VTech Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 303)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2013

PERFORMANCE HIGHLIGHTS

- Group revenue increased by 4.1% to US$1,858.0 million
- Profit attributable to shareholders of the Company rose by 5.4% to US$202.3 million
- Strong balance sheet, with deposits and cash of US$308.6 million
- Final dividend of US64.0 cents per ordinary share, giving a total dividend for the year of US80.0 cents per ordinary share, an increase of 5.3% over the previous financial year

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 2013 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Note	**2013** **US$ million**	2012 US$ million
Revenue	2	**1,858.0**	1,784.5
Cost of sales		**(1,260.2)**	(1,213.7)
Gross profit		**597.8**	570.8
Selling and distribution costs		**(260.0)**	(255.0)
Administrative and other operating expenses		**(56.0)**	(49.1)
Research and development expenses		**(57.1)**	(57.2)
Operating profit	2&3	**224.7**	209.5
Net finance income		**1.7**	2.1
Profit before taxation		**226.4**	211.6
Taxation	4	**(24.1)**	(19.7)
Profit for the year and attributable to shareholders of the Company		**202.3**	191.9
Earnings per share (US cents)	6		
- Basic		**80.9**	77.0
- Diluted		**80.8**	76.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2013

	2013 US$ million	2012 US$ million
Profit for the year	**202.3**	191.9
Other comprehensive income (after tax and reclassification adjustments) for the year		
Fair value gains on hedging	**2.5**	1.4
Realisation of hedging reserve	**(1.5)**	(0.3)
Exchange translation differences	**(3.6)**	(2.7)
(Deficit) / surplus arising on revaluation of properties, net of deferred tax	**(1.7)**	9.1
Other comprehensive income for the year	**(4.3)**	7.5
Total comprehensive income for the year	**198.0**	199.4

CONSOLIDATED BALANCE SHEET
As at 31 March 2013

	Note	2013 US$ million	2012 US$ million
Non-current assets			
Tangible assets		**88.4**	91.0
Leasehold land payments		**5.2**	5.1
Investments		**0.1**	0.2
Deferred tax assets		**3.7**	5.9
		97.4	102.2
Current assets			
Stocks		**276.9**	239.2
Debtors, deposits and prepayments	7	**259.5**	244.2
Taxation recoverable		**0.4**	0.8
Deposits and cash		**308.6**	326.5
		845.4	810.7
Current liabilities			
Creditors and accruals	8	**(330.6)**	(314.9)
Provisions		**(28.2)**	(31.5)
Taxation payable		**(7.2)**	(4.5)
		(366.0)	(350.9)
Net current assets		**479.4**	459.8
Total assets less current liabilities		**576.8**	562.0
Non-current liabilities			
Deferred tax liabilities		**(4.5)**	(5.8)
Net assets		**572.3**	556.2
Capital and reserves			
Share capital		**12.5**	12.5
Reserves		**559.8**	543.7
Total equity		**572.3**	556.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

		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 2011		12.4	121.1	-	12.2	12.1	3.1	0.3	382.7	543.9
Changes in equity for the year ended 31 March 2012										
Comprehensive income										
Profit for the year		-	-	-	-	-	-	-	191.9	191.9
Other comprehensive income (after tax and reclassification adjustments)										
Fair value gains on hedging		-	-	-	-	-	-	1.4	-	1.4
Realisation of hedging reserve		-	-	-	-	-	-	(0.3)	-	(0.3)
Exchange translation differences		-	-	-	-	(2.7)	-	-	-	(2.7)
Surplus arising on revaluation of properties, net of deferred tax		-	-	-	9.1	-	-	-	-	9.1
Other comprehensive income for the year		-	-	-	9.1	(2.7)	-	1.1	-	7.5
Total comprehensive income for the year		-	-	-	9.1	(2.7)	-	1.1	191.9	199.4
Final dividend in respect of the previous year	5	-	-	-	-	-	-	-	(154.6)	(154.6)
Interim dividend in respect of the current year	5	-	-	-	-	-	-	-	(39.9)	(39.9)
Shares issued under share option scheme		0.1	6.2	-	-	-	-	-	-	6.3
Equity-settled share based payments		-	0.9	-	-	-	1.1	-	-	2.0
Shares purchased for Share Purchase Scheme		-	-	(2.7)	-	-	-	-	-	(2.7)
Vesting of shares of Share Purchase Scheme		-	-	1.8	-	-	-	-	-	1.8
At 31 March 2012		**12.5**	**128.2**	**(0.9)**	**21.3**	**9.4**	**4.2**	**1.4**	**380.1**	**556.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 31 March 2013

	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 2012		12.5	128.2	(0.9)	21.3	9.4	4.2	1.4	380.1	556.2
Changes in equity for the year ended 31 March 2013										
Comprehensive income										
Profit for the year		-	-	-	-	-	-	-	202.3	202.3
Other comprehensive income (after tax and reclassification adjustments)										
Fair value gains on hedging		-	-	-	-	-	-	2.5	-	2.5
Realisation of hedging reserve		-	-	-	-	-	-	(1.5)	-	(1.5)
Exchange translation differences		-	-	-	-	(3.6)	-	-	-	(3.6)
Deficit arising on revaluation of properties, net of deferred tax		-	-	-	(1.7)	-	-	-	-	(1.7)
Other comprehensive income for the year		-	-	-	(1.7)	(3.6)	-	1.0	-	(4.3)
Total comprehensive income for the year		-	-	-	(1.7)	(3.6)	-	1.0	202.3	198.0
Final dividend in respect of the previous year	5	-	-	-	-	-	-	-	(150.2)	(150.2)
Interim dividend in respect of the current year	5	-	-	-	-	-	-	-	(40.1)	(40.1)
Shares issued under share option scheme		-	8.4	-	-	-	-	-	-	8.4
Equity-settled share based payments		-	2.0	-	-	-	(2.0)	-	-	-
Shares purchased for Share Purchase Scheme		-	-	(0.9)	-	-	-	-	-	(0.9)
Vesting of shares of Share Purchase Scheme		-	-	0.9	-	-	-	-	-	0.9
At 31 March 2013		**12.5**	**138.6**	**(0.9)**	**19.6**	**5.8**	**2.2**	**2.4**	**392.1**	**572.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	Note	**2013 US$ million**	2012 US$ million
Operating activities			
Operating profit		**224.7**	209.5
Depreciation of tangible assets	3	**29.2**	27.4
Amortisation of leasehold land payments	3	**0.1**	0.1
Gain on disposal of tangible assets	3	**(0.1)**	(0.1)
Increase in stocks		**(37.7)**	(9.4)
Increase in debtors, deposits and prepayments		**(14.3)**	(19.2)
Increase in creditors and accruals		**15.7**	30.0
Decrease in provisions		**(3.3)**	(7.9)
Cash generated from operations		**214.3**	230.4
Interest received		**1.7**	2.1
Taxes paid		**(19.5)**	(21.3)
Net cash generated from operating activities		**196.5**	211.2
Investing activities			
Purchase of tangible assets		**(29.9)**	(29.7)
Proceeds from disposal of tangible assets		**1.0**	0.3
Proceeds received from / (placement of) bank deposits with maturity greater than three months		**15.0**	(60.0)
Net cash used in investing activities		**(13.9)**	(89.4)
Financing activities			
Proceeds from shares issued upon exercise of share options		**8.4**	6.3
Payment for shares acquired for Share Purchase Scheme		**(0.9)**	(2.7)
Dividends paid	5	**(190.3)**	(194.5)
Net cash used in financing activities		**(182.8)**	(190.9)
Effect of exchange rate changes		**(2.7)**	2.5
Decrease in cash and cash equivalents		**(2.9)**	(66.6)
Cash and cash equivalents at 1 April		**176.5**	243.1
Cash and cash equivalents at 31 March		**173.6**	176.5
Analysis of the balance of cash and cash equivalents			
Deposits and cash in the consolidated balance sheet		**308.6**	326.5
Less: Bank deposits with maturity greater than three months		**(135.0)**	(150.0)
Cash and cash equivalents in the consolidated statement of cash flows		**173.6**	176.5

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 ("IASB"). IFRSs includes 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 certain new and revised IFRSs and new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following development is relevant to the Group's financial statements:

- Amendments to IFRS 7, Financial instruments Disclosures – Transfer of financial assets

The amendments to IFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

The Group has not applied any new standard, amendment 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. 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.

2. Segment information *(continued)*

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 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.

Year ended 31 March 2013

	North America US$ million	**Europe US$ million**	**Asia Pacific US$ million**	**Others US$ million**	**Total US$ million**
Reportable segment revenue	**933.4**	**769.9**	**99.8**	**54.9**	**1,858.0**
Reportable segment profit	**111.5**	**93.3**	**13.3**	**6.6**	**224.7**
Depreciation and amortisation	**0.7**	**1.7**	**26.9**	**-**	**29.3**
Reportable segment assets	**168.0**	**109.7**	**660.4**	**0.5**	**938.6**
Reportable segment liabilities	**(45.4)**	**(27.0)**	**(285.5)**	**(0.9)**	**(358.8)**

Year ended 31 March 2012

	North America US$ million	Europe US$ million	Asia Pacific US$ million	Others US$ million	Total US$ million
Reportable segment revenue	903.5	719.3	94.1	67.6	1,784.5
Reportable segment profit	94.6	93.1	13.6	8.2	209.5
Depreciation and amortisation	0.8	1.9	24.8	-	27.5
Reportable segment assets	140.2	104.3	660.9	0.6	906.0
Reportable segment liabilities	(41.7)	(28.4)	(275.9)	(0.4)	(346.4)

2. Segment information *(continued)*

Reconciliations of reportable segment assets and liabilities

	2013 US$ million	2012 US$ million
Assets		
Reportable segment assets	**938.6**	906.0
Investments	**0.1**	0.2
Taxation recoverable	**0.4**	0.8
Deferred tax assets	**3.7**	5.9
Consolidated total assets	**942.8**	912.9
Liabilities		
Reportable segment liabilities	**(358.8)**	(346.4)
Taxation payable	**(7.2)**	(4.5)
Deferred tax liabilities	**(4.5)**	(5.8)
Consolidated total liabilities	**(370.5)**	(356.7)

For the year ended 31 March 2013, approximately 13% (2012: 13%) 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:

	2013 US$ million	2012 US$ million
Depreciation of tangible assets	**29.2**	27.4
Amortisation of leasehold land payments	**0.1**	0.1
Gain on disposal of tangible assets	**(0.1)**	(0.1)
Net foreign exchange loss / (gain)	**1.9**	(1.3)
Net gain on forward foreign exchange contracts		
- Net gain on cash flow hedging instruments reclassified from equity	**(1.5)**	(0.3)
- Net gain on forward foreign exchange contracts	**(0.8)**	-

4. Taxation

	2013 US$ million	2012 US$ million
Current tax		
- Hong Kong	**16.4**	14.6
- Overseas	**6.3**	5.6
Over-provision in respect of prior years		
- Hong Kong	**(0.1)**	-
Deferred tax		
- Origination and reversal of temporary differences	**1.5**	(0.5)
	24.1	19.7

(a) Hong Kong Profits Tax has been calculated at the rate of 16.5% (2012: 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

	2013 US$ million	2012 US$ million
Interim dividend of US16.0 cents (2012: US16.0 cents) per share declared and paid	**40.1**	39.9
Final dividend of US64.0 cents (2012: US60.0 cents) per share proposed after the balance sheet date	**160.2**	149.7

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 23 May 2012, the Directors proposed a final dividend of US60.0 cents per ordinary share for the year ended 31 March 2012, which was estimated to be US$149.7 million at the time calculated on the basis of the ordinary shares in issue as at 31 March 2012. The final dividend was approved by shareholders at the annual general meeting on 13 July 2012. As a result of shares issuance upon exercise of share options during the period between 1 April 2012 and 13 July 2012, the final dividend paid in respect of the year ended 31 March 2012 totalled US$150.2 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$202.3 million (2012: US$191.9 million).

The calculation of basic earnings per share is based on the weighted average of 250.1 million (2012: 249.1 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 250.3 million (2012: 249.4 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.

	2013	2012
Profit attributable to shareholders (US$ million)	**202.3**	191.9
Weighted average number of ordinary shares in issue less shares held for Share Purchase Scheme (in million)	**250.1**	249.1
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (in million)	**0.2**	0.3
Weighted average number of ordinary shares (diluted) (in million)	**250.3**	249.4
Diluted earnings per share (US cents)	**80.8**	76.9

7. Debtors, deposits and prepayments

At 31 March 2013, total debtors, deposits and prepayments of US$259.5 million (31 March 2012: US$244.2 million) included net trade debtors of US$224.9 million (31 March 2012: US$210.6 million).

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

	2013 US$ million	2012 US$ million
0-30 days	**114.9**	114.8
31-60 days	**77.3**	73.7
61-90 days	**24.3**	18.1
>90 days	**8.4**	4.0
Total	**224.9**	210.6

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 2013, total creditors and accruals of US$330.6 million (31 March 2012: US$314.9 million) included trade creditors of US$176.2 million (31 March 2012: US$173.8 million).

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

	2013 US$ million	2012 US$ million
0-30 days	**68.3**	75.3
31-60 days	**35.1**	55.4
61-90 days	**47.5**	21.6
>90 days	**25.3**	21.5
Total	**176.2**	173.8

FINAL DIVIDEND

The Board of Directors (the "Board") has recommended a final dividend ("Final Dividend") of US64.0 cents per ordinary share in respect of the year ended 31 March 2013, payable on 29 July 2013 to shareholders whose names appear on the register of members of the Company as at the close of business on 18 July 2013 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 12 July 2013 (the "2013 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 16 July 2013.

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 2013 AGM, the register of members of the Company will be closed on 9 July 2013 to 12 July 2013 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend and vote at the 2013 AGM, all transfer documents, accompanied by the relevant share certificates should be lodged with the principal share registrar of the Company, Butterfield Fulcrum Group (Bermuda) Limited of 26 Burnaby Street, Hamilton, HM11, 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 8 July 2013.

(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 18 July 2013, during which no transfer of shares will be effected. In order to qualify for the Final Dividend, all transfers, accompanied by the relevant share certificates should be lodged with the principal share registrar of the Company, Butterfield Fulcrum Group (Bermuda) Limited of 26 Burnaby Street, Hamilton, HM11, 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 17 July 2013.

CHAIRMAN'S STATEMENT

VTech delivered solid results in the financial year 2013, reporting record revenue and profit growth despite a challenging economic environment. This performance demonstrates the fundamental strength of the Group, which has the ability to grow sales and increase its market leadership despite a difficult market environment.

Results and Dividend

Group revenue for the year ended 31 March 2013 increased by 4.1% to US$1,858.0 million. The growth was driven by higher revenue in North America, Europe and Asia Pacific, which offset lower revenue in Other Regions.

Profit attributable to shareholders of the Company rose by 5.4% to US$202.3 million, with the Group's net profit margin largely consistent with that of the last financial year. Basic earnings per share increased by 5.1% to US80.9 cents, compared to US77.0 cents in the last financial year.

The Board has proposed a final dividend of US64.0 cents per ordinary share. Together with the interim dividend of US16.0 cents per ordinary share, this will result in a full-year dividend of US80.0 cents per ordinary share, against US76.0 cents per ordinary share in the last financial year, an increase of 5.3%.

Costs and Operations

In the financial year 2013, the Group benefited from lower cost of materials due to sluggish global demand. However, this was offset by higher labour costs and manufacturing overheads in China, as recruitment and retention of workers became more challenging. During the financial year, we not only raised workers' compensation and benefits, but also increased our investment in improving their working and living environment.

Our Business

There were a number of key developments in our business during the financial year 2013 that demonstrate how we have been responding to market opportunities. These will have a positive impact on the Group's longer-term growth prospects.

The Group's product mix and sales mix have been evolving. In the financial year 2013, electronic learning products (ELPs) grew to become our largest product line, representing 39.3% of Group revenue. The Group's sales via e-tailers and our websites are expanding rapidly. Sales of the download content from our app store, Learning Lodge™, increased fivefold in the financial year 2013, albeit from a low base.

In telecommunication (TEL) products, sales of non-residential-phone products increased in the financial year 2013 despite lower sales of residential phones, rising to approximately 12% of total TEL products revenue, from approximately 8% in the financial year 2012. These products consist of baby monitors, integrated access devices (IADs), small to medium sized business (SMB) phones, connected home™ devices, cordless headsets and hotel phones.

Our ELPs performed well in the financial year 2013. Despite the decline of the toy market in the US and Europe, ELPs revenue grew by 11.3% as compared with the last financial year. In the calendar year 2012, we became the largest infant toy manufacturer in our main European markets[1]. Furthermore, Storio® 2 was the number one selling item by retail value in the top five European toy markets[2]. This demonstrates our excellence in product development, and our ability to build a strong brand presence.

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[1] Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales in the Infant Toys category, for the combined market of UK, France, Germany and Spain

[2] Source: NPD Group, Retail Tracking Service

The financial year 2013 marked the eleventh straight year of sales growth at our contract manufacturing services (CMS). It shows the soundness of our strategy to focus on medium-sized companies that are leaders in their industries. With its strong reputation and expertise in certain product categories, CMS once again outperformed the global EMS (electronic manufacturing services) market as we continued to add new customers and expand geographically. A notable success was achieving double-digit sales growth in Europe despite the economic difficulties on the continent.

Our Strategies

VTech will build on its strong fundamentals, with a strategy centring on its four growth drivers of product innovation, gains in market share, geographic expansion and operational excellence, to drive sustainable growth.

Product Innovation

Innovative products will remain the key to expanding our sales in all regions and across product lines.

In TEL products, we launched the world's first home entrance monitoring system, combining a versatile cordless phone with a digital video door bell, in the US in April 2013. This innovation shows that VTech is once again pioneering market breakthroughs with its proprietary Video on DECT™ technology. In addition, we will expand the well-received CareLine™, our home safety telephone system for seniors. We are also developing our first wireless conferencing system featuring proprietary acoustic technology, which will be available by the end of the current financial year. In Europe, SIP (Session Initiation Protocol) phones for commercial use will be launched by September 2013. Other new products in the pipeline include a range of new applications based on the DECT ULE (ultra low energy) platform. Internationally, we are planning to launch enhanced versions of our video baby monitors and new hotel phones.

VTech's strategy for ELPs is to apply the latest proven technology to innovative educational toys that help kids learn and develop through fun and smart play. Our lineup of children's educational tablets will be upgraded to a new generation in 2013, offering advanced functionalities and rich learning experience to children between 1 and 9 years old. By the end of the calendar year 2013, our worldwide software library will comprise close to 70 cartridges and over 1,000 apps in five languages, offering a wide variety of age-appropriate content, from e-books and learning games to music, videos and creative activities. We will continue to introduce innovative products to our core infant and preschool lines. A new generation of Kidizoom®, our market leading line of children's digital cameras, will be launched. Beyond the learning aisle, our successful Switch & Go Dinos® and Go! Go! Smart Wheels™ lines will be expanded with more dinos, vehicles and play sets.

Products mean services at CMS and innovation in service is how we keep our customer base growing. With a stringent quality management system and experienced staff, CMS has the expertise to produce, optimise and successfully launch products for different markets. In addition to its recognised strength in DFM (Design for Manufacturing) and flexibility in services, our CMS has the unique manufacturing know-how in certain product categories that has made it a market leader. Our dedicated manufacturing facility was an important investment that has helped customers to reduce logistics and customs clearance costs when distributing their products in China. The many customer service and product quality awards we received demonstrate how successful CMS is in meeting customers' expectations.

Gains in Market Share

Despite a challenging economic environment, VTech will continue to gain market share across product lines.

VTech is the world's number one manufacturer of cordless telephones, with leadership in both the US and Western Europe[3]. In the US, our TEL products are benefiting from a new round of consolidation in the cordless phone market. This is resulting in more shelf space that will support further market

[3] Source: MZA Ltd, 2013

share gains in the financial year 2014. In Europe, gains will be driven by collaboration with our ODM partners as we bring them feature-rich products of superior design at competitive prices.

VTech is the largest supplier of ELPs from infancy to preschool in the US and Western Europe[4], a position we have achieved through our commitment to product innovation. Last year, we became the largest infant toy manufacturer in our main European markets[5]. The new products we plan to launch in the financial year 2014 will allow us to strengthen our market leadership in the core learning area and beyond.

CMS will continue to increase its market share globally. Our quality products, service excellence and strong reputation are enabling us to increase sales to existing customers and add new customers. According to *Manufacturing Market Insider*, VTech CMS ranked 27th among the world's top 50 EMS providers in the calendar year 2012, up from 29th in calendar year 2010 and 37th in calendar year 2009.

Geographic Expansion

Our strategy of growing outside our core North American and European markets, where we already enjoy leadership positions, is making inroads gradually. It offers tremendous growth potential, as Asia Pacific and Other Regions accounted for less than 10% of total Group revenue in the financial year 2013. In Asia Pacific, China will continue to be our focus. We are also increasing our presence in Australia, our largest market in the region, and Japan. Our efforts in Other Regions will centre on key markets in Latin America and the Middle East.

Operational Excellence

The ability to offer innovative, feature-rich products at affordable prices underpins VTech's success. Rising labour costs, together with higher manufacturing overheads, will pose continual challenges to the Group in the financial year 2014. VTech will continue to mitigate cost pressure through further automation, product optimisation and process improvement. As always, we will manage our operating cost diligently and maintain a lean company structure.

Outlook

The macro-economic environment will remain challenging in the financial year 2014. The US economic recovery is expected to continue, but it is likely to remain slow. In Europe, the picture is mixed and uncertain.

Despite these challenges, we are optimistic of achieving revenue growth across all product lines in the financial year 2014. Material costs are forecast to be steady, while labour costs and manufacturing overheads are expected to increase further. With efficiency gains through higher automation, product optimisation and process improvement, gross profit margin is expected to remain stable.

The growth in TEL products is expected to be driven by market consolidation in the US, and higher sales in Asia Pacific and Other Regions. The prospect for Europe, however, remains uncertain. Revenue growth in ELPs will be supported by a strong base of continued products, as well as new platform and standalone products to be launched worldwide. A special focus for this financial year is to drive a strong increase in sales of our software cartridges and download apps. The increase in CMS revenue will be driven by new customers, while business with existing customers will remain stable. CMS will continue to expand in Japan and Germany, while adding the new business area of testing and measurement equipment.

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[4] Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales in the toy categories of infant electronic learning and preschool electronic learning, for the combined market of US, UK, France, Germany and Spain

[5] Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales in the Infant Toys category for the combined market of UK, France, Germany and Spain

In closing, I wish to extend my appreciation to all our employees worldwide for their loyalty and hard work during the year, to our fellow directors for their sound contribution, and to our shareholders, customers and suppliers for their continued support.

VTech has an enviable track record in product development, a strong balance sheet, market leadership position and efficient operations. The solid, executable plans we have in place should enable us to seize growth opportunities and generate higher returns for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

For the year ended 31 March 2013

	2013 US$ million	2012 US$ million	Change US$ million
Revenue	**1,858.0**	1,784.5	73.5
Gross profit	**597.8**	570.8	27.0
Gross profit margin	***32.2%***	*32.0%*	
Total operating expenses	**(373.1)**	(361.3)	(11.8)
Total operating expenses as a percentage of revenue	***20.1%***	*20.3%*	
Operating profit	**224.7**	209.5	15.2
Operating profit margin	***12.1%***	*11.7%*	
Net finance income	**1.7**	2.1	(0.4)
Profit before taxation	**226.4**	211.6	14.8
Taxation	**(24.1)**	(19.7)	(4.4)
Effective tax rate	***10.6%***	*9.3%*	
Profit for the year and attributable to shareholders of the Company	**202.3**	191.9	10.4

Revenue

Group revenue for the year ended 31 March 2013 rose by 4.1% to US$1,858.0 million over the previous financial year. The increase in revenue was largely driven by higher sales in North America, Europe and Asia Pacific, which offset a decrease in revenue in other regions.

	2013 US$ million	**%**	2012 US$ million	%	Increase / (decrease) US$ million	%
North America	**933.4**	***50.2%***	903.5	*50.6%*	29.9	*3.3%*
Europe	**769.9**	***41.4%***	719.3	*40.3%*	50.6	*7.0%*
Asia Pacific	**99.8**	***5.4%***	94.1	*5.3%*	5.7	*6.1%*
Other regions	**54.9**	***3.0%***	67.6	*3.8%*	(12.7)	*-18.8%*
	1,858.0	***100.0%***	1,784.5	*100.0%*	73.5	*4.1%*

Gross Profit/Margin

Gross profit for the financial year 2013 was US$597.8 million, an increase of US$27.0 million or 4.7% compared to the US$570.8 million recorded in the previous financial year. Gross profit margin for the year rose from 32.0% to 32.2%. The decline in material costs offset the higher labour costs and manufacturing overheads arising from the increase in wages and production capacity during the financial year 2013.

Operating Profit/Margin

Operating profit for the year ended 31 March 2013 was US$224.7 million, an increase of US$15.2 million or 7.3% over the previous financial year. Correspondingly, operating profit margin rose from 11.7% to 12.1%. The ratio of EBITDA to revenue also increased from 13.3% to 13.7%. The improvement in both operating profit and operating profit margin was mainly due to the increase in gross profit, the improvement in gross profit margin, as well as the decrease in total operating expenses as a percentage of Group revenue.

Total operating expenses were US$373.1 million, an increase of 3.3% over the last financial year. However, total operating expenses as a percentage of Group revenue fell from 20.3% to 20.1%.

Selling and distribution costs rose by 2.0% from US$255.0 million in the previous financial year to US$260.0 million in the financial year 2013. The increase was mainly attributable to the increased spending on advertising and promotional activities by the Group during the financial year. As a percentage of Group revenue, selling and distribution costs decreased from 14.3% to 14.0%.

Administrative and other operating expenses increased from US$49.1 million to US$56.0 million over the same period last year. It was mainly due to the higher employee related costs and the lower net exchange gain compared with the last financial year. The net exchange gain arising from the Group's global operations in the ordinary course of business was US$0.4 million in the financial year 2013. This compared with a net exchange gain of US$1.6 million in the last financial year. Administrative and other operating expenses as a percentage of Group revenue increased from 2.8% to 3.0%.

During the financial year 2013, the research and development expense was US$57.1 million, a decrease of 0.2% over the previous financial year. Research and development expense as a percentage of Group revenue decreased from 3.2% to 3.1%.

Profit Attributable to Shareholders and Earnings per Share

Profit attributable to shareholders of the Company for the year ended 31 March 2013 was US$202.3 million, an increase of US$10.4 million as compared to the last financial year. Net profit margin also increased from 10.8% to 10.9%.

Taxation charges increased from US$19.7 million in the last financial year to US$24.1 million in the financial year 2013. The effective tax rate also rose from 9.3% to 10.6%. This was primarily due to increase in profit from overseas subsidiaries and utilisation of deferred tax asset in respect of tax losses previously recognised.

Basic earnings per share for the year ended 31 March 2013 were US80.9 cents as compared to US77.0 cents in the previous financial year.

Dividends

During the financial year 2013, the Group declared and paid an interim dividend of US16.0 cents per share, which aggregated to US$40.1 million. The Directors have proposed a final dividend of US64.0 cents per share, which is estimated to be US$160.2 million.

Liquidity and Financial Resources

Shareholders' funds as at 31 March 2013 were US$572.3 million, an increase of 2.9% from US$556.2 million in the last financial year. Shareholders' funds per share increased by 2.7% from US$2.23 to US$2.29.

The Group had no borrowings as at 31 March 2012 and 31 March 2013.

The Group's financial resources remain strong. As at 31 March 2013, deposits and cash reduced from US$326.5 million to US$308.6 million, a decrease of 5.5% compared with the last financial year-end-date. It was mainly due to the increase in working capital compared with the same period last year. The Group has adequate liquidity to meet its current and future working capital requirements.

Analysis of Cash Flow from Operations

	2013 US$ million	2012 US$ million	Change US$ million
Operating profit	**224.7**	209.5	15.2
Depreciation and amortisation	**29.3**	27.5	1.8
EBITDA	**254.0**	237.0	17.0
Gain on disposal of tangible assets	**(0.1)**	(0.1)	-
Working capital change	**(39.6)**	(6.5)	(33.1)
Cash generated from operations	**214.3**	230.4	(16.1)

The Group's cash generated from operations for the year ended 31 March 2013 was US$214.3 million, as compared to US$230.4 million in the same period last year. The change was mainly attributable to the increase in EBITDA, which offset the increase in working capital investment.

Working Capital Change

	Balance as at 31 March 2012 US$ million	**Hedging US$ million**	**Working capital change per cash flow US$ million**	**Balance as at 31 March 2013 US$ million**
Stocks	239.2	-	37.7	**276.9**
Trade debtors	210.6	-	14.3	**224.9**
Other debtors, deposits and prepayment	33.6	1.0	-	**34.6**
Trade creditors	(173.8)	-	(2.4)	**(176.2)**
Other creditors and accruals	(141.1)	-	(13.3)	**(154.4)**
Provisions	(31.5)	-	3.3	**(28.2)**
Total working capital	137.0	1.0	39.6	**177.6**

Stocks as of 31 March 2013 were US$276.9 million, increased from US$239.2 million as of 31 March 2012. The turnover days rose from 82 days to 90 days. The higher stock level was primarily to cater for increased demand for the Group's products in the first quarter of the financial year 2014. 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 2013 and 2012

All figures are in US$ million unless stated otherwise	**2013**	2012
Stocks	**276.9**	239.2
Average stocks as a percentage of Group revenue	***13.9%***	*13.1%*
Turnover days	**90 days**	82 days

Trade debtors as of 31 March 2013 were US$224.9 million, increased from US$210.6 million as of 31 March 2012. Debtor turnover days rose from 56 days to 62 days. The increase in the trade debtor balance as at 31 March 2013 was mainly due to an increase in revenue in the fourth quarter of the financial year 2013 compared with the corresponding period of the previous financial year. The Group has tight management on credit exposure. The amounts with overdue balances greater than 30 days accounted for 1.8% of the gross trade debtors as of 31 March 2013.

As at 31 March 2013 and 2012

All figures are in US$ million unless stated otherwise	**2013**	2012
Trade debtors	**224.9**	210.6
Average trade debtors as a percentage of Group revenue	***11.7%***	*11.5%*
Turnover days	**62 days**	56 days

Other debtors, deposits and prepayment as of 31 March 2013 were US$34.6 million, compared to US$33.6 million as of 31 March 2012. The increase was mainly attributable to the increase in fair value gain on forward foreign exchange contracts in the financial year 2013.

Trade creditors as of 31 March 2013 were US$176.2 million, as compared to US$173.8 million as of 31 March 2012. Creditor turnover days increased from 82 days to 85 days.

As at 31 March 2013 and 2012 *All figures are in US$ million unless stated otherwise*	**2013**	2012
Trade creditors	**176.2**	173.8
Turnover days	**85 days**	82 days

Other creditors and accruals as of 31 March 2013 were US$154.4 million, increased from US$141.1 million as of 31 Mach 2012. The increase was largely attributable to the increase in accruals of staff costs, advertising expenses and other allowances to customers.

Provisions as of 31 March 2013 were US$28.2 million, as compared to US$31.5 million as of 31 March 2012. The decrease was primarily due to the improvement in defective goods returns of the Group's products.

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 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.

Capital Expenditure

For the year ended 31 March 2013, the Group invested US$29.9 million in the purchase of tangible assets including plant and machinery, equipment, 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 2014, the Group will incur capital expenditure of US$32.8 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 employees for the financial year 2013 was 34,800, compared to 31,600 in the previous financial year. Staff related costs for the year ended 31 March 2013 were approximately US$282 million, as compared to approximately US$242 million in the financial year 2012.

Review of Operations

North America

Group revenue in North America increased by 3.3% to US$933.4 million in the financial year 2013, as higher revenue from ELPs and CMS offset lower revenue from TEL products. North America remained VTech's largest market, accounting for 50.2% of Group revenue.

Revenue from TEL products was down by 6.2% to US$389.4 million. The decline was mainly due to lower sales of residential phones. The US residential cordless phone market is mature, while demand in the first half of the financial year was affected by weak US economic growth. In the second half, consumer demand steadily improved due to the continuing recovery of the US housing market, resulting in a more modest year-on-year sales decline as compared with the first half of the financial year. During the year under review, VTech maintained its number one position in the US residential phone market[6].

Sales of non-residential-phone products, including SMB phones, baby monitors, hotel phones and cordless headsets, continued to rise. The growth was driven by baby monitors, a full-year sales contribution from hotel phones and higher sales of SynJ® and Synapse® SMB phone systems. The new four-line Small Business System, which was shipped in September 2012, was well-received by the market. CareLine, a home safety telephone system for seniors, has also received an encouraging response since its launch in October 2012.

ELPs revenue in North America rose by 17.3% to US$361.9 million in the financial year 2013. Higher sales were achieved for both platform and standalone products. Among platform products, sales of InnoTab®, our educational tablet designed specifically for children, grew strongly. This robust performance was driven by a full-year sales contribution of the product line and the launch of three second generation consoles, InnoTab® 2, InnoTab® 2S and InnoTab® Baby. An expanded software library, with cartridges and download content comprising over 400 titles in English and French, also contributed to growth. Sales of MobiGo® 2 and V.Reader®, however, declined due to the popularity of tablets.

For standalone products, infant products and the new range Switch & Go Dinos were the key growth drivers. Switch & Go Dinos are interactive preschool toys that transform between dinosaurs and vehicles. They hit US retailer shelves in May 2012 and sold strongly through the holiday seasons. With less than a full year's sales, two Switch & Go Dinos items ranked among the five top selling products in NPD's Preschool Vehicles category in the US for calendar year 2012[7]. Among new infant products, the vehicle line Go! Go! Smart Wheels and Alphabet Activity Cube™ were the leading contributors.

CMS revenue in North America increased by 1.3% to US$182.1 million. Sales of professional audio equipment, the largest product category in the region, grew slightly as the customer worked through inventory and orders picked up in the second half of the financial year. Sales of industrial products, commercial solid-state lighting and home appliances were also higher, driven by more orders from existing customers. Sales of internet phones for office use, however, were down due to a change in the customer's inventory management policy.

Europe

Group revenue in Europe increased by 7.0% to US$769.9 million. As in North America, the growth was attributable to higher revenue of ELPs and CMS in the region, offsetting lower revenue of TEL products. Europe was VTech's second largest market, accounting for 41.4% of Group revenue.

Revenue from TEL products declined by 5.5% to US$203.6 million. The decrease in revenue was primarily due to lower sales of residential phones, as customers reduced orders and inventory in view of the weak economies. This was especially true in the first half of the financial year, while improvement was seen in the second half due to restocking by some customers. In the calendar year 2012, VTech maintained its leadership position as the largest manufacturer of cordless phones in Western Europe[8].

Despite lower sales of residential phones, sales of non-residential-phone products continued to rise. These included baby monitors, IADs, connected home devices and hotel phones.

ELPs revenue in Europe was US$331.3 million, up 6.8%, despite being negatively impacted by a lower average Euro-US Dollar exchange rate compared to the last financial year. As in North

[6] Source: MarketWise Consumer Insights, LLC
[7] Source: NPD Group, Retail Tracking Service
[8] Source: MZA Ltd, 2013 edition of The Global Telecommunications Market Report

America, the children's educational tablet Storio 2, Switch & Go Dinos and infant products, including the new Toot-Toot Drivers® range, were the growth drivers. During the financial year 2013, Storio 2 was sold in all VTech's major markets in Europe. It was the number one selling item by retail revenue in the top five European toy markets in the calendar year 2012[9]. In the same calendar year, the Kidizoom digital camera also topped the best selling toy list in Germany[10].

ELPs sales were higher in the UK, France and Germany while sales in Spain were lower. In the Benelux countries, sales grew in Euro terms but declined in US dollar terms owing to adverse changes in the exchange rate.

CMS revenue in Europe rose by 21.4% to US$235.0 million, driven by sales growth in almost all product categories. Medical and health products posted the strongest growth in the region, buoyed by increased sales to existing and new customers. Wireless headsets also delivered robust results, as VTech benefited from the customer's new product launches and consolidation of suppliers. Switching mode power supplies and professional audio equipment demonstrated solid growth, driven by more orders for solar power inverters and increased orders from new German customers respectively. Sales of industrial products, however, recorded a decline during the financial year 2013.

Asia Pacific

Group revenue in Asia Pacific increased by 6.1% to US$99.8 million. The sales growth was attributable to higher sales of TEL products and ELPs, offsetting a sales decrease in CMS. The region accounted for 5.4% of Group revenue.

Revenue from TEL products was up by 27.7% to US$37.8 million. The increase in revenue was mainly due to the rise in orders from Japanese customers as they recovered from the earthquake in March 2011. Sales in Australia were also higher, as a new product line was launched in the second half of the financial year, resulting in a pick-up in sales.

ELPs revenue in Asia Pacific increased by 11.4% to US$19.5 million. The growth was mainly driven by higher sales of standalone products in China, Japan and Korea, as VTech continued to make progress in those countries. Shipment to Australia, the Group's largest market for ELPs in Asia Pacific, was slightly down during the financial year 2013.

CMS revenue in Asia Pacific decreased by 9.6% to US$42.5 million. Higher sales in China were more than offset by lower revenue in Japan and Korea. In China, the dedicated manufacturing facility enabled CMS to grow sales rapidly as it helps customers to distribute their commercial solid-state lighting in the domestic market more efficiently. In Japan, however, higher sales of marine radio were unable to compensate for lower revenue from LED light bulbs, medical and health products and handheld radiation detectors. In Korea, orders for Bluetooth speaker phones slowed down in the second half due to market competition, which resulted in a sales decline for the full financial year.

Other Regions

Other regions include Latin America, the Middle East and Africa. Group revenue in other regions fell by 18.8% to US$54.9 million. The decline was due to lower sales in all regions and product lines. Other regions represented 3.0% of Group revenue.

Revenue from TEL products decreased by 22.6% to US$35.6 million, as sales growth in the Middle East was more than offset by sales declines in Latin America and Africa.

ELPs revenue in other regions was down by 10.6% to US$18.6 million. All regions recorded sales declines during the financial year 2013.

CMS revenue in other regions was US$0.7 million, down 12.5% as compared to the last financial year.

[9] Source: NPD Group, Retail Tracking Service
[10] Source: NPD Group, Retail Tracking Service

CODE ON 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") as set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 March 2013, 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 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 five out of eight 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 Committee with defined terms of reference which are 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 2013.

AUDIT COMMITTEE

The Audit Committee is chaired by Mr. Denis Morgie HO Pak Cho, with Dr. William FUNG Kwok Lun, Dr. David SUN Tak Kei (resigned with effect from 30 June 2012), Mr. Michael TIEN Puk Sun and Mr. WONG Kai Man (appointed on 19 September 2012) 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. Denis Morgie HO Pak Cho, 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 financial year. The meetings were attended by the Chairman, the Chief Compliance Officer, the Chief Financial Officer and the external auditor. In addition, the chairman of 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:

- unaudited Group Interim Financial Report for the six months ended 30 September 2012 in the 2012/2013 Interim Report of the Company;
- 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 2012 in the 2012/2013 Interim Report of the Company;
- revised Whistleblowing Policy;
- reports made under Whistleblowing Policy;
- Continuous Disclosure Policy;
- independent assessments on Corporate Governance compliance and Risk Control procedures;
- accounting principles and practices adopted by the Group;
- implementation of applicable International Financial Reporting Standards;
- appointment of the external auditor and their remuneration;
- significant findings by the Internal Audit Department and recommendations for corrective actions; and
- respective audit plans of the internal and external auditors.

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 15 May 2013 (the date of this Announcement), the Audit Committee met to review the audited Group financial statements and reports for the year ended 31 March 2013 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 2013 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 2013 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.

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control during the financial year. The Audit Committee 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") as 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 2013.

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 79,400 Company's shares at a consideration of US$0.9million.

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

Hong Kong, 15 May 2013

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, Dr. Patrick WANG Shui Chung and Mr. WONG Kai Man.

www.vtech.com/investors/stock-info