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VTech Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 303)

BUSINESS PERFORMANCE UPDATE

This announcement is made by VTech Holdings Limited (“VTech” or the “Company”, together with its subsidiaries, the “Group”) pursuant to Rules 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Company is scheduled to report its financial results (for the 12 months period ending 31 March 2015) in May 2015. Ahead of the said results announcement, the Group expects to hold discussions with investors and securities analysts (as per its normal corporate practices) that may relate to the Group’s business. To provide investors with equal access to the relevant information, this business performance update statement provides such information that may be covered in such discussions.

Business Performance Outlook

As per the half-year results announcement of the Company (issued on 11 November 2014), for the six months ended 30 September 2014, Group revenue was US\$900.8 million, an increase of 0.9% over the same period of the previous financial year. Profit attributable to shareholders of the Company was US\$102.7 million, an increase of 7.5% over the same period last year.

The Chairman’s Statement issued together with the half-year results announcement noted that the Group expected a modest revenue growth for the full financial year 2015, with a stable gross margin. The Group also expected a slight decline in sales in electronic learning products (ELPs) for the full financial year 2015, in light of the keen competition in the children’s tablet market.

During the recent holiday season, sales of our children’s educational tablets have suffered from higher-than-anticipated channel inventory in the market and severe competition. The overall contraction of the children’s tablet market has also affected sales performance. As a result, despite the continued good performance of standalone products, the Group now foresees a greater-than-expected decline in ELPs sales for the full financial year 2015.

Even though sales of telecommunication products and contract manufacturing services remain in line with the management's expectations, growth in these product lines may not be sufficient to offset the negative impact from ELPs. Consequently, Group revenue for the full financial year 2015 is now forecast to decline slightly year-on-year. The weaker-than-anticipated performance of children's educational tablets is also expected to lead to a slight decline in the Group's gross margin for the full financial year 2015, as higher trade allowances and more stock provisions are made for these products.

The Group's financial position remains robust, as our operations continue to generate strong cash flow.

Cautionary Statement

Shareholders and potential investors of VTech are reminded that the outlook information provided in this announcement is based on the preliminary assessment of the currently available information by the Group's management. Further, the Company's current financial period has not ended. None of the information contained in this announcement has been reviewed or audited by or discussed with the Group's auditor. Financial information and other details of the Group for the year ending 31 March 2015 will be disclosed in the Company's annual results announcement and the same is expected to be published in May 2015.

Shareholders of VTech and potential investors of VTech are advised to exercise caution when dealing in VTech shares.

By Order of the Board
VTech Holdings Limited
CHANG Yu Wai
Company Secretary

Hong Kong, 9 January 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.

<http://www.vtech.com/investors/stock-info>