- Group revenue up by 5.8% to US$1,532.3 million
- Strong balance sheet, with net cash of US$382.6 million
- Final dividend of US62.0 cents per share, total dividend per share for the year up 47.2%

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 2010 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	Note	**2010 US$ million**	2009 US$ million
Revenue	2	**1,532.3**	1,448.2
Cost of sales		**(972.9)**	(920.7)
Gross profit		**559.4**	527.5
Selling and distribution costs		**(207.3)**	(232.1)
Administrative and other operating expenses		**(71.2)**	(84.2)
Research and development expenses		**(56.8)**	(56.9)
Operating profit	2&3	**224.1**	154.3
Net finance income		**1.4**	4.7
Profit before taxation		**225.5**	159.0
Taxation	4	**(20.2)**	(15.8)
Profit for the year		**205.3**	143.2
Attributable to:			
Shareholders of the Company		**206.5**	143.2
Minority interests		**(1.2)**	-
Profit for the year		**205.3**	143.2
Earnings per share (US cents)	6		
- Basic		**83.7**	58.5
- Diluted		**83.4**	58.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2010

	2010 US$ million	2009 US$ million
Profit for the year	**205.3**	143.2
Other comprehensive income (after tax and reclassification adjustments) for the year		
Realisation of hedging reserve	**0.3**	(0.6)
Fair value gains on hedging during the year	**-**	1.3
Exchange translation differences	**2.9**	(14.6)
Surplus arising on revaluation of properties	**-**	4.8
Other comprehensive income for the year	**3.2**	(9.1)
Total comprehensive income for the year	**208.5**	134.1
Attributable to:		
Shareholders of the Company	**209.6**	134.1
Minority interests	**(1.1)**	-
Total comprehensive income for the year	**208.5**	134.1

CONSOLIDATED BALANCE SHEET
As at 31 March 2010

	Note	**2010 US$ million**	2009 US$ million
Non-current assets			
Tangible assets		**79.8**	99.9
Leasehold land payments		**6.5**	3.8
Deferred tax assets		**5.6**	5.2
Investments		**0.2**	0.2
		92.1	109.1
Current assets			
Stocks		**159.3**	128.0
Debtors, deposits and prepayments	7	**211.4**	190.2
Financial assets at fair value through profit or loss		**-**	4.9
Taxation recoverable		**0.7**	3.1
Deposits and cash		**382.6**	287.2
		754.0	613.4
Current liabilities			
Creditors and accruals	8	**(272.9)**	(232.9)
Provisions		**(42.4)**	(41.8)
Taxation payable		**(9.6)**	(3.3)
		(324.9)	(278.0)
Net current assets		**429.1**	335.4
Total assets less current liabilities		**521.2**	444.5
Non-current liabilities			
Deferred tax liabilities		**(3.7)**	(4.3)
Net assets		**517.5**	440.2
Capital and reserves			
Share capital		**12.4**	12.3
Reserves		**503.3**	427.9
Shareholders' funds attributable to the Company's shareholders		**515.7**	440.2
Minority interests		**1.8**	-
Total equity		**517.5**	440.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2010

	Note	Attributable to shareholders of the Company								Minority interests	Total equity
		Share capital	**Share premium**	**Properties revaluation reserve**	**Exchange reserve**	**Capital reserve**	**Hedging reserve**	**Revenue Reserve**	**Total**	**Minority interests**	**Total equity**
		US$ million	US$ million	US$ million	US$ million	US$ million	US$ million	US$ million	US$ million	US$ million	US$ million
At 1 April 2008		**12.1**	**98.3**	**6.1**	**16.7**	**1.8**	**(1.0)**	**318.3**	**452.3**	-	**452.3**
Changes in equity for the year ended 31 March 2009											
Total comprehensive income for the year		-	-	4.8	(14.6)	-	0.7	143.2	134.1	-	134.1
Final dividend in respect of the previous year	5	-	-	-	-	-	-	(125.4)	(125.4)	-	(125.4)
Interim dividend in respect of the current year	5	-	-	-	-	-	-	(29.5)	(29.5)	-	(29.5)
Shares issued under share option scheme		0.2	6.7	-	-	-	-	-	6.9	-	6.9
Equity-settled share based payments		-	1.9	-	-	(0.1)	-	-	1.8	-	1.8
At 31 March 2009 and 1 April 2009		**12.3**	**106.9**	**10.9**	**2.1**	**1.7**	**(0.3)**	**306.6**	**440.2**	**-**	**440.2**
Changes in equity for the year ended 31 March 2010											
Total comprehensive income for the year		-	-	-	2.8	-	0.3	206.5	209.6	(1.1)	208.5
Final dividend in respect of the previous year	5	-	-	-	-	-	-	(101.2)	(101.2)	-	(101.2)
Interim dividend in respect of the current year	5	-	-	-	-	-	-	(39.5)	(39.5)	-	(39.5)
Shares issued under share option scheme		0.1	5.7	-	-	-	-	-	5.8	-	5.8
Equity-settled share based payments		-	0.7	-	-	0.1	-	-	0.8	-	0.8
Capital injection		-	-	-	-	-	-	-	-	2.9	2.9
At 31 March 2010		**12.4**	**113.3**	**10.9**	**4.9**	**1.8**	**-**	**372.4**	**515.7**	**1.8**	**517.5**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2010

	Note	**2010 US$ million**	2009 US$ million
Operating activities			
Operating profit		**224.1**	154.3
Depreciation of tangible assets	3	**36.6**	31.7
Amortisation of leasehold land payments	3	**0.1**	0.1
Loss on disposal of tangible assets	3	**-**	0.4
Impairment loss on construction in progress	3	**6.9**	-
(Increase) / decrease in stocks		**(31.3)**	4.4
(Increase) / decrease in debtors, deposits and prepayments		**(21.2)**	39.0
Increase / (decrease) in creditors and accruals		**40.0**	(29.2)
Increase / (decrease) in provisions		**0.6**	(4.6)
Cash generated from operations		**255.8**	196.1
Interest received		**1.4**	4.7
Taxes paid		**(12.4)**	(22.9)
Net cash generated from operating activities		**244.8**	177.9
Investing activities			
Purchase of tangible assets		**(20.3)**	(27.1)
Proceeds from disposal of tangible assets		**0.3**	-
Capital injection to a subsidiary		**(3.0)**	-
Purchase of financial assets		**-**	(5.0)
Proceeds received upon maturity of financial assets		**5.0**	15.0
Placement of bank deposits with maturity greater than three month		**(140.7)**	(45.0)
Net cash used in investing activities		**(158.7)**	(62.1)
Financing activities			
Proceeds from issued shares upon exercise of share options		**5.8**	6.9
Dividends paid	5	**(140.7)**	(154.9)
Net cash used in financing activities		**(134.9)**	(148.0)
Effect of exchange rate changes		**3.5**	(11.0)
Decrease in cash and cash equivalents		**(45.3)**	(43.2)
Cash and cash equivalents at beginning of the year		**242.2**	285.4
Cash and cash equivalents at end of the year		**196.9**	242.2

Analysis of the balance of cash and cash equivalents

	2010	2009
Deposits and cash in the consolidated balance sheet	**382.6**	287.2
Less: Bank deposits with maturity greater than three months	**(185.7)**	(45.0)
Cash and cash equivalents in the consolidated cash flow statement	**196.9**	242.2

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board. IFRSs include International Accounting Standards ("IASs") and related Interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The IASB has issued the following new, revised and amended IFRSs that are first effective for the current accounting period of the Group and the Company and are relevant to the Group's financial statements:

IAS 1 (Revised)	Presentation of financial statements
IFRS 7 (Amendment)	Improving disclosures about financial instruments
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 equity. 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. 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 7 (Amendment) – Improving disclosures about financial instruments

As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy accordingly to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to IFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of the financial instruments has not been provided.

IFRS 8 – Operating segments

IFRS 8, which replaces IAS 14, Segment Reporting, 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 superseded standard, IAS 14, Segment Reporting, required the Group to identify primary and secondary segments. In previous years, the Group's segment disclosure was based on geographical segments. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the geographical segments previously identified under IAS 14. Accordingly, the adoption of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the reportable segments determined in accordance with IAS14 and any change in the basis of measurement of segment profit or loss.

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.

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

The other accounting policies have been consistently applied by the Group.

2. 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, 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 ("PRC"), 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, interests in associates and other investments.

Segment liabilities include trade creditors, bills payable, accruals, and provisions for electronic product warranties attributable to the manufacturing and sales activities of the individual reportable segments with the exception of deferred tax liabilities and taxation payable.

2. Segment information *(continued)*

Year ended 31 March 2010

	North America US$ million	**Europe US$ million**	**Asia Pacific US$ million**	**Others US$ million**	**Total US$ million**
Reportable segment revenue	**872.6**	**528.9**	**81.5**	**49.3**	**1,532.3**
Reportable segment profit	**116.0**	**89.7**	**9.0**	**9.4**	**224.1**
Depreciation and amortisation	**1.0**	**1.8**	**33.9**	**-**	**36.7**
Impairment loss on construction in progress	**-**	**-**	**6.9**	**-**	**6.9**
Reportable segment assets	**121.1**	**75.5**	**642.3**	**0.7**	**839.6**
Reportable segment liabilities	**(47.5)**	**(19.9)**	**(247.7)**	**(0.2)**	**(315.3)**

Year ended 31 March 2009

	North America US$ million	Europe US$ million	Asia Pacific US$ million	Others US$ million	Total US$ million
Reportable segment revenue	772.8	570.5	55.2	49.7	1,448.2
Reportable segment profit	59.6	78.0	10.2	6.5	154.3
Depreciation and amortisation	1.6	0.8	29.4	-	31.8
Reportable segment assets	124.9	65.1	521.2	2.8	714.0
Reportable segment liabilities	(50.1)	(23.6)	(200.7)	(0.3)	(274.7)

Reconciliations of reportable segment assets and liabilities

	2010 US$ million	2009 US$ million
Assets		
Reportable segment assets	**839.6**	714.0
Investments	**0.2**	0.2
Taxation recoverable	**0.7**	3.1
Deferred tax assets	**5.6**	5.2
Consolidated total assets	**846.1**	722.5
Liabilities		
Reportable segment liabilities	**(315.3)**	(274.7)
Taxation payable	**(9.6)**	(3.3)
Deferred tax liabilities	**(3.7)**	(4.3)
Consolidated total liabilities	**(328.6)**	(282.3)

For the year ended 31 March 2010, approximately 17% (2009: 17%) 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:

	2010 US$ million	2009 US$ million
Depreciation of tangible assets	**36.6**	31.7
Amortisation of leasehold land payments	**0.1**	0.1
Loss on disposal of tangible assets	**-**	0.4
Impairment loss on construction in progress	**6.9**	-
Net foreign exchange loss	**-**	28.2
Net gain on forward foreign exchange contracts	**-**	(0.6)

4. Taxation

	2010 US$ million	2009 US$ million
Current tax		
- Hong Kong	**17.3**	10.9
- Overseas	**4.2**	4.5
Over-provision in respect of prior years		
- Hong Kong	**(0.3)**	(0.1)
- Overseas	**-**	(0.1)
Deferred tax		
- Origination and reversal of temporary differences	**(1.0)**	0.6
	20.2	15.8

(a) Hong Kong Profits Tax has been calculated at the rate of 16.5% (2009:16.5%) 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

	2010 US$ million	2009 US$ million
Interim dividend of US16.0 cents (2009: US12.0 cents) per share declared and paid	**39.5**	29.5
Final dividend of US62.0 cents (2009: US41.0 cents) per share proposed after the balance sheet date	**153.1**	100.8

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 15 June 2009, the directors proposed a final dividend of US41.0 cents per ordinary share for the year ended 31 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 31 March 2009. The final dividend was approved by shareholders at the Annual General Meeting on 7 August 2009. As a result of shares issuance upon exercise of share options during the period between 1 April 2009 and 7 August 2009, the final dividend paid in respect of the year ended 31 March 2009 totaled US$101.2 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$206.5 million (2009: US$143.2 million).

The basic earnings per share is based on the weighted average of 246.6 million (2009: 244.8 million) ordinary shares in issue during the year. The diluted earnings per share is based on 247.7 million (2009: 245.3 million) ordinary shares which is the weighted average number of ordinary shares in issue during the year after adjusting for the number of dilutive potential ordinary shares under the Company's share option scheme.

7. Debtors, deposits and prepayments

At 31 March 2010, total debtors, deposits and prepayments of US$211.4 million (31 March 2009: US$190.2 million) included trade debtors of US$185.7 million (31 March 2009: US$154.0 million).

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

	2010 **US$ million**	2009 US$ million
0-30 days	**101.4**	67.2
31-60 days	**53.8**	43.4
61-90 days	**28.4**	22.6
>90 days	**2.1**	20.8
Total	**185.7**	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.

8. Creditors and accruals

At 31 March 2010, total creditors and accruals of US$272.9 million (31 March 2009: US$232.9 million) included trade creditors of US$136.0 million (31 March 2009: US$102.4 million).

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

	2010 **US$ million**	2009 US$ million
0-30 days	**70.1**	49.2
31-60 days	**35.8**	30.9
61-90 days	**20.9**	10.2
>90 days	**9.2**	12.1
Total	**136.0**	102.4

9. 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 reclassified to conform to current year's presentation. Further details of these developments are disclosed in note 1.

FINAL DIVIDEND

The Board of Directors (the "Board") has recommended a final dividend ("Final Dividend") of US62.0 cents per ordinary share in respect of the year ended 31 March 2010, payable on 2 August 2010 to shareholders whose names appear on the register of members of the Company as at the close of business on 30 July 2010 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

The Final 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 21 July 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 July 2010 to 30 July 2010, both dates inclusive, during which period no transfer of shares will be effected.

In order to qualify for the Final 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 22 July 2010.

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.

CHAIRMAN'S STATEMENT

I am pleased to report that VTech has successfully managed our businesses through the adverse economic conditions prevailing in the financial year 2010. In addition to achieving an increase in revenue, we delivered a proportionally higher growth in profit.

In the US, the market share of our telecommunication (TEL) products grew further. Sales of contract manufacturing services (CMS) increased despite the decline in the global electronic manufacturing services (EMS) market. We also achieved good growth across the board in Asia Pacific.

Our track record for product innovation continues. We launched a new telephony system for small and medium sized business (SMB), which has been well received. For electronic learning products (ELPs), we have recently delivered two new platform products to the market and they have received strong support from our retail customers.

Results and Dividend

Group revenue for the year ended 31 March 2010 rose by 5.8% over the previous financial year, to US$1,532.3 million. Profit attributable to shareholders of the Company grew strongly, by 44.2%, to US$206.5 million. The proportionally higher profit is mainly attributable to effective spending on advertising and promotions for ELPs, as well as better foreign exchange risk management.

Basic earnings per share increased by 43.1% to US83.7 cents, compared to US58.5 cents in the financial year 2009. The Board has proposed a final dividend of US62.0 cents per ordinary share. Together with the interim dividend of US16.0 cents per share, this gives a total dividend for the year of US78.0 cents per ordinary share, an increase of 47.2% over the previous financial year.

Segment Results

North America, our largest market, was an important contributor to our strong results. Despite the severe downturn in the US, we managed to increase revenue in the region. TEL products and CMS performed well, countering a decline in sales of ELPs.

Our TEL products continued to lead the market in product design, innovative features and competitive pricing. Capitalising on the exit of a major competitor towards the end of the calendar year 2008, we boosted our estimated share of the US corded and cordless phone market to almost 50%. With the launch of our AT&T branded SMB telephony systems, we have also opened a major new area of growth in North America. These systems are ideal for small and medium sized offices, as well as for facilities such as warehouses and distribution centres. A sharp improvement in the second half saw CMS revenue in North America increase for the full financial year, buoyed by increased sales of professional audio equipment to both existing and new customers. Sales of ELPs were impacted by unstable economic conditions in the region, where we had strategically delayed the launch of a major new platform product.

Revenue from Europe was affected by the weak economy. Despite a sales rebound in the second half as customers began to restock, TEL products experienced a sales decline for the full financial year. Sales of ELPs in the region also decreased, mainly due to the decrease in sales in platform products. CMS saw lower demand for switching mode power supplies and wireless products, which offset gains in professional audio equipment.

In Asia Pacific, all product lines achieved sales increase. The growth was mainly attributed to our agreement with Telstra to be its direct supplier of fixed line telephones, and orders from a major customer in solid state lighting. Sales from other regions showed a slight decline.

Outlook

Retail markets in most developed countries started to show signs of recovery towards the end of the calendar year 2009. This, coupled with the rebound in sales we have seen in the first three months of the calendar year 2010, gives some cause for optimism. However, given the financial instability of certain EU countries and the subsequent volatility in global financial markets, we still see considerable uncertainty over the sustainability of this recovery. Additionally, the continued weakness of European currencies will create pressure on our revenue and profitability.

Rising costs will add to the challenges in the financial year 2011. Material and component prices have increased markedly since their lows in 2008 and 2009. Lead times are also longer. Leveraging our economies of scale and strong procurement power, VTech is working closely with suppliers to mitigate these impacts.

Labour costs in mainland China are also affected by the increase in the minimum wage, which came into effect in May 2010. We will continue to re-engineer products for lower costs, and seek productivity gains through increasing automation and improving processes.

Going forward, we are still cautiously optimistic that the Group will deliver growth in the financial year 2011. This will be achieved through pursuing our strategy of product innovation, gains in market share, geographic expansion and operational excellence.

North America and Europe

After a strong performance in the previous financial year, growth will not be easy to achieve for TEL products in North America in this financial year. Nevertheless, we still expect further gains in market share in our core product lines, namely corded and cordless telephones for consumers. Beyond these, the AT&T branded SMB telephony systems will add momentum to sales. Our second model in this category, Synapse™, was launched in January 2010 and sales are gradually building up. We are currently selling these products through value added resellers, and we are also recruiting distributors through our “SMB Partner Program”.

In Europe, despite the uncertainty of the economic situation, we expect TEL products to resume growth in the financial year 2011. Most of our existing customers are giving us more orders. VTech is steadily gaining market share in Germany as a result of the Deutsche Telekom agreement. Additionally, while volumes are still small compared to cordless phones, we have been shipping an increasing number of integrated access devices (IADs). This provides further impetus to sales growth.

For ELPs, we expect platform products to return to growth in North America, while momentum for standalone products will continue. The two new platform products launched this financial year, V.Reader and MobiGo, have been well received by the trade. V.Reader is an animated e-book system for children aged three to seven. With a 4.3 inch colour display, stories come to life on V.Reader through narration, music, animation, and interactions. MobiGo is a handheld educational gaming system for children aged three to eight. With its colour touch screen and slide-open keyboard, MobiGo puts the world of educational fun at children's fingertips. Both products have been on retail shelves since June and will benefit from extensive media support. Growth in standalone products will be supported by extensive line-ups of infant and pre-school items. These are being led by additions to the successful Jungle Gym line, a new category of bath toys, as well as strong licensed pre-school products.

In Europe, the introduction of new standalone and platform products is expected to stimulate sales. MobiGo will be introduced in most European markets between late summer and fall, while V.Reader will appear in the UK in the summer. As we receive European currencies for domestic sales in Europe, a decline in their values would affect our revenue and profitability in US Dollar terms. Consequently, growth will be difficult to achieve for this financial year.

The global EMS industry is forecast to remain on an uptrend in the financial year 2011 and our CMS will continue to outperform the market. With an established reputation in the professional audio industry, we expect to gain additional business from both existing and new customers in North America and Europe. Switching mode power supplies will see growth opportunities in the new business areas of solar power inverters and electric vehicle chargers.

Customers are increasingly aware of the efforts we have made in improving the working conditions for our workforce. The operations of CMS are in full compliance to the international standards SA8000 and OHSAS18000. These certifications demonstrate the commitment of CMS in the areas of social accountability and occupational health & safety. This commitment differentiates CMS from the competition and will enhance our growth prospects in the coming years.

Asia Pacific and Other Regions

Asia Pacific is likely to lead the way among other regions and we are planning to introduce TEL products to the Chinese market. We also expect increased contributions from the Telstra arrangement in Australia.

For ELPs, we have set up a new team to develop products specifically for mainland China. These products will hit the shelves by the end of this calendar year. We will continue to step up our efforts in other Asia Pacific markets, notably Australia and Japan.

For CMS, we see good opportunities to build on our success in solid state lighting for the Japanese market. As the performance of the LED light bulbs is superior to that of conventional light bulbs, we are seeing rapid consumer adoption of the new technology. As a result of keen competition in this emerging business segment, tremendous price erosion is expected in the next few years. CMS will work closely with our customer to accelerate cost reductions through new product designs and process automation, so as to improve profit margins through the strong partnership.

Conclusion

Our ability to make further progress across our businesses in the face of very difficult market conditions testifies to the strength of the Group. I would like to thank my fellow directors, senior management and all staff for their support in meeting the challenges. I also thank all of our suppliers, business partners and customers, whose close co-operation has helped to make the year a successful one.

VTech is a company with strong R&D, market leadership position, a strong balance sheet and a highly efficient operation. We will continue to focus on product innovation and geographical expansion to deliver growth, while managing costs and risks to enhance profitability.

REVIEW OF OPERATIONS

Segment Results

North America

North America remains VTech's largest market, representing 57.0% of Group revenue. Despite the most severe downturn in the US economy since World War II, VTech managed to increase revenue by 12.9% to US$872.6 million in the financial year 2010.

Growth was driven by higher sales of TEL products and CMS. Their revenues rose during the financial year by 34.2% and 7.0% to US$515.2 million and US$122.4 million respectively.

The Group's TEL products continue to lead the market in industrial design, innovative features and competitive pricing. During the financial year, both the VTech and AT&T brands gained further retailer and consumer support against the competition. The core AT&T range, and the opening price point VTech branded DECT 6.0 cordless telephones, sold especially well. Additionally, we have been able to capitalise on the exit of a major competitor towards the end of the calendar year 2008. All these factors contributed to considerable gains in market share for the Group. Our estimated share of the US corded and cordless phone market reached almost 50%.

The Group's first enterprise phone, which sells under the AT&T brand, was launched during the first half of the financial year. VTech offers the only SMB telephony system in the US market to feature optional DECT 6.0 repeaters, which give an unprecedented talk range of up to half a mile. This makes it ideal for use in multi-level buildings, warehouses, restaurants, distribution centres and similar facilities. This product has been well received by our customers and sales have been steadily increasing.

Sales of ELPs, affected by the poor economy in the region, declined by 14.4%to US$235.0 million. Platform products were the main contributor to this revenue decline. As noted at the interim, in view of the unstable economic conditions, the Group had strategically delayed the launch of a major new platform product. The Bugsby Reading System was the only new platform launched. Its retail performance was in line with our expectation.

Standalone products sold well, by contrast, including popular products such as the Tote & Go Laptop™ and Move & Crawl Ball™. The infant category performed especially well. VTech's very strong infant product line up has continued to gain support from retailers, including more shelf space and promotional activities.

A significant new standalone product launch in the financial year 2010 was the Jungle Gym line. This product line combines electronic learning, fun and physical activities. Products in this line are sold outside the traditional learning aisle and have therefore created a new avenue for growth for VTech's ELPs. Within the line, the Bouncing Colour Turtle™ has sold especially well.

CMS saw sales improve sharply in North America in the second half of the financial year, following a decline in the first half. As a result, revenue increased by 7.0% to US$122.4 million. Professional audio equipment, where our reputation continues to grow, saw further sales increases from existing and new customers.

Europe

Revenue from Europe declined by 7.3% to US$528.9 million in the financial year 2010, accounting for 34.5% of Group revenue.

VTech sells its TEL products to customers in Europe mainly on an Original Design Manufacturing (ODM) basis. Sales of these TEL products fell by 11.5% to US$171.4 million in the financial year

2010. There was a rebound in the second half as customers began to restock following severe draw downs in inventory, but this was unable to offset the sales decline in the first half. Nevertheless, VTech's market share continued to increase during the financial year.

Co-branded "T-Home/VTech" products based on our exclusive agreement with Deutsche Telekom appeared on the shelves in August 2009 in Germany, with the full product range reaching the shelves in the final quarter of the financial year. The Group's first IAD appeared on the market at the same time. These new products contributed to the rebound in the second half of the financial year 2010.

ELP sales to Europe decreased by 6.5% to US$241.7 million in the financial year 2010. As in North America, declining consumer demand and lower average selling prices depressed sales for the full financial year. Standalone products again fared better than platform products.

In spite of the overall sales decline in this region, ELP sales in the UK and Germany were relatively stable. During the financial year 2010, the Kidizoom and Kidizoom Pro cameras were the top selling toys in Germany and the UK. Furthermore, Kidizoom camera was named Pre-School Toy of the Year 2009 by the Toy Retailers Associations in the UK for the second consecutive year.

Despite a strong pick up in the second half, CMS revenue in Europe declined slightly by 2.0% to US$115.8 million for the full financial year. Demand for switching mode power supplies and wireless products was impacted by the economic contraction in the region. However, we continued to see gains in professional audio equipment as existing customers increased orders.

Asia Pacific and Other Regions

Asia Pacific continued to outperform other markets during the financial year, as the region's economies proved more resilient during the global downturn. Revenue rose by 47.6% to US$81.5 million, accounting for 5.3% of Group revenue.

All product lines achieved sales increases. Sales of TEL products reached US$22.9 million, growing by 59.0% over last year. The rise in revenue was in part due to the agreement signed in June 2009 with a leading Australian telecommunications and information services company Telstra, for which VTech is now its direct supplier of fixed line telephones. For ELPs, sales in the region rose by 23.4%, to US$15.8 million during the financial year.

CMS exhibited similarly strong growth to that of TEL products in Asia Pacific, with sales rising by 52.9% to US$42.8 million. Growth was mainly driven by a customer in the area of solid state lighting. VTech worked with the customer to develop and produce its new range of LED light bulbs for home use and played a significant role in launching the new products on the market on time.

Sales from other regions were flat, with revenue for the financial year decreasing slightly, by 0.8%, to US$49.3 million. This accounted for 3.2% of Group revenue. The decrease was attributable to sales declines in ELPs. Sales of TEL products grew by 13.9% to US$32.8 million during the financial year. Other regions comprise mainly markets in Latin America, the Middle East and Africa, which the Group has been developing in recent years as potential new avenues of growth.

REVIEW OF FINANCIAL RESULTS

Revenue

Group revenue for the year ended 31 March 2010 rose by 5.8% over the previous financial year to US$1,532.3 million. The revenue increase was largely driven by higher sales in North America and strong growth in Asia Pacific across the board, which contrasted with a decrease in revenue in Europe and in other regions. Revenue from the North American market was US$872.6 million, an increase of 12.9% over the last financial year, and representing 57.0% of Group revenue. In Asia Pacific, revenue increased by 47.6% to US$81.5 million, accounting for 5.3% of Group revenue. Sales to Europe declined by 7.3% to US$528.9 million, representing 34.5% of Group revenue. Revenue from other regions decreased by 0.8% to US$49.3 million, accounting for 3.2% of Group revenue.

The growth in revenue in North America was mainly due to higher sales of TEL products and CMS, which offset a decrease in the revenue from ELPs. Revenue from TEL products in North America was US$515.2 million, an increase of 34.2% over the previous financial year. Growth was driven by strong industrial design, innovative features and competitive pricing of TEL products. Sales of ELPs declined by 14.4% to US$235.0 million, mainly as a result of a decrease in sales of platform products. However, standalone products sold well in the current financial year. Revenue from CMS rose by 7.0% to US$122.4 million. The sales increase was attributable to higher sales of professional audio equipments to existing and new customers.

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 11.5% to US$171.4 million over the previous financial year. This was attributable to reduced orders and decreased stock replenishment from customers. Sales rebounded in the second half as customers began to restock, but this was unable to offset the sales decline in the first half. Sales of ELPs to Europe declined to US$241.7 million, a decrease of 6.5%. The decrease resulted from declining consumer demand and lower average selling prices of ELPs. Revenue from CMS fell by 2.0% to US$115.8 million. The decrease was mainly due to lower sales in the areas of switching mode power supplies and wireless products which were impacted by the economic contraction in the region.

For Asia Pacific, all product lines achieved sales increases. Sales of TEL products to Asia Pacific rose by 59.0% to US$22.9 million. The growth was partly owing to higher sales to Australia following the agreement with Australian telecommunications and information services company Telstra. For ELPs, revenue from Asia Pacific increased by 23.4% to US$15.8 million in current financial year because of an increase in sales of platform and standalone products. Revenue from CMS increased by 52.9% to US$42.8 million over the previous financial year. Growth was mainly driven by a customer in the area of solid state lighting.

For Other regions, revenue decreased mainly because of a sales decline in ELPs, partly offset by a sales growth in TEL products. Sales of TEL products to other regions were US$32.8 million, an increase of 13.9% over the previous financial year. Revenue of ELPs from other regions decreased by 22.5% to US$16.2 million in the financial year.

Gross Profit/Margin

The gross profit for the financial year 2010 was US$559.4 million, an increase of US$31.9 million or 6.0% compared to the US$527.5 million recorded in the previous financial year. Gross profit margin for the year was 36.5% against 36.4% recorded in the previous financial year. The Group was able to maintain gross profit margin because of stable material and labour costs for much of the period.

Operating Profit/Margin

The operating profit for the year ended 31 March 2010 was US$224.1 million, an increase of US$69.8 million or 45.2% over the previous financial year. The operating profit margin also increased from 10.7% in the previous financial year to 14.6% in the current financial year. The ratio of EBITDA to revenue in the financial year 2010 was 17.0% against 12.9% recorded in the previous financial year. The increase was partly reflected by the increase in gross profit and lower selling and distribution costs.

Selling and distribution costs decreased by 10.7% from US$232.1 million in the previous financial year to US$207.3 million in the financial year 2010. The decrease was mainly attributable to more effective spending on advertising and promotional dollars for ELPs by the Group. As a percentage of Group revenue, selling and distribution costs decreased from 16.0% in the previous financial year to 13.5% in the financial year 2010.

Administrative and other operating expenses decreased from US$84.2 million in the previous financial year to US$71.2 million in the financial year 2010. With better foreign exchange risk management, exchange loss arising from the Group's global operations in the ordinary course of business was minimal in the financial year. This contrasted with an exchange loss of US$27.6 million recorded in the previous financial year 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 increased by US$14.6 million compared to the previous financial year. These expenses included the settlement and license fees together with the legal and professional costs of a lawsuit with Motorola Inc. related to infringement of six patents asserted against the Group. Administrative and other operating expenses as a percentage of Group revenue, excluding the effect of exchange differences, increased from 3.9% in the previous financial year to 4.6% in the current financial year.

During the financial year 2010, the research and development expense was US$56.8 million, a slight decrease of 0.2% over the previous financial year. Research and development expense as a percentage of Group revenue decreased from 3.9% in the previous financial year to 3.7% in the financial year 2010.

Profit attributable to shareholders and Dividends

The profit attributable to shareholders of the Company for the year ended 31 March 2010 was US$206.5 million, an increase of US$63.3 million as compared to the previous financial year.

Basic earnings per share for the year ended 31 March 2010 were US83.7 cents as compared to US58.5 cents in the previous financial year. During the year, the Group declared and paid an interim dividend of US16.0 cents per share, which aggregated to US$39.5 million. The directors have proposed a final dividend of US62.0 cents per share, which will aggregate to US$153.1 million.

Liquidity and Financial resources

Shareholders' funds as at 31 March 2010 were US$515.7 million, a 17.2% increase from US$440.2 million reported for the financial year 2009. The shareholders' funds per share increased by 16.8% from US$1.79 to US$2.09.

The Group had no borrowings as at 31 March 2009 and 31 March 2010.

As at 31 March 2010 and 2009	**2010** **US$ million**	2009 US$ million
Deposits and cash	**382.6**	287.2
Currency-linked deposits	**-**	4.9
	382.6	292.1

As at 31 March 2010, the net cash plus currency-linked deposits with principal protected had increased to US$382.6 million, rose 31.0% from US$292.1 million at the previous year-end.

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 foreign exchange 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

As at 31 March 2010 and 2009

All figures are in US$ million unless stated otherwise	**2010**	2009
Stocks	**159.3**	128.0
Average stocks as a percentage of Group revenue	**9.4%**	9.0%
Turnover days	**75 Days**	67 days
Trade debtors	**185.7**	154.0
Average trade debtors as a percentage of Group revenue	**11.1%**	11.6%
Turnover days	**61 days**	73 days

Stocks as at 31 March 2010 increased by 24.5% over the balance at 31 March 2009 to US$159.3 million. The turnover days increased from 67 days to 75 days. The increase in stock level was primarily due to advance purchase of raw materials to cater for the increased demand for the Group's products in the first quarter of the financial year 2011. Trade debtors as at 31 March 2010 was US$185.7 million as compared to US$154.0 million in the previous financial year. The turnover days decreased from 73 days to 61 days. The increase in trade debtor balance as at 31 March 2010 was mainly due to an increase in revenue in the fourth quarter of financial year 2010 when compared with the corresponding period of the previous financial year.

Capital Expenditure

For the year ended 31 March 2010, the Group invested US$26.3 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.

Capital Commitments and Contingencies

In the financial year 2011, the Group will incur capital expenditure of US$45.2 million for ongoing business operations. This includes our planning to further invest US$19.1 million of capital in Qingyuan, northern Guangdong province in the financial year 2011.

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 employees for the financial year 2010 was 27,100, a decrease of 4.2% from 28,300 in the previous financial year. Employee costs for the year ended 31 March 2010 were approximately US$172 million, as compared to approximately US$168 million in the financial year 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is incorporated in Bermuda and has its shares listing on The Stock Exchange of Hong Kong Limited. 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 year ended 31 March 2010, 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. Allan WONG Chi Yun ("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. Full details on the subject of corporate governance are set out in the Company's Annual Report for the year ended 31 March 2010.

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 the members 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.

Mr. Denis HO, as 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 year. The meetings were attended by the Chairman, Chief Compliance Officer, Chief Financial Officer and external auditors. In addition, the Chairman of Audit Committee held regular meetings with the Chief Financial Officer and Chief Compliance Officer. Work performed by the Committee during the year included reviewing the:

- unaudited Group financial statements for the six months ended 30 September 2009;
- report from the external auditor based on limited agreed upon procedures on the unaudited Group financial statements for the six months ended 30 September 2009;
- accounting principles and practices adopted by the Group;
- implementation of applicable International Financial Reporting Standards;
- appointment of the external auditors and their remuneration;
- Internal Audit Plan for the year ending 31 March 2011;
- significant findings by the internal audit department and recommendations for corrective actions; and
- enhanced manual on Group Internal Audit Practices and Procedures.

On 14 June 2010 (the date of this Announcement), the Audit Committee met to review the audited Group financial statements and reports for the year ended 31 March 2010 in conjunction with the Company's external auditor, senior management and internal auditor before recommending them to the Board for consideration and approval. The Group's annual results announcement for the year ended 31 March 2010 has been agreed by the Group's external auditor.

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

APPOINTMENT OF AUDIT COMMITTEE MEMBER

The Board announces that Dr. Patrick WANG Shui Chung, an Independent Non-executive director of the Company, has been appointed as the member of Audit Committee with effect from 15 June 2010.

MODEL CODE FOR 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. After specific enquiry, all directors of the Company confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 31 March 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

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

Hong Kong, 14 June 2010

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 are Dr. William FUNG Kwok Lun, Mr. Denis Morgie HO Pak Cho, Mr. Michael TIEN Puk Sun and Dr. Patrick WANG Shui Chung.

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