

FOR IMMEDIATE RELEASE

VTech ANNOUNCES FY2011 ANNUAL RESULTS

Record revenue driven by sales increases in all regions

- Record revenue of US\$1,712.8 million, up 11.8%
- Profit attributable to shareholders of the Company declined 2.2% to US\$202.0 million
- Strong balance sheet, with net cash of US\$333.1 million
- Final dividend of US62.0 cents per ordinary share, giving a total dividend for the year of US78.0 cents per ordinary share, the same as the previous financial year

Hong Kong, 31 May 2011 – VTech Holdings Ltd (HKSE: 303) today announced its results for financial year ended 31 March 2011, reporting record revenue.

Group revenue for the year ended 31 March 2011 rose by 11.8% over the previous financial year to US\$1,712.8 million. Profit attributable to shareholders of the Company declined by 2.2% to US\$202.0 million. The decline in profit was mainly attributable to the decrease in gross margin, as the Group faced higher costs of materials, rising labour costs, Renminbi appreciation, increased promotional expenses and a change in product mix during the financial year.

Basic earnings per share consequently decreased by 2.6% to US81.5 cents, compared to US83.7 cents in the financial year 2010. The Board of Directors (“the Board”) has proposed a final dividend of US62.0 cents per ordinary share. Together with the interim dividend of US16.0 cents per ordinary share, this gives a total dividend for the year of US78.0 cents per ordinary share, the same as the previous financial year.

“VTech continued to implement its growth strategy in the financial year 2011, which enabled us to achieve record revenue. In telecommunication products, we maintained our leadership position in the US and expanded our presence in the rest of the world. In ELPs, we successfully launched two new platform products in North America and parts of Europe, which has laid an important foundation for future growth. CMS again outperformed the global electronic manufacturing services market and delivered record revenue, as we benefited from the recovery in the global economy. Our superior performance as a supplier also allowed us to gain new customers and additional business from existing customers in all regions,” said Mr. Allan Wong, Chairman and Group CEO of VTech Holdings Limited.

Segment Results

North America

Revenue in North America rose by 0.3% to US\$874.9 million, as higher sales of electronic learning products (ELPs) and contract manufacturing services (CMS) offset lower revenue from telecommunication (TEL) products. North America continued to be the Group’s largest market, accounting for 51.1% of Group revenue.

Sales of TEL products declined by 18.3% to US\$421.1 million, reflecting comparison with a very strong performance in the previous financial year, when one of the Group's major competitors exited the market and another suffered a delivery problem. The natural decline in the US cordless phone market also contributed to the decrease in sales. Nonetheless, the Group maintained its number one position in the US corded and cordless phone market, with an estimated share of almost 50%¹.

Sales of the small to medium sized business (SMB) telephony systems remained small, as this product category has been in the market for less than two years. The Group has made good inroads into this sizeable market through its expanding distribution network of office superstores and value added resellers. In the second half of the financial year, the Synapse T1/PRI Gateway was launched. This new product supports 100 extensions and up to 39 lines with Direct Inward Dialling when paired with the SB67010 PSTN Gateway, offering an effective solution for businesses that require additional outside lines.

ELP sales grew by 22.2% to US\$287.1 million, led by two new platform products, MobiGo® and V.Reader®, which reached US retailers in June 2010. Despite competition from two other new platform products in the holiday season, both platforms delivered strong sales. Standalone products also achieved good growth. Infant products continued to be the best selling category, and the new range of bath toys did well. Year-on-year growth in the preschool category was also strong, fuelled mainly by new generic and licensed products.

CMS posted the strongest growth in North America, with sales rising by 36.2% to US\$166.7 million. The growth was broadly distributed across all product segments. Economic recovery and additional business from existing customers were the key drivers of growth, as the Group continued to win business from its competitors due to its superior performance as a supplier. Professional audio equipment remained the leading contributor to CMS revenue in North America, while commercial solid-state lighting showed the strongest growth.

Europe

Revenue in Europe increased by 26.2% over the previous financial year to US\$667.6 million, as all three product lines recorded growth in sales. Europe accounted for 39.0% of Group revenue.

Sales of TEL products in Europe rose by 26.9% to US\$217.5 million, primarily driven by higher sales to existing customers. The Group continues to sell largely on an ODM basis in the region. Despite the economic uncertainties in some European countries, the Group registered growth in most of its European markets during the financial year. Strong momentum was seen in Germany, where VTech's agreement with Deutsche Telekom is bearing fruit. France also recorded a decent increase in sales, as the Group benefited from new product launches and the growth of its customers. In February 2011, the Group introduced the world's first CAT-iq 2.0 certified handset, which reaffirmed its technology leadership position.

Revenue from ELPs in Europe increased by 13.4% to US\$274.0 million. The growth was mainly driven by standalone products, especially the infant and Kidi lines. MobiGo and Storio™ (the product name for V.Reader in Europe) were not launched in all the Group's European markets during the financial year 2011. As a result, their contribution to the overall ELP business in Europe was less than that in the US.

¹ NPD, combined market share of VTech and AT&T, as of Q1 2011

The UK and France achieved the best performance in Europe. Being the only European country that launched both MobiGo and Storio (V.Reader) during the financial year, the UK benefited from their contribution. Higher sales in the UK were also due to the continued strength of the Kidizoom® line, with the Kidizoom Plus Camera the top selling toy for the second year in a row in the calendar year 2010². Despite a somewhat slow first half, France delivered solid growth for the full year. The Group made good gains in market share, especially in the infant category, in which it attained the number one market position².

CMS sales in Europe were up by 52.1% over the previous financial year to US\$176.1 million. Growth was seen across its key product categories, as existing customers gave CMS more orders because of market growth and its customer focused service. Switching mode power supplies remained the top category in the region, followed by professional audio equipment and wireless headset products. During the financial year, the Group also gained new customers in the area of home appliances.

Asia Pacific and Other Regions

Revenue in Asia Pacific increased 20.5% over the financial year 2010 to US\$98.2 million. This region accounted for 5.7% of Group revenue.

Sales of TEL products rose by 54.6% to US\$35.4 million. Sales growth was robust in Japan, as the Group ramped up orders following the acquisition of its first customer there. The Group also had a good sales performance in Australia, where it is the direct supplier of Telstra-branded fixed line telephones.

Sales of ELPs in Asia Pacific rose slightly, by 0.6% to US\$15.9 million. In China, VTech's first ELP tailored for the market, a curriculum based pen-reading system, was launched in the first half of the financial year 2011. It is gradually establishing itself in its existing conventional toy channel, while the Group started work on building up additional electronic learning distribution channels.

CMS saw a pick-up in growth in Asia Pacific, with revenue increasing by 9.6% to US\$46.9 million for the financial year. Japan remains the dominant market in the region and growth in revenue was driven mainly by medical equipment. LED light bulbs achieved a volume increase in the financial year 2011, but price erosion limited the growth in revenue.

Revenue from other regions in the financial year 2011 rose by 46.2% to US\$72.1 million, accounting for 4.2% of Group revenue.

The increase was mainly attributable to higher sales of TEL products and ELPs, as VTech sold more to Latin America, the Middle East and Africa. Its range of integrated access devices (IADs), which the Group began shipping to the Middle East in February 2010, has seen a gradual increase in demand.

Outlook

The global economy is continuing its recovery, but the situation is fragile. Unemployment is high in most developed countries and the oil price remains elevated, which threatens to undermine consumer sentiment.

VTech is nonetheless planning for top line growth in the financial year 2012. Its product innovation, market leadership and growing reputation in the electronic manufacturing services (EMS) industry position it well to achieve sales growth across its markets.

² NPD EPoS Retail Tracking Service 2010

Profitability, however, is difficult to gauge as the Group expects to face stronger headwinds from rising costs. Cost of materials may rise further as commodity prices remain high and volatile. The disruption of the Japanese supply chain may also lead to a tightening of the supply of certain components, which may result in price escalation. Wages in China are forecast to rise further, while the appreciation of the Renminbi is likely to continue.

VTech will continue to exercise tight cost control and improve its productivity, striving to minimise margin impacts. Programmes are in place to speed up the automation of processes and re-engineer products for lower cost. In addition, the Group has taken appropriate actions to pass on certain cost increases to customers. With product innovations, efficient operations and economies of scale, VTech will remain competitive in its markets.

North America

Even though the US cordless phone market is maturing, VTech's goal is to deliver overall growth for its TEL products in North America in the financial year 2012.

To achieve this, the Group will introduce feature-rich products at competitive prices to maintain its market lead in the US corded and cordless consumer phone market. Its new products include enhanced features, such as push-to-talk "walkie-talkie" capability for immediate communication throughout the house and HD audio for the clearest call experience. The Group has also revamped its successful Bluetooth[®] line of products that allow consumers to connect their cellular phones to its cordless phones.

The SMB phones offer the Group tremendous opportunity for growth. VTech has restructured its sales team to align itself better with distributors and value added resellers. At the same time, the Group will continue to launch new SMB products into the market. In the hospitality area, the Group has signed agreements with a number of leading hotel chains to supply corded and cordless phone systems for use in their hotels.

The outlook for ELPs in North America continues to be positive. The two new platform products, MobiGo and V.Reader, are selling well and the Group expects a good contribution from both hardware and software sales. They will be joined by InnoTab[™], which will hit the shelves in Autumn. InnoTab is a multi-function educational tablet for children aged between four and nine years old. It combines interactive and animated reading, learning games, creative activities and a rich collection of internet downloadable applications.

Growth momentum for standalone products is expected to continue. In addition to new products for the existing infant and preschool lines, a new line of interactive vehicles will be introduced to the infant range. The grade school line of electronic learning aids will also be revamped with two new laptops, both with colour displays.

The global EMS market is forecast to register growth in the calendar year 2011 and VTech is confident that its CMS will again outperform the market. The Group foresees solid demand from all key product categories in North America, including professional audio equipment, commercial solid state lighting, communications and industrial products. Over the years VTech has built a solid base of top tier customers in their industries. As their markets continue to expand, sustainable growth is expected for CMS. In addition, the customer focused approach of CMS, which ensures flexible and high quality service, has raised its profile. This has allowed CMS to sign up new accounts on a regular basis, adding to growth.

Since the beginning of the financial year 2012, CMS has started manufacturing FDA approved products for customers in the US. This underscores the Group's ability in producing sophisticated products in the medical equipment area.

Europe

The strong momentum behind TEL products in Europe will continue in the financial year 2012, as the Group expects to gain more orders from existing customers while acquiring new ones.

Again, VTech's R&D capability will give it an edge in both existing and new product lines. The Group has developed proprietary technologies that allow digital video transmission up to nine frames per second over the Digital Enhanced Cordless Telecommunications (DECT) platform. This will be initially applied to its baby monitors, offering compelling performance at a breakthrough price. The products will be shipped to customers this Summer. The Group is also developing a full range of VoIP corded and cordless phones to address the market for terminals connected to PABX (public access branch exchange) systems. In addition, sales of IADs will increase as the customer base continues to expand.

With the full launch of MobiGo and Storio™ (V.Reader) in all of the key European markets, platform products will make a higher contribution to ELP revenue in Europe in the financial year 2012. The strong momentum behind standalone products will continue, as the Group launches a new generation of Kidizoom Cameras, a product line that has sold very well in Europe. The Kidi line of products will be augmented with the introduction of the KidiMiniz series and other new items. Furthermore, Eastern Europe has been a strong contributor to growth, and the trend is expected to continue.

The prospects for CMS in Europe look promising. VTech will continue to see sales increases across the board. Solar power inverters, a category CMS entered last year, is expected to see rapid growth in the financial year 2012. The revenue contribution from home appliances will also be significant. With the proliferation of Unified Communications, the Group expects further growth from wireless headsets.

Asia Pacific and Other Regions

In Asia Pacific and Other Regions, TEL products are expected to build on the strong performance in Australia and Japan. VTech is also expanding into other Asian countries such as Korea to which products will be shipped in the middle of this calendar year. The strong momentum in other regions is expected to continue, as business in Latin America and the Middle East is growing.

In ELPs, VTech's main focus of attention will be China. Development of new electronic learning and infant care channels, together with the re-structuring of the traditional toy channel, should increase business for the Group in this market. A stream of new standalone products and a new generation of ELPs tailored for the China market will be launched during the financial year 2012. Elsewhere, the Group is planning for a good year-on-year growth for English language products shipped into Asia Pacific, led by Australia, as well as the Middle East.

For CMS, growth in these regions will be mainly generated from Japan. Sales increases will be seen in medical equipment, as the Group's customer has started to gain market share following a new product launch. Since the beginning of the financial year 2012, the demand for handheld radiation detectors has risen sharply. This is a new product series being designed and produced by CMS for a Japanese customer. The volume of LED light bulbs will continue to increase, but price erosion will limit growth.

Looking further ahead, the development of the Chinese economy will create new growth opportunities for CMS. Firstly, the Group has received increasing requests from customers for direct delivery of products from its factory in China, to meet their rising domestic sales. The Group is now planning to set up a dedicated operation to cater for this additional business. Secondly, many domestic Chinese companies have already reached the size and sophistication to outsource, giving rise to new business opportunities.

To cater for business growth, CMS has added a new factory building to its Liaobu facilities in Dongguan. It will start operations in the third quarter of the financial year 2012 and will increase its manufacturing capacity by more than 40%.

“VTech is benefitting from its position as a leader in TEL products and ELPs, and its increasing presence in the EMS market. Our strategy of continuous innovation in product design, increasing market share, diversifying geographically and maintaining excellence in operations is achieving results. We will seize every opportunity to grow our revenue in the current financial year while stepping up our effort to manage costs, thereby enhancing returns to our shareholders,” said Mr. Wong.

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About VTech

VTech is the world’s largest manufacturer of cordless telephones and a leading supplier of electronic learning products. It also provides highly sought-after contract manufacturing services. Founded in 1976, the Group’s mission is to be the most cost effective designer and manufacturer of innovative, high quality consumer electronics products and to distribute them to markets worldwide in the most efficient manner.

Note: Starting from 22:00, 31 May 2011 (HK time), the video archive of the FY2011 annual results announcement can be accessed through VTech’s homepage www.vtech.com in the “Webcasts” section under “Investors”.

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