VTech Holdings Ltd

HKSE : 303

ANNUAL REPORT 2010

CONTENTS

CORPORATE PROFILE

VTech is one of the world's largest suppliers of corded and cordless telephones and 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.

With headquarters in the Hong Kong Special Administrative Region and state-of-the-art manufacturing facilities in mainland China, VTech currently has a presence in 11 countries and approximately 36,000 employees, including over 1,500 R&D professionals in R&D centres in Canada, Hong Kong and mainland China. This network allows VTech to stay abreast of the latest technology and market trends throughout the world, while maintaining a highly competitive cost structure.

The Group invests significantly in R&D and launches numerous new products each year. VTech sells its products via a strong brand platform supported by an extensive distribution network of leading retailers in North America, Europe and Asia Pacific. Apart from the well-known VTech brand, the Group has the rights to use the AT&T brand in connection with the manufacture and sale of its wireline telephones and accessories.

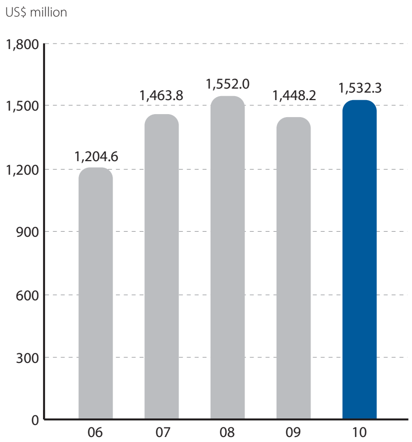
Shares of VTech Holdings Limited are listed on The Stock Exchange of Hong Kong Limited (HKSE: 303). Ordinary shares are also available in the form of American Depositary Receipts (ADRs) through The Bank of New York Mellon (ADR: VTKHY).

Financial Highlights

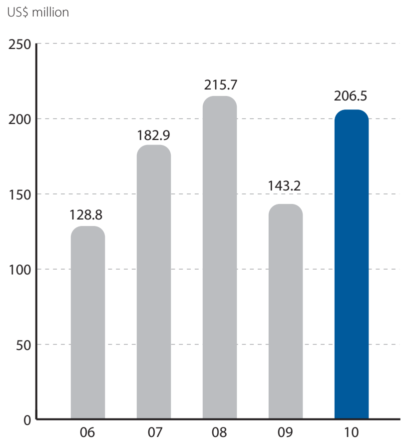
For the year ended 31 March	2010	2009	Change
Operating results (US$ million)			
Revenue	**1,532.3**	1,448.2	5.8%
Gross profit	**559.4**	527.5	6.0%
Operating profit	**224.1**	154.3	45.2%
Profit before taxation	**225.5**	159.0	41.8%
Profit attributable to shareholders of the Company	**206.5**	143.2	44.2%
Financial position (US$ million)			
Cash generated from operations	**255.8**	196.1	30.4%
Net cash	**382.6**	287.2	33.2%
Shareholders' funds	**515.7**	440.2	17.2%
Per share data (US cents)			
Earnings per share – basic	**83.7**	58.5	43.1%
Earnings per share – diluted	**83.4**	58.4	42.8%
Dividend per share			
– Interim and Final	**78.0**	53.0	47.2%
Other data (US$ million)			
Capital expenditure	**26.3**	27.1	-3.0%
R&D expenditure	**56.8**	56.9	-0.2%
Key ratios (%)			
Gross profit margin	**36.5**	36.4	0.1% pts
Operating profit margin	**14.6**	10.7	3.9% pts
Net profit margin #	**13.5**	9.9	3.6% pts
EBITDA/Revenue	**17.0**	12.9	4.1% pts
Return on shareholders' funds	**40.0**	32.5	7.5% pts

 # Net profit margin is calculated by profit attributable to shareholders of the Company to revenue

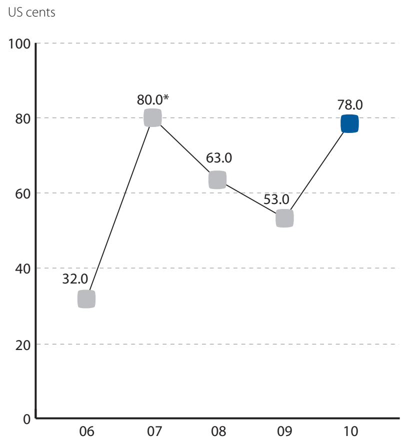
Group Revenue in Last 5 Years



Profit Attributable to Shareholders of the Company in Last 5 Years



Dividend per Share in Last 5 Years



* *Include a special dividend of US30.0 cents per share*

> 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.

Dear Shareholders,

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 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, 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 of 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 increases. 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 with 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.

Allan WONG Chi Yun
Chairman

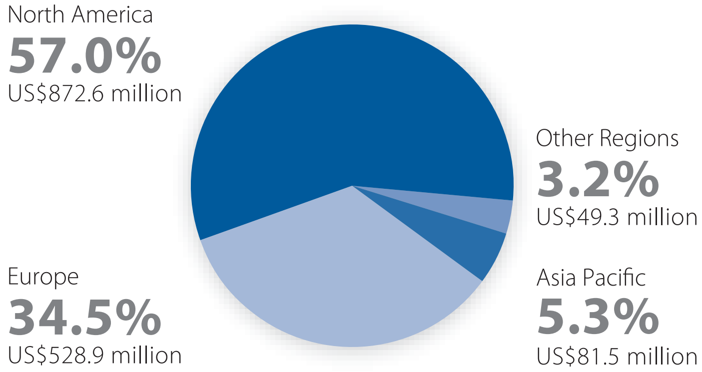
Hong Kong, 14 June 2010

Management Discussion and Analysis

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.

Group Revenue by Region (FY2010)



Total: US$1,532.3 million

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 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 equipment 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 Original Design Manufacturing (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.

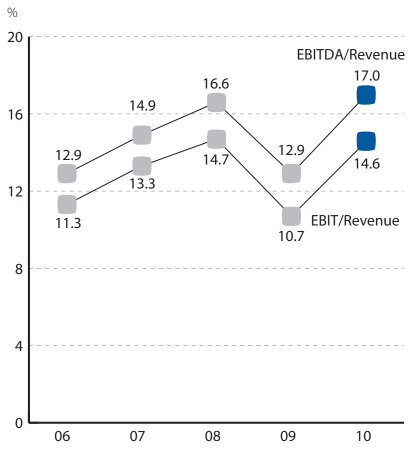
For Asia Pacific, all product lines achieved sales increases. Sales of TEL products to Asia Pacific rose by 59.0% to US$22.9 million. The growth was partly due to higher sales to Australia following the agreement with Australian telecommunications and information services company Telstra. For ELPs, revenue from Asia Pacific increased by 23.4% to US$15.8 million in the 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.

Group EBITDA/Revenue and EBIT/Revenue in Last 5 Years



Operating Profit/Margin

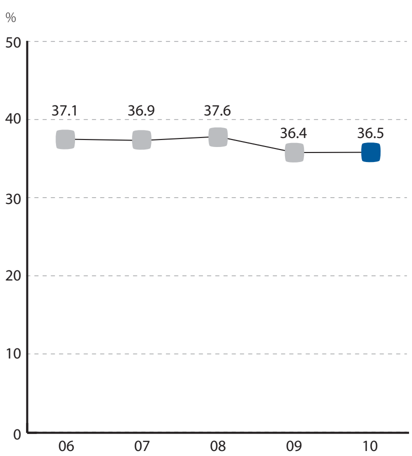
The operating profit for the year ended 31 March 2010 was US$224.1 million, an increase of US$69.8 million or 45.2% over the previous financial year. The operating profit margin also increased from 10.7% in the previous financial year to 14.6% in the current financial year. The ratio of EBITDA to revenue 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.

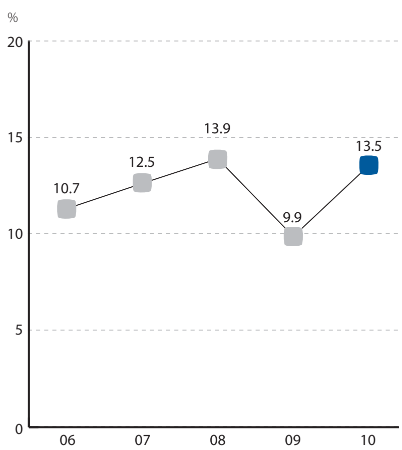
Administrative and other operating expenses decreased from US$84.2 million in the previous financial year to US$71.2 million in the financial year 2010. With better foreign exchange risk management, exchange loss arising from the Group's global operations in the ordinary course of business was minimal in the financial year 2010. 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.

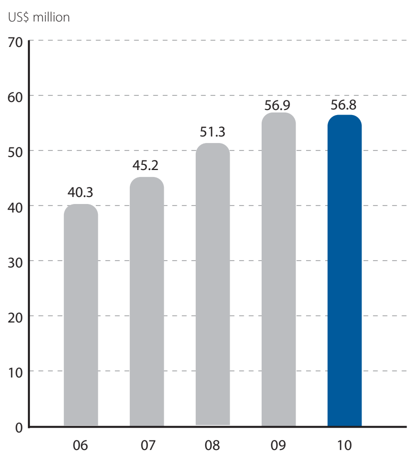
Gross Profit Margin in Last 5 Years



Net Profit Margin in Last 5 Years



Group R&D Expenditure in Last 5 Years



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 bank 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, deposits and 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

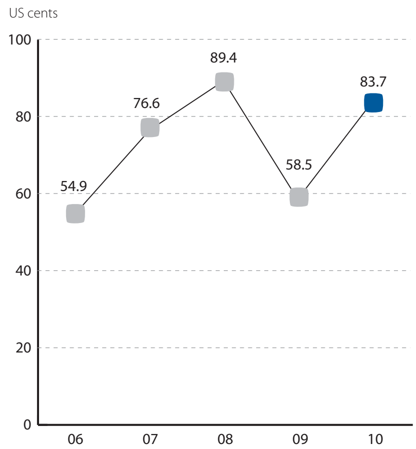
The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations and to minimise the Group's financial risks. The Group cautiously uses derivatives, principally forward foreign exchange contracts, as appropriate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

Earnings per Share in Last 5 Years



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.

Products and Services Overview

TELECOMMUNICATION (TEL) PRODUCTS

VTech is one of the world's largest suppliers of corded and cordless telephones.

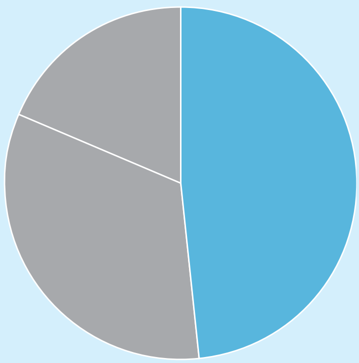
In North America, we are the largest player in the market, selling both AT&T and VTech branded products in major retail stores.

Outside North America, we mainly supply products to major fixed line telephone operators, well-known brand names and distributors on an ODM basis.

We are currently the exclusive supplier to Deutsche Telekom for all its corded and cordless telephones in Germany.

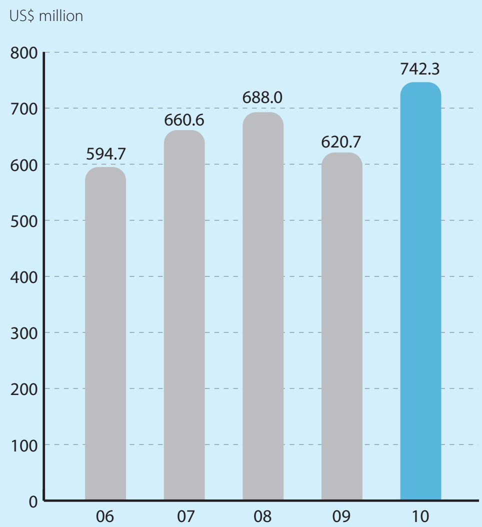
In Australia, we are also the direct supplier to Telstra for all its fixed line telephones.

% of Group Revenue (FY2010)



48.4%

Revenue in Last 5 Years



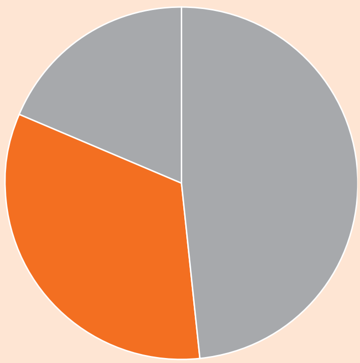
ELECTRONIC LEARNING PRODUCTS (ELPs)

VTech is a pioneer in the industry and we are currently one of the world's leaders in this field.

Our products cover a board spectrum of age groups, from infants to pre-teens, and from standalone to platform products:

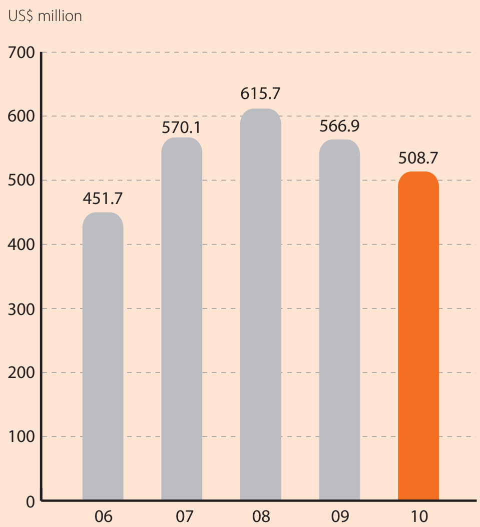
- Standalone products
  - Infant toys
  - Pre-school toys
  - Electronic learning aids
  - Jungle Gym
- Platform products
  - V.Reader Animated e-Book System
  - MobiGo Touch Learning System
  - V.Smile TV Learning System
  - Bugsby Reading System

% of Group Revenue (FY2010)



33.2%

Revenue in Last 5 Years



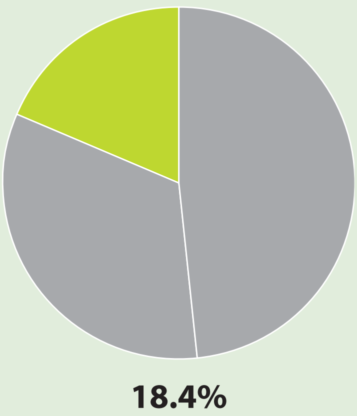
CONTRACT MANUFACTURING SERVICES (CMS)

VTech provides one-stop shop electronic manufacturing services to medium sized companies who are leaders in:

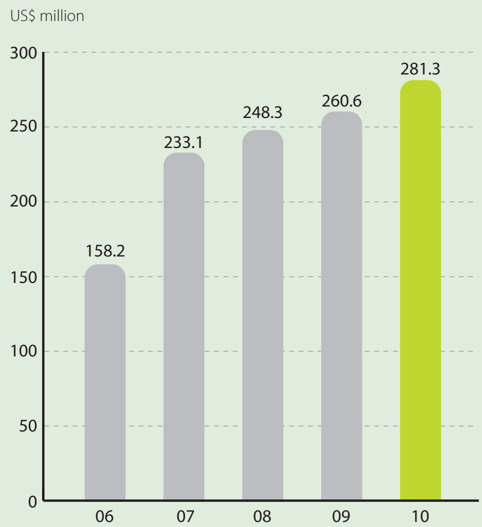
- Professional audio equipment
- Switching mode power supplies
- Home appliances, including solid state lighting
- Communications products

For more than two decades, we have grown with our customers and built long-term partnerships with them. Our excellence in product quality and customer service has earned us industry and supplier awards year after year, and - the greatest testament of all - we continue to win new business through word of mouth recommendation.

% of Group Revenue (FY2010)



Revenue in Last 5 Years



Revenue in North America by Product Line
for the year ended 31 March 2010

Total: US$872.6 million

Revenue in Europe by Product Line
for the year ended 31 March 2010

Total: US$528.9 million

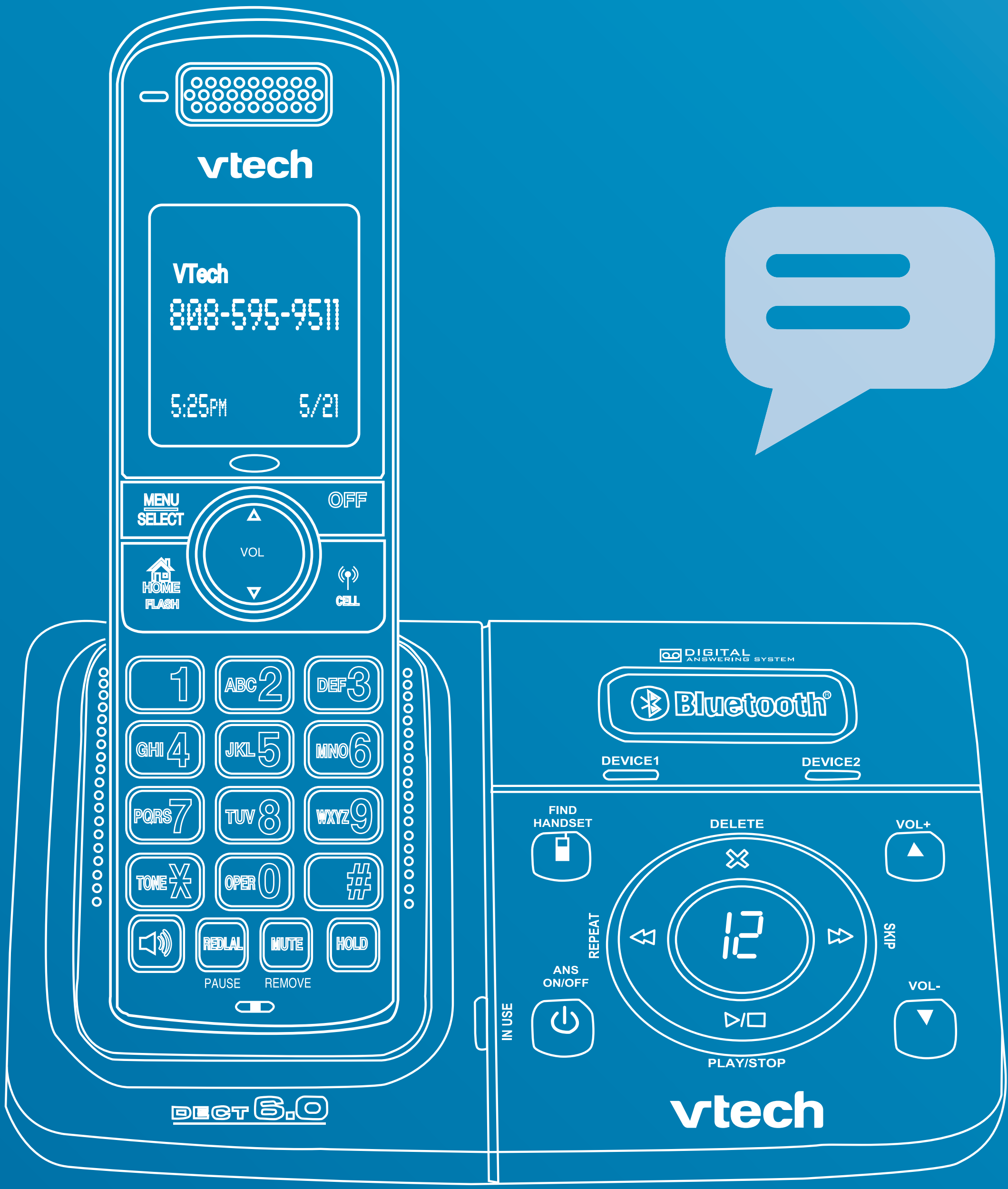
Revenue in Asia Pacific by Product Line
for the year ended 31 March 2010

Total: US$81.5 million

Revenue in Other Regions by Product Line
for the year ended 31 March 2010

Total: US$49.3 million

Telecommunication Products



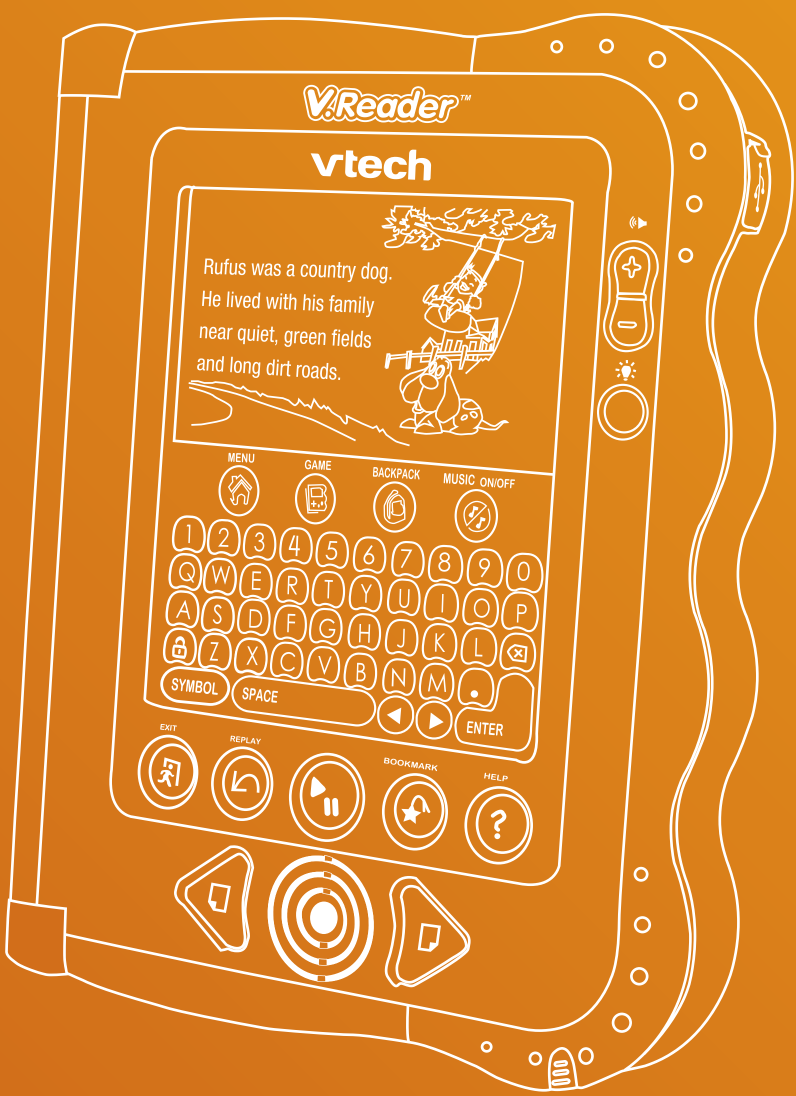
Fixed line telephones are our business. Whether corded or cordless, for home or commercial use, VTech and AT&T telephones have become the number one choice for individuals and businesses around the world.

→ Almost **50%** market share* in the US

→ Over **40 million** handsets shipped in FY2010

* Source: NPD, combined market share of VTech and AT&T, as of Q1 2010

Electronic Learning Products



VTech has made learning fun for 30 years. Since the launch of Lesson One in 1980 - one of the very first ELPs - we have been making the innovative, educational electronic toys that parents and kids love and trust.

- Over **30 million** units of product shipped in FY2010

- Supplies ELPs in **20 languages**

Contract Manufacturing Services

Service Excellence

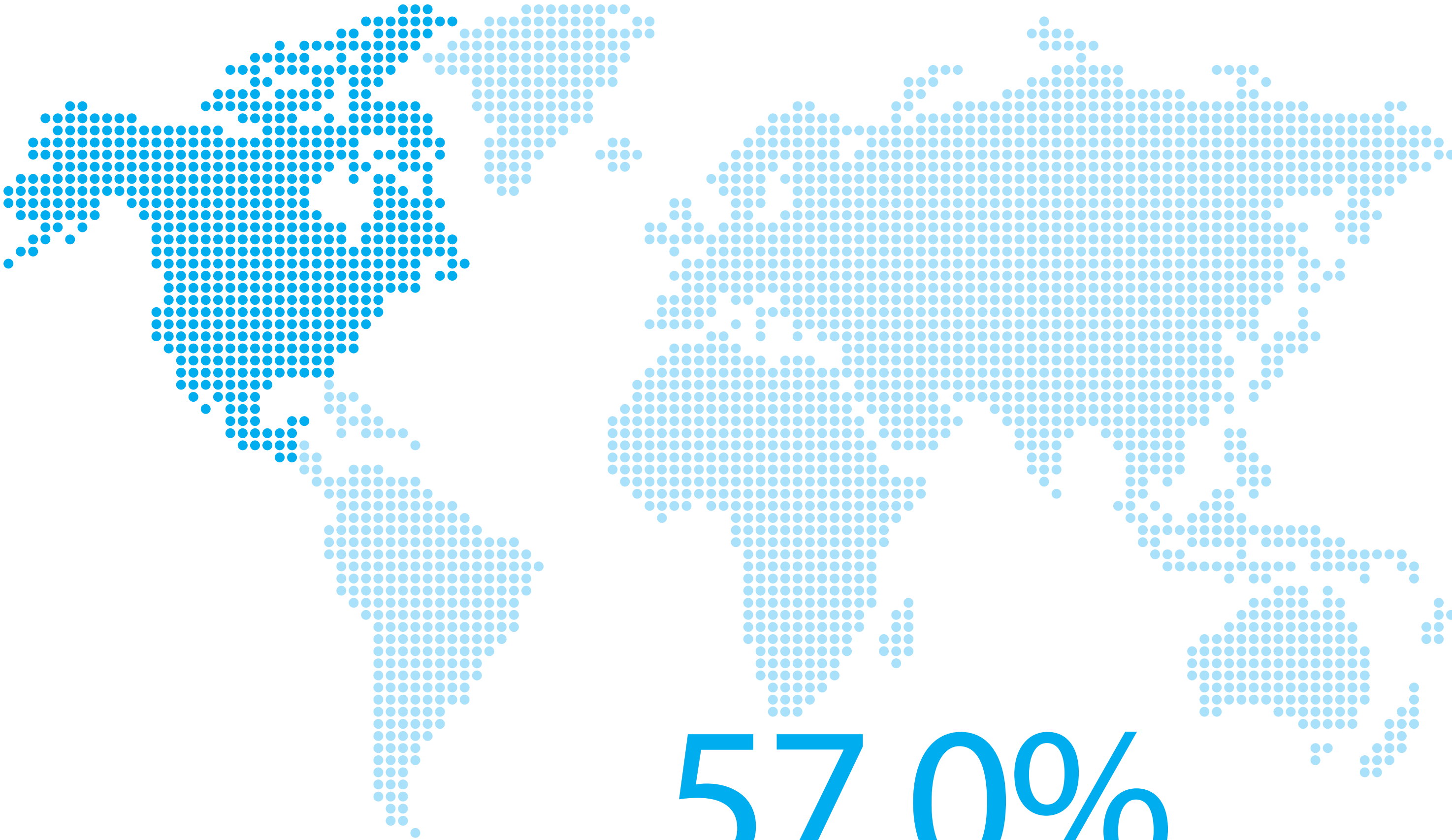
Excellent customer service and product quality are what makes our CMS so highly sought after. Continuous sales growth in the last five years is a testament to our success in the EMS industry.

→ World's **top 50** EMS provider**

→ Strong reputation in professional audio area

** Source: *Manufacturing Market Insider* magazine, March 2010 edition

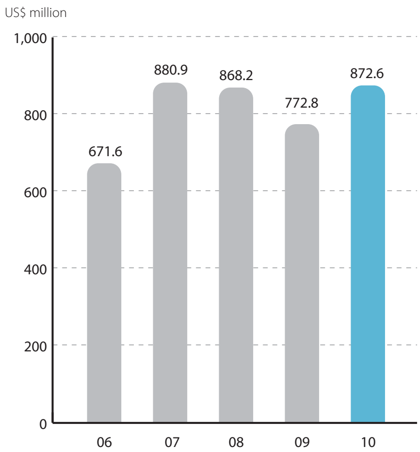
North America

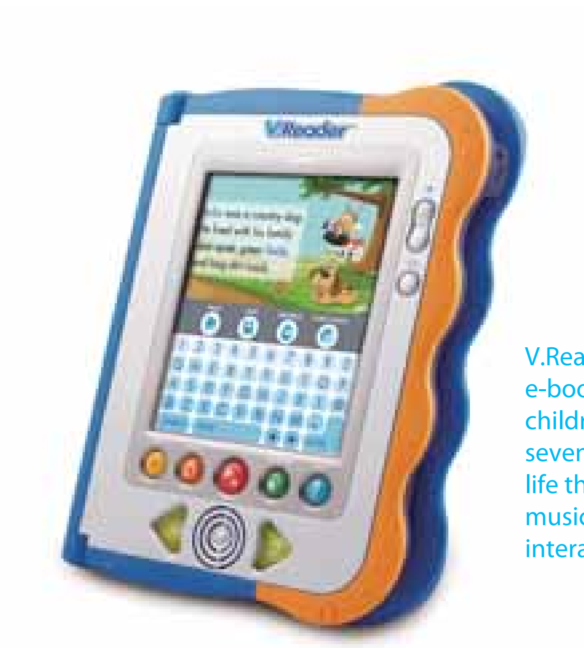


57.0%
of Group Revenue

SynJ™, the only SMB telephony system in the US market to feature optional DECT 6.0 repeaters, gives an unprecedented talk range of up to half a mile.

Revenue in North America in Last 5 Years





V.Reader, an animated e-book system for children aged three to seven, brings stories to life through narration, music, animation and interactions.

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.

Professional audio equipment, where our reputation continues to grow, saw further sales increases in the second half of the financial year 2010 from existing and new customers.

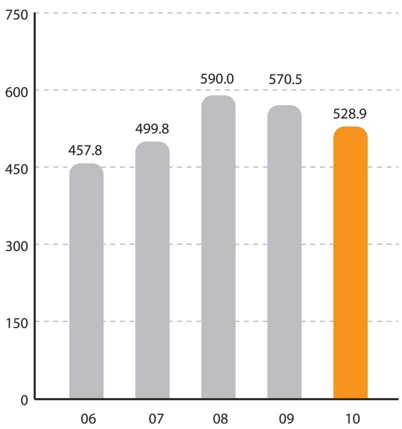
Europe

34.5%

of Group Revenue

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 2010.

Revenue in Europe in Last 5 Years



MobiGo, a handheld educational gaming system for children aged three to eight, puts the world of educational fun at children's fingertips.

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 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.

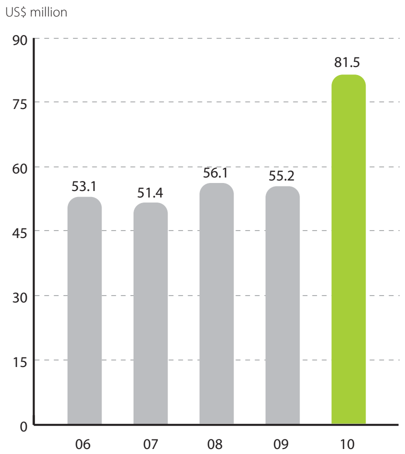
Switching mode power supplies will see growth opportunities in the new business areas of solar power inverters and electric vehicle chargers in the financial year 2011.

Asia Pacific & Other Regions

8.5%
of Group Revenue

In June 2009, we signed an agreement with the leading Australian telecommunications and information services company Telstra, for which VTech is now its direct supplier of fixed line telephones.

Revenue in Asia Pacific in Last 5 Years



A significant new standalone product launched in the financial year 2010 was the Jungle Gym line, which combines electronic learning, fun and physical activities.

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.

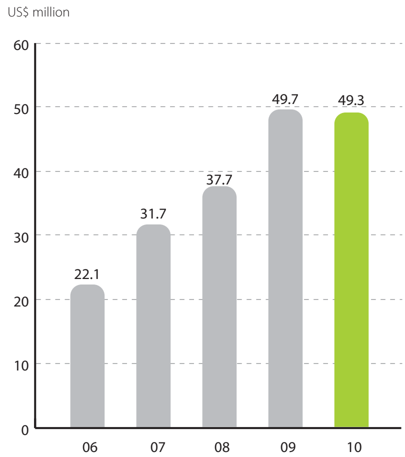
All product lines achieved sales increases. Sales of TEL products reached US$22.9 million, growing by 59.0% over last year. The rise in revenue was in part due to the agreement signed in June 2009 with the leading Australian telecommunications and information services company Telstra, for which VTech 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.

VTech worked with a customer to develop and produce its new range of LED light bulbs for home use.

Revenue in Other Regions in Last 5 Years



VTech and Our Shareholders

VTech aims to enhance shareholder value through:

- Strengthening the competitiveness of the Group's operations
- Continuous efforts to achieve sustainable growth in shareholder returns and returns on investment
- Ensuring timely, accurate, comprehensive and non-selective disclosure of the Group's financial information and operating performance

Dividends

The Group's dividend payout ratio is linked to its operating earnings performance, financial position and future investment opportunities. In the financial year 2010, the dividend payout ratio amounted to 93.3% of the Group's net profit, against 91.0% in the previous financial year.

Share Performance

(for the year ended 31 March 2010)

Highest closing price
HK$91.00 (24 March 2010)

Lowest closing price
HK$30.05 (3 April 2009)

Investor Communications

VTech has a proactive investor relations and communications programme that keeps investors and shareholders abreast of the Group's latest developments and welcomes constructive suggestions.

During the financial year, we held one-on-one meetings with investors, organised site visits to our manufacturing facilities in mainland China and participated in investor conferences. We also held overseas roadshows in Singapore, Japan and the UK. The Group is followed by an increasing number of analysts, and many of them regularly publish reports on the Company.

Key financial announcements are webcast, accompanied by the detailed slide presentations and other important financial information. Up-to-date information on the Group's developments, financial data and stock information can be found at the corporate website www.vtech.com. All key information is available electronically.

VTech and Our 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. Staff related 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.

Management, from the most senior level to the factory floor, is committed to treating employees fairly and with respect. We put emphasis on people-oriented management to ensure harmonious staff relations across the Group. Consideration is also given to enabling employees to achieve a life balance of their choosing.

Employment and Remuneration Policy

Our policy is to treat all employees on the basis of merit, qualifications and competence. We maintain a supportive work environment in which all employees can enjoy equal opportunities at work and avoid discrimination on the grounds of age, sex, marital status, disability or any other non-job related factor.

There is an incentive bonus scheme and share option scheme for employees, with salaries, bonuses and benefits determined with reference to the performance, qualifications and experience of individual employees.

Communications

In addition to maintaining a high standard of care towards employees, we encourage dialogue as an important contributor to harmony in the work place. Management makes every effort to maintain open channels of communication with everyone working for VTech. A regular internal newsletter updates employees on important developments, and employees are encouraged to give feedback via email and through suggestion boxes.

Personal Development

To ensure that employees have the necessary skills to carry out their tasks, and to provide a stimulus for self-advancement, we offer a variety of training courses throughout an employee's life at VTech. Staff members may also apply for external training sponsorships.

Employee Relations

To maintain good relations with everyone who works at VTech, each year we organise popular social events for employees. This helps to foster a team spirit, promote a balanced life and enhance motivation. During the financial year 2010, we entered a team in the annual dragon boat races in Hong Kong, while it was the eighth year to give our usual strong support to the Standard Chartered Hong Kong Marathon. These events are in addition to other activities that members of staff in Hong Kong and elsewhere enjoy, such as one or two-day tours, picnics, lunches and dinners.

VTech and Our Communities

Our philanthropic initiatives focus on supporting education, innovation and disaster relief. During the financial year 2010, we donated approximately HK$295,000 to the American and Canadian Red Cross to help the victims in Haiti earthquake. We also continued to encourage innovation through our support for Business of Design Week and the Hong Kong Awards for Industries in Hong Kong. Our programme with the Savannah College of Art and Design (SCAD) in the United States was in its second year. In May 2009, twelve students from SCAD's industrial design department presented design concepts to the Group's senior design team, based on the idea of "connected home". The programme allows VTech to offer job opportunities and internships for students, who we select on the basis of design submissions.

In Hong Kong, the Group is recognised as a "Caring Company" by the Hong Kong Council of Social Service, in recognition of our work for the community.

Throughout the year, our employees volunteered for projects designed to help elderly, young and underprivileged people in Hong Kong. We worked with Hong Kong Children and Youth Services to organise a day trip for underprivileged children. During Chinese New Year, VTech volunteers brought much joy to the elderly through a project to repaint front doors and distribute gifts.

As in previous years, VTech supported the Hong Kong Red Cross Blood Transfusion Service in efforts to increase blood donations, with the number of donors increasing.

VTech and the Environment

We regard care for the environment and making a positive contribution to efforts to tackle climate change as an important part of our corporate social responsibility. We focus our efforts on three areas: "Sustainable Manufacturing", "Safe and Green Products" and "Environmentally-Friendly Packaging".

Our operations worldwide invest in waste reduction, environmentally sound processes, energy efficiency and recycling. Our products aim to conform to the best global environmental legislation and guidelines.

Sustainable Manufacturing

We aim to reduce environmental impacts in our manufacturing process by adopting international environmentally appropriate practices in our operations.

The manufacturing facilities of both our TEL and CMS operations are ISO14001 certified, while the ELP operation abides by the International Council of Toy Industries (ICTI) CARE (Caring, Awareness, Responsible, Ethical) Process. Annual audits are conducted to ensure we meet the national standards for air quality, noise pollution and waste water disposal.

We adopt a strict classification system for waste and toxic waste, based on international norms, which are disposed by a specialist contractor. Stringent procedures are in place to handle hazardous materials.

Electricity usage is benchmarked against production to ensure that we make continuous improvements in energy intensity, through installing new equipment or changing processes. In offices and factories, we encourage reduced use of paper and recycling of materials. We also encourage our vendors to take environmental considerations into account when supplying parts and raw materials.

Safe & Green Products

In designing a new product, or upgrading an existing one, our intention is to improve it – not just how it looks and functions, but how it impacts the environment. We always try to make our products more energy efficient. We also aim to use fewer components. This reduces our cost of materials, waste and the impact on the environment. At the same time, consumers get the direct benefit of energy savings.

As a result, all of our products comply with the strictest international safety and environmental regulations. Notably, all VTech TEL products and ELPs sold in the US and Europe are RoHS compliant. All VTech cordless phones delivered to the US have the Energy Star® certification. An Energy Star qualified cordless phone uses less energy than a conventional unit when it is charging, and VTech cordless telephones are much more energy efficient than their rivals. In Europe, an increasing number of our cordless phones include an "Eco Mode" function which reduces power consumption.

Environmentally-Friendly Packaging

Packaging is another area where we try to make a difference on the environment. In the US, we introduced new club store packaging for our 2009 spring cordless phone line up. This is 100 percent recyclable and has reduced gift box size by 41 percent. This smaller sized packaging also uses 99 percent less plastic, with a total of 14 ounces less plastic used in each box.

Increasingly, we have adopted environmentally-friendly printing processes, such as through the use of vegetable oil based inks for printing. We design smart structures for packaging that reduce box sizes and our packaging uses environmentally-friendly papers.

04/2009

Telecommunication Products

VTech Communications, Inc. announced the availability of the 2009 spring line up in the US, including the industry's first Push-to-Talk system, LS6325.

05/2009

Corporate

VTech Holdings Limited was ranked 54th globally, and first among Hong Kong companies in *Business Week's* 2009 InfoTech100, a listing of the world's best performing technology companies. The magazine also ranked VTech number four on its list by return on equity.

06/2009

Telecommunication Products

VTech Telecommunications (Australia) Pty Limited signed a licensing agreement with the leading Australian telecommunications and information services company Telstra, becoming its direct supplier of fixed line telephones in Australia.

Electronic Learning Products

V.Smile Motion was presented the "Toy of the Year Award 2009" in the electronic games category in Belgium.

07/2009

Electronic Learning Products

Kidizoom Plus was presented the "Oppenheim Toy Portfolio Platinum Award 2009" by Children's Technology Review in the United States.

Contract Manufacturing Services

VTech Communications Limited worked closely with a customer to develop and launch its new range of LED light bulbs in the Japanese market on schedule, establishing our position in the area of solid state lighting.

08/2009

Telecommunication Products

The Group's first SMB telephony system, SynJ™, hit the shelves. It is the only small business phone system in the United States to feature optional DECT 6.0 repeaters, which extend talk range up to half a mile.

09 /2009

Telecommunication Products

Sinus A201 received a "Product Award" from Deutsche Telekom.

Electronic Learning Products

Kidizoom Plus was presented the "NAPPA Gold Seal" by National Parenting Publications in the United States.

10 /2009

Telecommunication Products

VTech Telecommunications Limited received the "Special Appreciation Award" from Bharti Teletech Limited in India.

Electronic Learning Products

Kidizoom was named one of the "Top 12 Toys for Christmas" by the Toy Retailers Association in the United Kingdom.

11 /2009

Electronic Learning Products

Light-up Learning Camera was awarded the "2010 Children's Choice Award" by the Canadian Toy Testing Council.

Dream & Play Light-up Mobile and Sort & Spin Blender were winners of the "2010 Best Bet Award" from the Canadian Toy Testing Council.

12 /2009

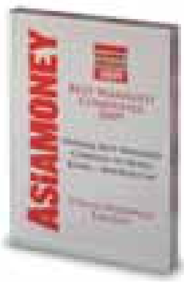
Electronic Learning Products

Bugsby Reading System, Jungle Gym Ride & Learn Giraffe Bike and five other products were awarded a "Seal of Approval" by Parent Tested Parent Approved Media Inc.

01 /2010

Corporate

VTech Holdings Limited won the "Overall Best Managed Company in Hong Kong – Medium Cap" in the AsiaMoney Awards 2009.



Electronic Learning Products

Kidizoom Camera was named "Pre-School Toy of the Year 2009" for the second consecutive year by the British Toy and Hobby Associations and Toy Retailers Association.

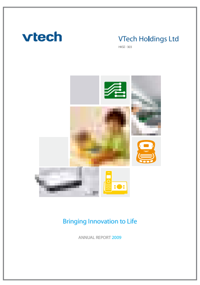
Kidizoom Camera became the top selling product in the German toy market for the second year in a row, making VTech the only company ever to occupy the top spot for five consecutive years*.

* Source: NPD

02 /2010

Corporate

VTech Holdings Limited's 2009 annual report received an Honour Award at the Mercury Excellence Awards 2009/10.



Telecommunication Products

We started to ship IADs in February 2010, adding a new category to our TEL products.

VTech Telecommunications Limited received the "Factory Quality Management Award" from Carrefour.

Electronic Learning Products

A new logo was introduced to strengthen our brand.

February 2010 marked the 30th anniversary of our electronic learning products since the launch of Lesson One in 1980.

VTech Electronics Europe GmbH won the "Best Service after Sales Award" in Belgium, given by *Toys & Games Magazine*.

03 /2010

Contract Manufacturing Services

VTech Communications Limited was ranked 37th, up from 43rd last year, among the "Top 50 EMS providers in 2009" by the magazine *Manufacturing Market Insider*.

VTech Communications Limited received the "Global Supplier Award" from a wireless product customer for its outstanding collaboration and execution in manufacturing.

VTech Communications Limited was presented a "Supplier of the Year 2010 Award" by a customer in communications products.

Corporate Governance Practices

VTech Holdings Limited is incorporated in Bermuda and has its shares listing on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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 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 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. 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 key corporate governance principles and practices of the Company is set out below.

Board of Directors

The Board currently comprises three executive directors and four independent non-executive directors. The names and brief biographies are set out on page 31 of this report. The non-executive directors are high calibre executives with diversified industry expertise and bring a wide range of skills and experience to the Group. They bring to the Company independent judgement on issues of strategy, performance, risk and people through their contribution at Board meetings. The Board considers that the four non-executive directors, being the majority of the Board, are independent in character and judgement and they also meet the independence criteria set out in Rule 3.13 of the Listing Rules. All non-executive directors are appointed for a specific term of three years and all directors are required to submit themselves for re-election at least once every three years under the Company's Byelaws. In accordance with the Company's Byelaws, each new director appointed by the Board shall hold office until the next following annual general meeting and thereafter the directors will be subject to retirement by rotation. There exists no relationship among Board members, including financial, operational, family or other relevant material relations.

The Board has received from each independent non-executive director a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

The Board's focus is on the formulation of business strategy and policy, and control. Matters reserved for the Board are those affecting the Company's overall strategic policies, finances and shareholders. These include, but not restricted to, preliminary announcements of interim and final results, dividend policy, the annual budgets, major corporate activities such as material acquisitions and disposals, and connected transactions.

The Board may delegate part of its functions and duties to executive committees and day-to-day operational responsibilities are specifically delegated to the management, specify matters requiring approval by the Board.

Four Board meetings at approximately quarterly interval are scheduled for 2010/11 with other meetings held as required. All directors have access to the advice and services of the Company Secretary and independent professional advice may be taken by the directors as required.

The attendance of individual members of the Board and other Board Committees during the financial year is set out below:

	Meetings attended/Eligible to attend				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Executive Directors					
Allan WONG Chi Yun	4/4	–	–	1/1	4/4
PANG King Fai	4/4	–	–	–	4/4
Andy LEUNG Hon Kwong	4/4	–	–	–	4/4
Independent Non-executive Directors					
William FUNG Kwok Lun	3/4	2/2	2/2	1/1	–
Denis Morgie HO Pak Cho	4/4	2/2	2/2	1/1	–
Michael TIEN Puk Sun	1/4	2/2	1/2	0/1	–
Patrick WANG Shui Chung	3/4	–	–	1/1	–

Board Committees

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.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Michael TIEN Puk Sun with Dr. William FUNG Kwok Lun and Mr. Denis Morgie HO Pak Cho as members, all of whom are independent non-executive directors. It is responsible for reviewing and recommending all elements of the executive directors and senior management remuneration.

Board Committees (Continued)

Remuneration Committee (Continued)

The emoluments of Directors are based on skills, knowledge and performance, together with reference to the profitability of the Company, and prevailing market conditions. Share option scheme has been established to provide long term incentives for the executive directors and senior management.

The Remuneration Committee met twice during the year. The Committee discussed and reviewed the remuneration packages for all executive directors and senior management, assessing performance of executive directors and the granting of share options to the executive directors and senior management. The Committee also reviewed the proposed 2011 directors' fees and made recommendation to the Board.

Nomination Committee

The Nomination Committee is chaired by Dr. William FUNG Kwok Lun with Mr. Denis Morgie HO Pak Cho, Mr. Michael TIEN Puk Sun, Dr. Patrick WANG Shui Chung and Dr. Allan WONG Chi Yun as members. The majority of the members of the Nomination Committee are independent non-executive directors. It is responsible for reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and experience. Candidates for appointment as executive directors may be sourced internally or externally using the services of specialist executive search firms. The aim is to appoint individuals of the highest calibre in their area of expertise and experience.

The Nomination Committee met once during the year and reviewed the structure, size and composition of the Board.

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 auditor. 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 auditor 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 Report), 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 during the year. 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.

On 14 June 2010, 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.

External Auditor

The Audit Committee reviews and monitors the external auditor's independence and objectivity. It also meets with the auditor to consider the nature, scope and results of their audit with senior management.

During the year, the fees in respect of audit and non-audit services provided by KPMG, the auditor, is shown in note 2 to the financial statements.

Board Committees (Continued)

Risk Management Committee

The Risk Management Committee, chaired by Dr. Allan WONG Chi Yun, comprising the executive directors, held four meetings during the year to review the Group's risk management and internal control systems and their effectiveness. The Committee has put in place policies and procedures for the identification and management of risks. The Committee also ensured that any new and emerging risks are promptly identified, evaluated and appropriate actions are taken by the management. The Committee reports to the Board in conjunction with the Audit Committee.

Responsibilities in Respect of Financial Statements

The Directors are responsible for overseeing the preparation of consolidated financial statements for the year ended 31 March 2010, to give a true and fair view of the state of affairs of the Group as at that date and of its profit and cash flows for the year then ended. In doing so the Directors have adopted appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgements and estimates that are prudent and reasonable in preparing the consolidated financial statements on the going concern basis.

The Directors are responsible for ensuring the maintenance of proper accounting records, safeguarding of the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The statement by the auditor of the Company regarding their responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 36 of the annual report.

Internal Controls

The Directors have the overall responsibility for internal control, including risk management, and set appropriate policies having regard to the objectives of the Group. The Board, through the Audit Committee, reviewed the overall effectiveness of the Group's system of internal control over financial, operational and compliance issues, risk management process, information systems security and effectiveness of financial reporting and compliance with Listing Rules, and is satisfied that such systems are effective and adequate. The Board also considered that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate.

Internal Audit Department

The Internal Audit Department reviews the effectiveness of the internal control system. The Internal Audit Department carries out annual risk assessment on each identified audit area and devises an annual audit plan according to the nature of business and risk exposures, and the scope of work includes financial and operational reviews. The audit plan is reviewed and agreed by the Audit Committee. In addition to the agreed schedule of work, the Internal Audit Department conducts other review and investigative work as may be required. The Audit Committee receives summary reports from the Internal Audit Department periodically while the results of internal audit reviews and responses to the recommended corrective actions are also reported to the executive directors. The Internal Audit Department is also responsible for following up on the corrective actions to ensure that satisfactory controls are maintained.

The Group has put in place an organisational structure with formal clearly defined lines of responsibility and delegation of authority. There are also established procedures for financial planning, capital expenditure, treasury transactions, information and reporting systems, and for monitoring the Group's businesses and their performance.

Other control and management

Code of Conduct

The Company's policy on Code of Conduct is also an important part of the Group's internal control process. Employees are required to strictly follow the Code of Conduct to ensure the Group operates to the highest standards of business conduct and ethics in our dealings with customers, business partners, shareholders, employees, and the business communities. The policy is reinforced and monitored by an annual confirmation of compliance in writing.

Whistleblower Policy

The Group maintains a whistleblower policy to facilitate the raising of concerns by employees. Procedures are established for employees to report complaints and internal malpractice directly to the Chief Compliance Officer, who will review complaints and determine the mode of investigation and subsequent corrective action. Recommendations on improvements are communicated to the respective departments senior management for implementation. The Chief Compliance Officer reports the results of his review of the complaints received to the Audit Committee, where applicable, twice a year.

Model Code of 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.

Directors and Senior Management

Biographical Details of Directors

Allan WONG Chi Yun, GBS, MBE, JP, aged 59, Chairman and Group Chief Executive Officer, co-founded the Group in 1976. Dr. WONG holds a Bachelor of Science degree in Electrical Engineering from the University of Hong Kong, a Master of Science degree in Electrical and Computer Engineering from the University of Wisconsin and an Honorary Doctorate of Technology from the Hong Kong Polytechnic University. Dr. WONG is a member of the Commission on Strategic Development, a member of the Greater Pearl River Delta Business Council, a council member of the University of Hong Kong and a board member of the Airport Authority Hong Kong. He is the deputy chairman and an independent non-executive director of The Bank of East Asia, Limited, and an independent non-executive director of China-Hong Kong Photo Products Holdings Limited and Li & Fung Limited.

PANG King Fai, aged 54, Executive Director and President of the Group, holds BSc (Eng) from the University of Hong Kong, MPhil from Imperial College of Science, Technology and Medicine, London and PhD (EE) from Stanford University. He is a Fellow of the Institution of Engineering and Technology. Dr. PANG joined the Group in 2004 as Group Chief Technology Officer and promoted to the position of President of the Group in 2009. He has over 20 years of experience in design engineering for consumer electronics products. He is also an Honorary Professor of the Electrical and Electronic Engineering Department of the University of Hong Kong.

Andy LEUNG Hon Kwong, aged 51, Executive Director and Chief Executive Officer of Contract Manufacturing Services, holds a Bachelor of Science degree in Electrical and Electronic Engineering from the University of Newcastle upon Tyne in the United Kingdom and an MBA degree from Oklahoma City University in the United States. He is also responsible for overseeing China Services Department of the Group. Mr. LEUNG joined the Group in 1988, left the Group in 1990 and re-joined in 1991. He became the CEO of Contract Manufacturing Services in 2002 after serving as General Manager for 9 years. Mr. LEUNG has over 20 years of experience in the electronics and manufacturing industry.

William FUNG Kwok Lun, SBS, OBE, JP, aged 61, appointed as Independent Non-executive Director in 2001. Dr. FUNG is the Group Managing Director of Li & Fung Limited and a non-executive deputy chairman of The Hongkong and Shanghai Banking Corporation Limited. He is a non-executive director of Convenience Retail Asia Limited, Integrated Distribution Services Group Limited and Trinity Limited, an independent non-executive director of Shui On Land Limited, Sun Hung Kai Properties Limited and Singapore Airlines Limited. He has held key positions in major trade associations. He is the past Chairman of the Hong Kong General Chamber of Commerce, the Hong Kong Committee for the Pacific Economic Cooperation Committee and the Hong Kong Exporters' Association. He has been awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2008. Dr. FUNG holds a Bachelor of Science degree in Engineering from Princeton University and an MBA degree from the Harvard Graduate School of Business. He has been awarded an Honourary Doctorate degree of Business Administration by the Hong Kong University of Science & Technology and by the Hong Kong Polytechnic University. Dr. FUNG retired as a non-executive director of HSBC Holdings plc. on 28 May 2010.

Denis Morgie HO Pak Cho, aged 68, appointed as Independent Non-executive Director in 2008. Mr. HO holds a Bachelor of Commerce degree from the University of Melbourne. He is a Chartered Accountant (Australia), a Certified Public Accountant (Hong Kong) and a Financial Consultant. Mr. HO has over 45 years of professional accounting experience.

Michael TIEN Puk Sun, BBS, JP, aged 59, appointed as Independent Non-executive Director in 2001. Mr. TIEN holds a Bachelor of Science degree in Electrical Engineering from Cornell University, USA and an MBA degree from Harvard Business School. Mr. TIEN is the Chairman and founder of the G2000 Group which started its business back in 1979. Before starting up G2000, he worked with Macy's Department Store in New York, USA. Mr. TIEN is an active member in Hong Kong community affairs, he is the past Chairman of the Standing Committee on Language Education and Research and a former member of the Education Commission. Mr. TIEN is a member of National People's Congress Hong Kong Deputy.

Patrick WANG Shui Chung, JP, aged 59, appointed as Independent Non-executive Director in 2001. Dr. WANG obtained his Bachelor and Master of Science degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, USA. Dr. WANG is currently the Chairman and Chief Executive Officer of Johnson Electric Holdings Limited. Appointed by the Government of the Hong Kong Special Administrative Region, Dr. WANG is a member of the Steering Committee on the Promotion of Electric Vehicles. He is also the Chairman and a director of the Hong Kong Applied Science and Technology Research Institute Company Limited, a non-executive director and a member of the Audit Committee of The Hongkong and Shanghai Banking Corporation Limited, and a non-executive director of Tristate Holdings Limited.

Biographical Details of Senior Management

Group

TONG Chi Hoi, aged 45, President of Telecommunication Products, is responsible for overseeing the ODM (Original Design Manufacturing) worldwide. Mr. TONG joined the Group in 2006. He has over 20 years of experience in the electronics and manufacturing industry. Mr. TONG holds a First Class Honours Bachelor degree in Electrical and Electronics Engineering from the University of London. He is a member of Institute of Electrical and Electronics Engineers, Inc., US.

CHU Chorng Yeong, aged 50, Group Chief Technology Officer, is responsible for overseeing product development of the Electronic Learning Products as well as contributing to the Group in establishing technology strategies and product development directions. Dr. Chu joined the Group in 2009, he holds a Bachelor of Science degree in Computer Science from Columbia University, MS and PhD in Electrical Engineering from Stanford University. Prior to joining the Group, he held Senior Vice President positions at SiS (a listed company in Taiwan) and ESS Technology (a listed company in the United States). He had worked in the Silicon Valley for 20 years specializing in integrated circuit and software developments for the Consumer Electronics Industry.

Shereen TONG Ka Hung, aged 41, Group Chief Financial Officer, is responsible for the Group accounting and tax, treasury and financial as well as information technology and human resources management functions. Ms. TONG joined the Group in 1994 and has held management positions in a number of areas including internal audit and financial control of the Group. She holds an MBA degree from Manchester Business School, UK, Master of Science degree in Information Systems from Hong Kong Polytechnic University and Bachelor of Laws degree from Manchester Metropolitan University, UK. She is an associate member of Chartered Institute of Bankers, UK, Chartered Institute of Management Accountants, UK and a fellow member of Hong Kong Institute of Certified Public Accountants.

CHANG Yu Wai, aged 50, Company Secretary and Group Chief Compliance Officer. Joined the Group in 2000 after spending 8 years with one of the leading international accounting firms in Hong Kong. He has over 15 years of experience in professional accounting and auditing. He holds a Bachelor of Science degree in Mathematics and Management Sciences from the University of Manchester Institute of Science and Technology. Mr. CHANG is a member of the Institute of Chartered Accountants in England and Wales.

North America

Nicholas P. DELANY, aged 58, President of VTech Communications, Inc., is responsible for the Telecommunication Products in US specifically business development, sales, customer support, business intelligence processes, supply chain, logistics management, IT, HR/Administration, finance and marketing. Prior to joining the Group in 2000, Mr. DELANY had over 20 years of sales and management experience in the industrial, retail, construction and mining industries in Asia, Europe and South Africa. He also has 10 years of experience in developing supply chain systems with leading corporations in North America including The Stanley Works, Inc. Mr. DELANY holds a Bachelor Degree in Marketing and Financial Management from the University of South Africa & Damlein College.

William TO, aged 54, President of VTech Electronics North America, L.L.C., joined the Group in 1983. Mr. TO is responsible for the Group's Electronic Learning Products in the United States of America, Puerto Rico and Mexico. He holds a Master degree in Business Administration from the University of Chicago.

Gordon CHOW, aged 54, President of VTech Technologies Canada Ltd, is responsible for both the Telecommunication Products and Electronic Learning Products in Canada. He established the Canadian operations in 1986. Mr. CHOW holds a Bachelor of Commerce degree from the University of British Columbia and is a member of the Institute of Chartered Accountants of British Columbia. He is a member of the Board of Governors of Crofton House School in Vancouver. Mr. CHOW has served as a member of the President's Advancement Council of British Columbia Institute of Technology and a director of the BCIT Foundation. He was also a member of the Royal Roads University – MBA Advisory Board and a director of the Canadian Toy Association.

Rolf D. SEICHTER, aged 67, President of VTech Telecom, L.L.C., is responsible for the overseas development and marketing of Contract Manufacturing Services. Mr. SEICHTER joined the Group in 1999, left in 2001 and re-joined in 2004. Prior to joining the Group, he held senior management positions with several large high-tech corporations in Europe and the United States. He is well familiar with high-tech applications in the telecommunications, industry, automation and consumer markets. He holds a Master of Science degree in RF Electronics from Gauss University, Berlin, Germany and an MBA degree from Suffolk University, Boston, MA, USA.

Europe

Gilles SAUTIER, aged 54, European Chief Executive Officer, joined the Group in 2000 and is responsible for Electronic Learning Products in UK, France, Belgium, Holland, Luxembourg, Spain and Germany. He is also responsible for the support centre in Holland which takes care of finance, logistics management and IT systems for the European sales companies. With over 30 years of experience in marketing, sales and management in the toy industry, he held various positions in Kenner-Parker, Spear's Games, Ideal Toys and Majorette. He holds a Bachelor degree in Law from the University of Paris and an MBA degree from L'ESSEC, a French business school. Mr. SAUTIER is the general secretary of the French Toy Federation.

Report of the Directors

The directors have pleasure to present their report and the audited financial statements of the Group for the year ended 31 March 2010.

Principal Activity

The principal activity of the Group is design, manufacture and distribution of consumer electronic products.

Group Results and Dividends

The results of the Group for the year ended 31 March 2010 are set out in the consolidated income statement on page 37.

An interim dividend of US16.0 cents (2009: US12.0 cents) per ordinary share was paid to shareholders on 31 December 2009. The Board has recommended the payment of a final dividend of US62.0 cents (2009: US41.0 cents) per ordinary share payable on 2 August 2010 to shareholders in respect of the year ended 31 March 2010 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.

Commentary on Performance

A commentary on the performance of the Group is included in the review of operations set out on pages 16 to 21.

Group Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 66.

Tangible Assets

Details of the movements in tangible assets are shown in note 7 to the financial statements.

Share Capital and Share Options

Details of the movements in share capital and share options of the Company during the year are set out in note 18 to the financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 39 and in note 19 to the financial statements respectively.

Donations

During the year, the Group made charitable and other donations in aggregate of US$91,000.

Directors

The directors who held office during the year and up to 14 June 2010 (the date of this report) were:

Executive Directors

Allan WONG Chi Yun *Chairman and Group Chief Executive Officer*
PANG King Fai
Andy LEUNG Hon Kwong

Independent Non-executive Directors

William FUNG Kwok Lun
Denis Morgie HO Pak Cho
Michael TIEN Puk Sun
Patrick WANG Shui Chung

Dr. PANG King Fai, Dr. William FUNG Kwok Lun and Mr. Michael TIEN Puk Sun shall retire by rotation in accordance with Bye-law 112 of the Bye-laws of the Company, all of the above directors being eligible, shall offer themselves for re-election as directors of the Company at the forthcoming annual general meeting.

Brief biographical details of directors and senior management are set out on pages 31 to 32.

Directors' Service Contracts

None of the directors has a service contract with any company in the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The director's service contract entered into between the Company and Dr. Allan WONG Chi Yun in 1999 has no expiry date, but can be terminated by the giving of 2 months' prior notice, and is exempt from the shareholders' approval requirement under Rule 13.68 of the Listing Rules.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share Option Scheme

The Company operates a share option scheme for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of these share option schemes include executive directors and employees of the Company and its subsidiaries. On 10 August 2001, the Company adopted a share option scheme (the "2001 Scheme") under which the directors may, at their discretion, at any time during the 10 years from the date of adoption of the 2001 Scheme, invite employees of the Company and any subsidiaries of the Group, including executive directors (but excluding non-executive directors) to take up shares of the Company in accordance with the terms of the 2001 Scheme.

Details of the 2001 Scheme are set out in note 18 to the financial statements.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2010, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

(1) Interests in the Company

Name of director	Number of shares Personal interest	Family interest	Other interest	Equity derivatives (share options)	Total	Approximate percentage of shareholding
Allan WONG Chi Yun	8,150,393	3,968,683	74,101,153 *(Note 1)*	992,000	87,212,229	35.3%
PANG King Fai	–	–	–	744,000	744,000	0.3%
Andy LEUNG Hon Kwong	124,500	–	–	248,000	372,500	0.2%
William FUNG Kwok Lun	449,430	–	592,200 *(Note 2)*	–	1,041,630	0.4%
Michael TIEN Puk Sun	–	211,500 *(Note 3)*	211,500 *(Note 3)*	–	423,000	0.2%
Patrick WANG Shui Chung	162,000	–	–	–	162,000	0.1%

Notes:

(1) The shares were held as to 1,416,325 directly by Honorex Limited ("Honorex"), as to 65,496,225 directly by Conquer Rex Limited ("Conquer Rex") and as to 7,188,603 directly by Twin Success Pacific Limited ("Twin Success"). Conquer Rex was a wholly owned subsidiary of Honorex. Each of Conquer Rex, Honorex and Twin Success was a wholly owned subsidiary of Trustcorp Limited as the trustee of The Wong Chung Man 1984 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun, a director of the Company, was the founder. Trustcorp Limited was therefore deemed to have an aggregate indirect interest in 74,101,153 shares. Honorex was also deemed to have an indirect interest in the 65,496,225 shares.

(2) The shares were held by Golden Step Limited which was beneficially owned by Dr. William FUNG Kwok Lun.

(3) The shares were held by Romsley International Limited which was jointly owned by Mr. Michael TIEN Puk Sun and his spouse.

(4) All the interests stated above represented long position.

(2) Share Options of the Company

Name of director	Date of grant	Exercise price	Exercisable period	Number of share options held as at 1 April 2009	as at 31 March 2010
Allan WONG Chi Yun	17 April 2008	HK$41.07	24 April 2009 to 23 April 2011	496,000	– *(Note 1)*
	17 April 2008	HK$41.07	24 April 2010 to 23 April 2012	496,000	496,000
	17 April 2008	HK$41.07	24 April 2011 to 23 April 2013	496,000	496,000
PANG King Fai	8 April 2005	HK$11.41	8 April 2008 to 7 April 2010	50,000	– *(Note 2)*
	17 April 2008	HK$41.07	23 April 2009 to 22 April 2011	248,000	248,000
	17 April 2008	HK$41.07	23 April 2010 to 22 April 2012	248,000	248,000
	17 April 2008	HK$41.07	23 April 2011 to 22 April 2013	248,000	248,000
Andy LEUNG Hon Kwong	17 April 2008	HK$41.07	25 April 2009 to 24 April 2011	124,000	– *(Note 3)*
	17 April 2008	HK$41.07	25 April 2010 to 24 April 2012	124,000	124,000
	17 April 2008	HK$41.07	25 April 2011 to 24 April 2013	124,000	124,000

Notes:

(1) The weighted average closing price per share immediately before the date on which options were exercised was HK$59.24.

(2) The weighted average closing price per share immediately before the date on which options were exercised was HK$61.50.

(3) The weighted average closing price per share immediately before the date on which options were exercised was HK$56.95.

Save as disclosed above, as at 31 March 2010, none of the directors and chief executives of the Company had any interest or short position in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Substantial Shareholdings

As at 31 March 2010, other than the interests of the directors and chief executives of the Company as disclosed above, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which fell to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Trustcorp Limited	Interest of controlled corporation *(Note 1)*	74,101,153	30.0%
Newcorp Limited	Interest of controlled corporation *(Note 1)*	74,101,153	30.0%
Honorex Limited	Interest of controlled corporation *(Note 1)*	65,496,225	27.1%
	Beneficial owner *(Note 1)*	1,416,325	
Conquer Rex Limited	Beneficial owner *(Note 1)*	65,496,225	26.5%
Templeton Asset Management Limited	Investment manager	39,238,500	15.9%

Notes:

(1) The shares were held as to 1,416,325 directly by Honorex, as to 65,496,225 directly by Conquer Rex and as to 7,188,603 directly by Twin Success. Conquer Rex was a wholly owned subsidiary of Honorex. Each of Conquer Rex, Honorex and Twin Success was a wholly owned subsidiary of Trustcorp Limited as the trustee of The Wong Chung Man 1984 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun ("Dr. WONG"), a director of the Company, was the founder. Trustcorp Limited was therefore deemed to have an aggregate indirect interest in 74,101,153 shares. Honorex was also deemed to have an indirect interest in the 65,496,225 shares. Dr. WONG's founder interests in the 74,101,153 shares of the Company has also been disclosed under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures". Trustcorp Limited was wholly owned by Newcorp Limited which was deemed to be interested in such shares by virtue of the SFO.

(2) All the interests stated above represent long position.

Save as disclosed above, as at 31 March 2010, the Company has not been notified by any person (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which fell to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by Company under Section 336 of the SFO.

Public Float

Based on the information publicly available, the Company has maintained at least 25% of the total issued share capital of the Company to be held by the public at all times during the year ended 31 March 2010 and up to the date of this report.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2010.

Securities Purchase Arrangements

At the annual general meeting held on 7 August 2009, shareholders renewed the approval of a general mandate authorizing the directors to effect repurchases of the Company's own shares up to a limit of 10% of the shares in issue as at that date.

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.

Major Customers and Suppliers

For the year ended 31 March 2010, the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total value of purchases. The Group's largest customer accounted for approximately 16.7% of the Group's revenue and the Group's five largest customers in aggregate accounted for approximately 34.6% of the Group's revenue during the year. None of the directors, their associates or any shareholder (who, to the knowledge of the directors, owns more than 5% of the Company's share capital) had an interest in the customers and the suppliers noted above.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Byelaws of the Company and there are no statutory restrictions against such rights under the laws of Bermuda in which the Company is incorporated.

Auditor

The financial statements have been audited by KPMG, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

By Order of the Board

Allan WONG Chi Yun
Chairman

Hong Kong, 14 June 2010

Independent Auditor's Report

To the Shareholders of VTech Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of VTech Holdings Limited ("the Company") set out on pages 37 to 65, which comprise the consolidated and Company balance sheets as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

14 June 2010

Consolidated Financial Statements

Consolidated Income Statement

For the year ended 31 March 2010

	Note	2010 US$ million	2009 US$ million
Revenue	1	**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	1 & 2	**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	**–**	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	7	**79.8**	99.9
Leasehold land payments	8	**6.5**	3.8
Deferred tax assets	9	**5.6**	5.2
Investments	10	**0.2**	0.2
		92.1	109.1
Current assets			
Stocks	11	**159.3**	128.0
Debtors, deposits and prepayments	12	**211.4**	190.2
Financial assets at fair value through profit or loss	13	**–**	4.9
Taxation recoverable		**0.7**	3.1
Deposits and cash	14	**382.6**	287.2
		754.0	613.4
Current liabilities			
Creditors and accruals	15	**(272.9)**	(232.9)
Provisions	16	**(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	9	**(3.7)**	(4.3)
Net assets		**517.5**	440.2
Capital and reserves			
Share capital	18	**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

Approved and authorised for issue by the Board of Directors on 14 June 2010.

Allan WONG Chi Yun
Director

PANG King Fai
Director

The notes and principal accounting policies on pages 39 to 65 form part of these financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 5.

Balance Sheet of the Company

As at 31 March 2010

	Note	2010 US$ million	2009 US$ million
Non-current assets			
Investments in subsidiaries	24	**227.5**	227.5
Current assets			
Amounts due from subsidiaries	24	**356.9**	479.9
Cash and cash equivalents		**0.3**	0.1
		357.2	480.0
Current liabilities			
Amounts due to subsidiaries	24	**(206.2)**	(319.7)
Creditors and accruals		**(1.8)**	(1.6)
		(208.0)	(321.3)
Net current assets		**149.2**	158.7
Net assets		**376.7**	386.2
Capital and reserves			
Share capital	18	**12.4**	12.3
Reserves	19	**364.3**	373.9
Total equity		**376.7**	386.2

Approved and authorised for issue by the Board of Directors on 14 June 2010.

Allan WONG Chi Yun
Director

PANG King Fai
Director

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	2	**36.6**	31.7
Amortisation of leasehold land payments	2	**0.1**	0.1
Loss on disposal of tangible assets	2	**–**	0.4
Impairment loss on construction in progress	2	**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	13	**–**	(5.0)
Proceeds received upon maturity of financial assets	13	**5.0**	15.0
Placement of bank deposits with maturity greater than three months	14	**(140.7)**	(45.0)
Net cash used in investing activities		**(158.7)**	(62.1)
Financing activities			
Proceeds from shares issued upon exercise of share options	18 & 19	**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	14	**196.9**	242.2
Analysis of the balance of cash and cash equivalents			
Deposits and cash in the consolidated balance sheet	14	**382.6**	287.2
Less: Bank deposits with maturity greater than three months	14	**(185.7)**	(45.0)
Cash and cash equivalents in the consolidated cash flow statement	14	**196.9**	242.2

The notes and principal accounting policies on pages 39 to 65 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

		Attributable to shareholders of the Company									
	Note	Share capital US$ million	Share premium US$ million	Properties revaluation reserve US$ million	Exchange reserve US$ million	Capital reserve US$ million	Hedging reserve US$ million	Revenue reserve US$ million	Total US$ million	Minority interests US$ million	Total equity 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		–	–	–	–	–	–	(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	18(a)	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	18(a)	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**

The notes and principal accounting policies on pages 39 to 65 form part of these financial statements.

Notes to the Financial Statements

Principal Accounting Policies

A Principal Activities and Organisation

The Group's principal activities and operating segments are set out in note 1 to the financial statements.

The Company was incorporated in Bermuda. In view of the international nature of the Group's operations, the financial statements are presented in United States dollars.

B Statement of Compliance

The accompanying 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 that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note (D) to the financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (Note 27).

Principal Accounting Policies (Continued)

C Basis of Preparation of the Financial Statements

These financial statements are prepared on the historical cost basis as modified by the revaluation of certain properties, financial assets and liabilities designated at fair value through profit or loss and derivative financial instruments stated at their fair value.

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 28.

D Changes in Accounting Policies

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 in note 20(e) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according 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, IAS14, 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 IAS 14 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.

E Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries together with the Group's share of the results and retained post acquisition reserves of its associates under the equity method of accounting drawn up for the year ended 31 March 2010. All significant intercompany balances and transactions and any unrealised gains arising from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases, and the share attributable to minority interests is deducted from or added to profit after taxation. Investments in subsidiaries are stated at cost less impairment losses (see note (L)) in the Company's balance sheet.

Principal Accounting Policies (Continued)

E Basis of Consolidation (Continued)

Associates are those entities, not being subsidiaries, in which the Group exercises significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates under the equity method, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of that associate. Investments in associates are stated at cost less impairment losses (see note (L)) in the Company's balance sheet.

F Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is stated net of sales taxes and discounts, after eliminating sales within the Group.

(ii) Revenue from the provision of services is recognised when the services are rendered.

(iii) Interest income is recognised as it accrues using the effective interest method.

(iv) Dividend income is recognised when the Group's right to receive payment is established.

G Research and Development

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on development activities is capitalised only if the product or process is clearly defined, technically and commercially feasible, the attributable expenditure is separately identifiable and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads which are directly attributable to development activities. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note (L)). Development expenditure that does not meet the above criteria is recognised as an expense in the period in which it is incurred.

Amortisation is calculated to write off capitalised development costs on a straight-line basis over their estimated useful lives, commencing from the date when the products are put into commercial production.

H Foreign Currencies

Foreign currency transactions during the year are translated into United States dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transactions dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into United States dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into United States dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

I Tangible Assets and Depreciation

Land and buildings are stated at cost or valuation performed by professional valuers every three years less amounts provided for depreciation except in the case of freehold land which is not depreciated.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

- When a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

- When a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Principal Accounting Policies (Continued)

I Tangible Assets and Depreciation (Continued)

All other tangible assets are stated at cost less accumulated depreciation and impairment losses (see note (L)).

Depreciation is calculated to write off the cost or revalued amount of assets on a straight-line basis over their estimated useful lives which are as follows:

Long-term leasehold buildings	Lease term
Freehold buildings, short-term leasehold buildings and leasehold improvements	10 to 30 years or lease term, if shorter
Moulds	1 year
Machinery and equipment	3 to 5 years
Computers, motor vehicles, furniture and fixtures	3 to 7 years

Where parts of a tangible asset have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of tangible assets are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

J Construction in Progress

Construction in progress represents land and buildings under development and are stated at cost less impairment losses (see note (L)). Cost comprises the construction costs of buildings and costs paid to acquire land use rights.

Building construction costs are transferred to leasehold buildings when the assets are completed and put into operational use and depreciation will be provided at the appropriate rates in accordance with the depreciation policies specified in note (I).

No depreciation or amortisation is provided in respect of construction in progress.

K Leases

Leases of property, plant and equipment in terms of which that the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease less accumulated depreciation and impairment losses (see note (L)). Finance charges are charged to the income statement in proportion of the capital balances outstanding.

Leases of assets under which all the benefits and risks of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leasehold land payments are up-front payments to acquire long-term leasehold interests in land. These payments are stated at cost and are amortised on a straight-line basis over the respective period of the leases.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

L Impairment of Assets

(i) Impairment of debtors and other financial assets

Impairment losses for doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for debtors whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

The carrying amounts of the Group's assets including property, plant and equipment, construction in progress and other non-current assets, including goodwill, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

– Recoverable amount

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Principal Accounting Policies (Continued)

L Impairment of Assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised as an expense in the consolidated income statement whenever the carrying amount exceeds the recoverable amount.

– Reversal of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

– Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

M Other Investments

The Group's and the Company's policies for investments other than investments in subsidiaries are as follows:

Other investments are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs. Subsequently, other investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note (L)).

N Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average or the first-in-first-out basis, and comprises materials, direct labour and an appropriate share of production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimates of costs of completion and selling expenses.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of stocks to net realisable value and all losses of stocks are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of stocks is recognised as a reduction in the amount of stocks as an expense in the period in which the reversal occurs.

O Trade and Other Debtors

Trade and other debtors are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the debtors are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note (L)).

P Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions, short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and which have a maturity of three months or less at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of cash flow statement.

Q Trade and Other Creditors

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

R Provisions and Contingent Liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other creditors. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Principal Accounting Policies (Continued)

R Provisions and Contingent Liabilities (Continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Group recognises the estimated liability on expected return claims with respect to products sold. This provision is calculated based on past experience of the level of repairs and returns.

The Group recognises the expected costs of accumulating compensated absences when employees render a service that increases their entitlement to future compensated absences, measured as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

S Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may be capable to support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

T Employee Benefits

The Group operates a number of defined contribution retirement schemes throughout the world, including Hong Kong, and a defined benefit retirement scheme in Hong Kong. The assets of all schemes are held separately from those of the Company and its subsidiaries.

(i) Defined contribution plans

Contributions to the defined contribution schemes are at various funding rates that are in accordance with the local practice and regulations. Contributions relating to the defined contribution schemes are charged to the income statement as incurred.

Principal Accounting Policies (Continued)

T Employee Benefits (Continued)

(ii) Defined benefit plans

For long-term employee benefits, the Group's net obligations arising under the defined benefit scheme are assessed and calculated by a qualified actuary using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every year. Plan assets are measured at fair value. Pension obligations are measured as the present value of the estimated future cash flows of benefits derived from employee past service, with reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit or loss on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in profit or loss.

(iii) Equity and equity related compensation benefits

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share option is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to revenue reserves).

U Derivative Financial Instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

V Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Principal Accounting Policies (Continued)

W Dividends

Dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date.

X Segment Reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and performance assessment.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regularity environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Y Related Parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

1 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.

1 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)

(c) Reconciliations of reportable segment assets and liabilities

	Note	2010 US$ million	2009 US$ million
Assets			
Reportable segment assets		**839.6**	714.0
Investments	10	**0.2**	0.2
Taxation recoverable		**0.7**	3.1
Deferred tax assets	9	**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	9	**(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.

2 Operating Profit

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

	Note	2010 US$ million	2009 US$ million
Staff related costs			
– salaries and wages		**164.5**	161.9
– pension costs: defined contribution schemes	17	**5.4**	4.9
– pension costs: defined benefit scheme	17	**2.1**	1.3
– severance payments		**0.9**	1.6
– equity-settled share-based payment expenses		**0.8**	1.8
		173.7	171.5
Cost of inventories		**972.9**	920.7
Depreciation of tangible assets	7	**36.6**	31.7
Amortisation of leasehold land payments	8	**0.1**	0.1
Loss on disposal of tangible assets		**–**	0.4
Impairment loss on construction in progress	7	**6.9**	–

	Note	2010 US$ million	2009 US$ million
Auditors' remuneration			
– audit services		**0.8**	0.8
– audit related services		**0.1**	0.1
– tax and other services		**0.4**	0.4
Operating leases charges: minimum lease payments			
– land and buildings		**11.2**	12.0
– others		**2.0**	2.6
Impairment loss for doubtful debts	12	**3.6**	1.7
Royalty expenses		**18.3**	22.5
Provision for defective goods returns	16	**34.1**	35.0
Net foreign exchange loss		**–**	28.2
Net gain on forward foreign exchange contracts		**–**	(0.6)
Net realised and unrealised gains on financial assets at fair value through profit or loss		**–**	(0.2)

3 Directors' Emoluments and Individuals with Highest Emoluments

Directors' emoluments

	Fees US$ million	Salaries, allowances and benefits in kind US$ million	Discretionary bonuses US$ million	Contributions to retirement benefit schemes US$ million	Share-based payments *(vii)* US$ million	2010 Total US$ million
Executive directors *(i)*						
Allan WONG Chi Yun *(iii)*	–	**0.8**	**2.7**	**0.1**	**0.3**	**3.9**
PANG King Fai	–	**0.4**	**0.8**	–	**0.2**	**1.4**
Andy LEUNG Hon Kwong	–	**0.4**	**0.7**	–	**0.1**	**1.2**
Independent non-executive directors *(ii)*						
William FUNG Kwok Lun	–	–	–	–	–	–
Denis Morgie HO Pak Cho	–	–	–	–	–	–
Michael TIEN Puk Sun	–	–	–	–	–	–
Patrick WANG Shui Chung	–	–	–	–	–	–
	–	**1.6**	**4.2**	**0.1**	**0.6**	**6.5**

	Fees US$ million	Salaries, allowances and benefits in kind US$ million	Discretionary bonuses US$ million	Contributions to retirement benefit schemes US$ million	Share-based payments *(vii)* US$ million	2009 Total US$ million
Executive directors *(i)*						
Allan WONG Chi Yun *(iii)*	–	0.8	1.4	0.1	0.8	3.1
Edwin YING Lin Kwan *(iv)*	–	0.2	0.2	–	–	0.4
PANG King Fai		0.3	0.3	–	0.3	0.9
Andy LEUNG Hon Kwong *(v)*	–	0.1	0.1	–	–	0.2
Independent non-executive directors *(ii)*						
Raymond CH'IEN Kuo Fung *(vi)*	–	–	–	–	–	–
William FUNG Kwok Lun	–	–	–	–	–	–
Denis Morgie HO Pak Cho	–	–	–	–	–	–
Michael TIEN Puk Sun	–	–	–	–	–	–
Patrick WANG Shui Chung	–	–	–	–	–	–
	–	1.4	2.0	0.1	1.1	4.6

Notes:

(i) The directors' fee paid to each executive director of the Company was US$20,000 (2009: US$20,000) per annum.

(ii) The emoluments paid to each independent non-executive director of the Company was US$20,000 (2009: US$20,000) per annum, being wholly in the form of directors' fees.

(iii) Included in the emoluments paid to Dr. Allan WONG Chi Yun was housing benefit of HK$3,000,000 for the year ended 31 March 2010 (2009: HK$3,000,000), which was based on the lease agreement entered by the Company with Aldenham Company Limited ("Aldenham"). Aldenham is an indirect wholly owned subsidiary of a trust in which the family members of Dr. Allan WONG Chi Yun are beneficiaries.

(iv) Mr. Edwin YING Lin Kwan resigned as a director of the Company effective from 1 January 2009.

(v) Mr. Andy LEUNG Hon Kwong was appointed as a director of the Company effective from 1 January 2009. Prior to his directorship, Mr. Andy LEUNG Hon Kwong received salaries, allowances and benefits in kind of US$0.3 million, discretionary bonuses of US$0.3 million and share-based payments of US$0.2 million from the Group during the year ended 31 March 2009.

(vi) Mr. Raymond CH'IEN Kuo Fung retired as an independent non-executive director of the Company on 5 September 2008.

(vii) Share-based payments represent the fair value of share options granted to the directors which were charged to the income statement in accordance with the accounting policy set out in Note (T).

3 Directors' Emoluments and Individuals with Highest Emoluments (Continued)

Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2009: three) are directors whose emoluments are set out above. The aggregate of the emoluments in respect of the other two (2009: two) individuals are as follows:

	2010 US$ million	2009 US$ million
Salaries, allowances and benefits in kind	**0.8**	0.5
Discretionary bonuses	**1.2**	0.6
Contribution to retirement benefit schemes	**–**	–
Share-based payments	**0.1**	0.2
	2.1	1.3

The emoluments fell within the following bands:

	2010 Individuals	2009 Individuals
US$		
513,001 – 577,000	**–**	1
641,001 – 705,000	**1**	–
833,001 – 897,000	**–**	1
1,397,001 – 1,461,000	**1**	–
	2	2

During the years ended 31 March 2009 and 31 March 2010, there were no amounts paid to directors and individuals for compensation for loss of office and inducement for joining the Group.

4 Taxation

	Note	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	9	**(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.

(c) Reconciliation between the effective income tax rate and the statutory domestic income tax rate

The consolidated effective income tax rate for the year ended 31 March 2010 was 9.0% (2009: 9.9%). The effective income tax rate is reconciled to the statutory domestic income tax rate as follows:

	2010 %	2009 %
Statutory domestic income tax rate	**16.5**	16.5
Difference in overseas income tax rates	**0.8**	1.1
Non-temporary differences	**(6.8)**	(5.0)
Tax losses not recognised	**–**	1.4
Others	**(1.5)**	(4.1)
Effective income tax rate	**9.0**	9.9

(d) Included in the consolidated statement of comprehensive income for the year ended 31 March 2009 was US$4.8 million related to surplus on revaluation of properties which was derived at after the related tax expense of US$0.9 million.

5 Dividends

	Note	2010 US$ million	2009 US$ million
Interim dividend of US16.0 cents (2009: US12.0 cents) per share declared and paid	19	**39.5**	29.5
Final dividend of US62.0 cents (2009: US41.0 cents) per share proposed after the balance sheet date	19	**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.

	2010 million	2009 million
Weighted average number of ordinary shares at 31 March	**246.6**	244.8
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**1.1**	0.5
Weighted average number of ordinary shares (diluted) at 31 March	**247.7**	245.3

7 Tangible Assets

	Land and buildings US$ million	Moulds, machinery and equipment US$ million	Computers, motor vehicles, furniture and fixtures and leasehold improvements US$ million	Construction in progress US$ million	Total US$ million
Cost or valuation					
At 1 April 2008	46.7	234.5	93.6	20.4	395.2
Additions	0.3	9.2	15.3	2.3	27.1
Disposals	(0.3)	(2.9)	(2.3)	–	(5.5)
Transfer from construction in progress	11.1	0.2	2.3	(13.6)	–
Revaluation	2.7	–	–	–	2.7
Effect of changes in exchange rates	(1.9)	(1.3)	(1.1)	0.4	(3.9)
At 31 March 2009 and 1 April 2009	58.6	239.7	107.8	9.5	415.6
Additions	–	14.4	11.7	0.2	26.3
Disposals	–	(5.4)	(2.5)	–	(7.9)
Transfer to leasehold land payments	–	–	–	(2.8)	(2.8)
Effect of changes in exchange rates	0.2	1.4	0.6	–	2.2
At 31 March 2010	**58.8**	**250.1**	**117.6**	**6.9**	**433.4**
Accumulated depreciation					
At 1 April 2008	22.0	198.9	73.0	–	293.9
Charge for the year	2.5	16.2	13.0	–	31.7
Written back on disposals	(0.2)	(2.6)	(2.3)	–	(5.1)
Revaluation	(2.1)	–	–	–	(2.1)
Effect of changes in exchange rates	–	(1.4)	(1.3)	–	(2.7)
At 31 March 2009 and 1 April 2009	22.2	211.1	82.4	–	315.7
Charge for the year	3.1	21.4	12.1	–	36.6
Impairment loss *(note (i))*	–	–	–	6.9	6.9
Written back on disposals	–	(5.2)	(2.4)	–	(7.6)
Effect of changes in exchange rates	–	1.7	0.3	–	2.0
At 31 March 2010	**25.3**	**229.0**	**92.4**	**6.9**	**353.6**
Net book value at 31 March 2010	**33.5**	**21.1**	**25.2**	**–**	**79.8**
Net book value at 31 March 2009	36.4	28.6	25.4	9.5	99.9
Cost or valuation of tangible assets is analysed as follows:					
At cost	41.0	250.1	117.6	6.9	415.6
At professional valuation – 2009 *(note (ii))*	17.8	–	–	–	17.8
	58.8	**250.1**	**117.6**	**6.9**	**433.4**

7 Tangible Assets (Continued)

Land and buildings comprise:

	Freehold land and buildings and long-term leasehold buildings US$ million	Short-term leasehold buildings US$ million	Total US$ million
Cost or valuation			
At 1 April 2008	16.8	29.9	46.7
Additions	0.3	–	0.3
Disposals	–	(0.3)	(0.3)
Transfer from construction in progress	–	11.1	11.1
Revaluation	2.7	–	2.7
Effect of changes in exchange rates	(2.1)	0.2	(1.9)
At 31 March 2009 and 1 April 2009	17.7	40.9	58.6
Effect of changes in exchange rates	0.1	0.1	0.2
At 31 March 2010	**17.8**	**41.0**	**58.8**
Accumulated depreciation			
At 1 April 2008	1.8	20.2	22.0
Charge for the year	0.4	2.1	2.5
Written back on disposals	–	(0.2)	(0.2)
Revaluation	(2.1)	–	(2.1)
Effect of changes in exchange rates	(0.1)	0.1	–
At 31 March 2009 and 1 April 2009	–	22.2	22.2
Charge for the year	1.6	1.5	3.1
At 31 March 2010	**1.6**	**23.7**	**25.3**
Net book value at 31 March 2010	**16.2**	**17.3**	**33.5**
Net book value at 31 March 2009	17.7	18.7	36.4
Cost or valuation of tangible assets is analysed as follows:			
At cost	–	41.0	41.0
At professional valuation-2009 *(note (ii))*	17.8	–	17.8
	17.8	**41.0**	**58.8**
Net book value of land and buildings comprises:			
Hong Kong			
Long-term leasehold buildings (not less than 50 years)	3.7	–	3.7
Overseas			
Freehold land and buildings	12.5	–	12.5
Short-term leasehold buildings	–	17.3	17.3
	12.5	17.3	29.8
Net book value of revalued land and buildings had the assets been carried at cost less accumulated depreciation	5.1	–	5.1

Notes:

(i) At 31 March 2010, the Group assessed the recoverable amount of the construction in progress in accordance with the accounting policy set out in note (L) and as a result, an impairment provision of US$6.9 million (2009: US$Nil) was made to the carrying amount.

(ii) Property revaluation – The amount included valuation of land and buildings which were revalued by independent valuers as at 31 March 2009 on a market value basis.

8 Leasehold Land Payments

	Note	**2010 US$ million**	2009 US$ million
Net book value at 1 April		**3.8**	3.8
Transfer from tangible assets *(note (i))*		**2.8**	–
Amortisation	2	**(0.1)**	(0.1)
Effect of changes in exchange rates		**–**	0.1
Net book value at 31 March		**6.5**	3.8
Leasehold land payments in respect of:			
Owner-occupied properties		**6.5**	3.8

Note (i): Included in leasehold land payments are deposits of US$2.8 million (2009: US$2.8 million) paid for the acquisition of certain sites in the PRC.

9 Deferred Tax

The deferred tax assets and liabilities and the deferred tax account movements for the years ended 31 March 2009 and 31 March 2010 are attributable to the following items:

	1 April 2008 US$ million	Credited/ (charged) to consolidated income statement US$ million	Charged to reserve US$ million	31 March 2009 and 1 April 2009 US$ million	Credited/ (charged) to consolidated income statement US$ million	**31 March 2010 US$ million**
Deferred tax assets						
Tax losses carried forward	3.3	(0.9)	–	2.4	1.1	**3.5**
Other deductible temporary differences	3.6	(0.8)	–	2.8	(0.7)	**2.1**
	6.9	(1.7)	–	5.2	0.4	**5.6**
Deferred tax liabilities						
Accelerated tax depreciation	(2.2)	1.3	–	(0.9)	0.5	**(0.4)**
Revaluation of properties	(2.0)	–	(0.9)	(2.9)	–	**(2.9)**
Others	(0.3)	(0.2)	–	(0.5)	0.1	**(0.4)**
	(4.5)	1.1	(0.9)	(4.3)	0.6	**(3.7)**
Net deferred tax assets	2.4	(0.6)	(0.9)	0.9	1.0	**1.9**

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority on the same taxable entity. The following amounts are shown in the consolidated balance sheet:

	2010 US$ million	2009 US$ million
Deferred tax assets	**5.6**	5.2
Deferred tax liabilities	**(3.7)**	(4.3)
	1.9	0.9

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets of US$15.6 million (2009: US$22.9 million) arising from unused tax losses sustained in the operations of certain subsidiaries of US$62.9 million (2009: US$85.1 million) have not been recognised as the availability of future taxable profits against which the assets can be utilised is not considered to be probable at 31 March 2010.

The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the United States operations expire up to 20 years after the relevant accounting year end date, depending on the relevant jurisdiction.

10 Investments

	2010 US$ million	2009 US$ million
(i) **Associates**		
Share of net tangible assets	**0.1**	0.1
(ii) **Other investments**		
Unlisted investments, at cost	**0.1**	0.1
	0.2	0.2

11 Stocks

(a) Inventories in the consolidated balance sheet comprise:

	2010 US$ million	2009 US$ million
Raw materials	**67.5**	31.7
Work in progress	**19.6**	14.0
Finished goods	**72.2**	82.3
	159.3	128.0

Stocks carried at net realisable value at 31 March 2010 amounted to US$16.8 million (2009: US$26.4 million).

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated income statement is as follows:

	2010 US$ million	2009 US$ million
Carrying amount of inventories sold	**972.9**	922.2
Write-down of inventories	**7.2**	3.3
Reversal of write-down of inventories	**(7.2)**	(4.8)
	972.9	920.7

The reversal of write-down of inventories made in prior years arose due to an increase in estimated net realisable value of certain products as a result of change in consumer preferences.

12 Debtors, Deposits and Prepayments

	Note	2010 US$ million	2009 US$ million
Trade debtors (Net of provision for doubtful debts of US$8.8 million (2009: US$7.7 million))		**185.7**	154.0
Other debtors, deposits and prepayments		**24.0**	33.7
Pension assets	17	**1.7**	2.5
		211.4	190.2

Ageing Analysis

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.

Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	Note	2010 US$ million	2009 US$ million
At 1 April		**7.7**	9.7
Impairment loss recognised	2	**3.6**	1.7
Uncollectible amounts written off		**(2.8)**	(3.1)
Effect of changes in exchange rates		**0.3**	(0.6)
At 31 March		**8.8**	7.7

Trade debtors that are not impaired

As at 31 March 2010, 95% (2009: 94%) of the Group's trade debtors were not impaired, of which 100% (2009: 98%) was either not past due or less than two months past due. Based on past experience of the Group, it is determined that no impairment allowance is necessary in respect of these balances as these are considered to be fully recoverable. The Group does not hold any collateral over these balances.

13 Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss at 31 March 2009 represented currency-linked deposits. Their fair values were determined based on the quoted prices provided by securities brokers for equivalent instruments at the balance sheet date. The currency-linked deposits were principal protected and matured in April 2009.

14 Deposits and Cash

	2010 US$ million	2009 US$ million
Short term bank deposits	**269.6**	192.0
Cash at bank and in hand	**113.0**	95.2
Deposits and cash	**382.6**	287.2
Less: bank deposits with maturity greater than 3 months	**(185.7)**	(45.0)
Cash and cash equivalents in the consolidated cash flow statement	**196.9**	242.2

Deposits and cash as at 31 March 2010 include US$23.9 million equivalent (2009: US$5.7 million) placed with banks in the PRC, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

15 Creditors and Accruals

	Note	2010 US$ million	2009 US$ million
Trade creditors		**136.0**	102.4
Other creditors and accruals		**136.9**	130.2
Derivative financial instruments held as cash flow hedging instruments	20(b) & (d)	**–**	0.3
		272.9	232.9

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

16 Provisions

At 31 March 2010, provisions of US$42.4 million (2009: US$41.8 million) include provision for defective goods returns of US$37.7 million (2009: US$37.0 million).

	Note	Defective goods returns US$ million
At 1 April 2009		**37.0**
Effect of changes in exchange rates		**0.1**
Additional provisions		**37.0**
Unused amounts reversed		**(2.9)**
Charged to consolidated income statement	2	**34.1**
Utilised during the year		**(33.5)**
At 31 March 2010		**37.7**

The Group undertakes to repair or replace items that fail to perform satisfactorily in accordance with the terms of the sales. Provision is recognised for expected return claims, which included cost of repairing or replacing defective goods, loss of margin and cost of materials scrapped, based on past experience of the level of repairs and returns.

17 Pension Schemes

The Group operated a defined benefit scheme and a defined contribution scheme in Hong Kong. The defined contribution scheme operated in Hong Kong complied with the requirements under the Mandatory Provident Fund ("MPF") Ordinance. For the defined contribution schemes operated for overseas employees and Hong Kong employees under the MPF Ordinance, the retirement benefit costs expensed in the consolidated income statement amounted to US$4.9 million (2009: US$4.4 million) and US$0.5 million (2009: US$0.5 million) respectively. For the defined benefit scheme (the "Scheme") operated for Hong Kong employees, contributions made by the Group during the year were calculated based on advice from Watson Wyatt Hong Kong Limited, a Towers Watson company ("Towers Watson"), independent actuaries and consultants. The Scheme is valued annually. The latest actuarial valuation was completed by Towers Watson as at 31 March 2010 using the projected unit credit method.

17 Pension Schemes (Continued)

For the defined benefit scheme, the amounts recognised in the consolidated balance sheet are as follows:

	Note	2010 US$ million	2009 US$ million
Fair value of Scheme assets		**20.0**	13.7
Present value of funded defined benefit obligations		**(22.4)**	(24.2)
Unrecognised actuarial losses		**4.1**	13.0
Assets recognised in the consolidated balance sheet	12	**1.7**	2.5
The amounts recognised in the consolidated income statement are as follows:			
Current service cost		**1.9**	1.8
Interest cost		**0.5**	0.6
Expected return on plan assets		**(1.0)**	(1.3)
Net actuarial losses recognised in the year		**0.7**	0.2
Expenses recognised in the consolidated income statement	2	**2.1**	1.3
The actual return on plan assets was as follows:			
Expected return on plan assets		**1.0**	1.3
Actuarial gains/(losses) on plan assets		**4.4**	(6.4)
Actual return on plan assets		**5.4**	(5.1)
Movement in the assets recognised in the consolidated balance sheet:			
At 1 April		**2.5**	2.5
Expenses recognised in the consolidated income statement		**(2.1)**	(1.3)
Contributions paid		**1.2**	1.3
Insurance proceeds		**0.1**	–
At 31 March		**1.7**	2.5
Movement in fair value of Scheme assets:			
At 1 April		**13.7**	18.7
Expected return on plan assets		**1.0**	1.3
Actual Group's contributions		**1.2**	1.3
Actual benefit paid		**(0.4)**	(1.2)
Actuarial gains/(losses) on plan assets		**4.4**	(6.4)
Insurance proceeds		**0.1**	–
At 31 March		**20.0**	13.7

	2010 US$ million	2009 US$ million
Movement in present value of funded defined benefit obligations:		
At 1 April	**24.2**	21.3
Interest cost	**0.5**	0.6
Current service cost	**1.9**	1.8
Actual benefits paid	**(0.4)**	(1.2)
Actuarial (gains)/losses	**(3.8)**	1.7
At 31 March	**22.4**	24.2

	2010 US$ million	2009 US$ million	2008 US$ million	2007 US$ million
Historical information				
Present value of the defined benefit obligations	**22.4**	24.2	21.3	16.3
Fair value of Scheme assets	**(20.0)**	(13.7)	(18.7)	(17.2)
Deficit/(surplus) in the plan	**2.4**	10.5	2.6	(0.9)
Experience gains on Scheme liabilities	**(1.0)**	(0.6)	(0.1)	–
Experience (gains)/losses on Scheme assets	**(4.4)**	6.4	0.2	(1.4)

	2010	2009
Scheme assets consist of the following:		
Equities	**65.4%**	65.0%
Bonds	**21.6%**	29.0%
Cash and others	**13.0%**	6.0%
	100.0%	100.0%
The principal actuarial assumptions used as at 31 March 2010 (expressed as weighted average) are as follows:		
Discount rate	**3.0%**	2.0%
Expected rate of return on plan assets	**7.0%**	7.0%
Future salary increases	**5.0%**	5.0%

18 Share Capital and Share Options

(a) Share Capital

	2010 US$ million	2009 US$ million
Authorised		
Ordinary shares:		
400,000,000 (2009: 400,000,000) of US$0.05 each	**20.0**	20.0

	2010 No. of shares	2010 US$ million	2009 No. of shares	2009 US$ million
Issued and fully paid				
Ordinary shares of US$0.05 each:				
At 1 April	**245,852,133**	**12.3**	242,577,133	12.1
Shares issued upon exercise of share options	**1,138,000**	**0.1**	3,275,000	0.2
At 31 March	**246,990,133**	**12.4**	245,852,133	12.3

Note: Subsequent to the balance sheet date and up to 14 June 2010, the issued and fully paid share capital of the Company was increased to 247,100,133 ordinary shares upon the exercise of 110,000 share options.

(b) Share Options

Pursuant to the share option scheme adopted on 10 August 2001 (the "2001 Scheme"), the directors are authorised, at any time during the 10 years from the date of adoption of the 2001 Scheme, to grant options to full time employees of the Company or subsidiaries of the Group, including executive directors (but excluding non-executive directors) or any other person who devotes substantially all of his/her time and efforts to the business, management and operation of the Company and/or any subsidiary of the Group to subscribe for shares in the Company at prices to be determined by the directors in accordance with the requirements of the Listing Rules. The basis of determination of the exercise price shall be the higher of the closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; and the average closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotation sheet for five business days immediately preceding the date of grant.

Pursuant to Chapter 17 of the Listing Rules, the Company can issue options so that number of shares that may be issued upon exercise of all options to be granted under the schemes does not in aggregate exceed 10% of the relevant class of shares in issue from time to time. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular. The Company may also seek separate shareholders' approval for granting options beyond the 10% limit to eligible employees specifically identified by the Company, subject to shareholders' approval and the issue of a circular. The Company can issue options so that shares to be issued upon exercise of all outstanding options does not exceed 30% of the relevant class of shares in issue from time to time. Subject to the further restrictions in the Listing Rules concerning grant of options to substantial shareholders, the maximum entitlement for any one eligible employee is that the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12-month period up to the date of the last grant does not exceed 1% of the relevant class of shares in issue. The Company can grant further options in excess of this limit, subject to shareholders' approval (with that eligible employee and his associates abstaining from voting) and the issue of a circular. The offer of a grant of options may be accepted within 30 days from the date of offer, upon payment of a non-refundable sum of HK$1.0 by the grantee. The 2001 Scheme has a life of 10 years and will expire on 9 August 2011.

18 Share Capital and Share Options (Continued)

(b) Share Options (Continued)

As at 31 March 2010, the number of shares issuable under the options granted pursuant to the 2001 Scheme was 2,860,000, which represented approximately 1.2% of the issued share capital of the Company. The movements in the number of share options under the 2001 Scheme during the year were as follows:

Date of grant	Exercise price	Exercisable period *(Note 1)*	Balance in issue at 1 April 2009	Number of share options exercised during the year	Balance in issue at 31 March 2010
23 March 2005	HK$11.41	23 March 2008 to 22 April 2010	80,000	(80,000) *(Note 2)*	–
17 April 2008	HK$41.07	23 April 2009 to 29 April 2011	1,306,000	(1,058,000) *(Note 3)*	**248,000**
17 April 2008	HK$41.07	23 April 2010 to 29 April 2012	1,306,000	–	**1,306,000**
17 April 2008	HK$41.07	23 April 2011 to 29 April 2013	1,306,000	–	**1,306,000**
			3,998,000	(1,138,000)	**2,860,000**

Notes:

(1) Due to the number of employees participating in the 2001 Scheme, the relevant information can only be shown within a reasonable range in this Annual Report. The 2001 Scheme does not specify any minimum holding period before the option can be exercised but the Board has the authority to determine the minimum holding period at the time of grant of any particular option.

(2) An aggregate of 80,000 share options were exercised at the exercise price of HK$11.41 per share during the financial year. The weighted average closing prices of the shares of the Company immediately before the dates on which the options were exercised and at the dates of exercise were HK$58.71 per share and HK$55.93 per share respectively.

(3) An aggregate of 1,058,000 share options were exercised at the exercise price of HK$41.07 per share during the financial year. The weighted average closing prices of the shares of the Company immediately before the dates on which the options were exercised and at the dates of exercise were HK$60.11 per share and HK$57.70 per share respectively.

(4) No options were granted, lapsed or cancelled during the year.

(5) On 9 April 2010, an aggregate of 1,382,000 share options were granted at the exercise price of HK$85.35 per share pursuant to the 2001 Scheme.

Share option expenses charged to the consolidated income statement are determined using the Black-Scholes option pricing model based on the following assumptions:

	Date of grant			
	23 March 2005 *(Note 1)*	**17 April 2008** *(Note 2)*	**17 April 2008** *(Note 2)*	**17 April 2008** *(Note 2)*
Fair value of each share option as of the date of grant	HK$3.1	HK$5.18	HK$5.76	HK$5.95
Closing price at the date of grant	HK$11.4	HK$40.1	HK$40.1	HK$40.1
Exercise price	HK$11.41	HK$41.07	HK$41.07	HK$41.07
Expected volatility	47.5%	43.33%	43.33%	43.33%
Annual risk-free interest rate	4.0%	1.22%	1.56%	1.88%
Expected average life of options	3.5 years	1.5 years	2.5 years	3.5 years
Expected dividend yield *(Note 3)*	5.5%	10.3%	10.3%	10.3%
Exercisable period	23 March 2008 to 22 April 2010	23 April 2009 to 29 April 2011	23 April 2010 to 29 April 2012	23 April 2011 to 29 April 2013

Notes:

(1) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the one year immediately preceding the grant date.

(2) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the two years immediately preceding the grant date.

(3) Expected dividend yield is based on historical dividends over one year prior to grant date.

(4) Changes in the subjective input assumptions could significantly affect the fair value estimate.

18 Share Capital and Share Options (Continued)

(c) Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group has no bank borrowings as at 31 March 2010 (2009: $nil). Adjusted capital comprises all components of equity less unaccrued proposed dividends.

In order to monitor its capital structure, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares, return capital to shareholders or raise new debt financing.

The adjusted capital at 31 March 2010 and 31 March 2009 is as follows:

	Group		Company	
	2010 US$ million	2009 US$ million	**2010 US$ million**	2009 US$ million
Total equity	**517.5**	440.2	**376.7**	386.2
Less: Proposed dividends	**(153.1)**	(100.8)	**(153.1)**	(100.8)
	364.4	339.4	**223.6**	285.4

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

19 Reserves

(a) The Group

Details of the movements in reserves of the Group during the years ended 31 March 2010 and 31 March 2009 are set out in the consolidated statement of changes in equity.

(b) The Company

	Note	Share capital US$ million	Share premium US$ million	Exchange reserve US$ million	Capital Reserve US$ million	Revenue Reserve US$ million	Total equity US$ million
At 1 April 2008		**12.1**	**98.3**	**(1.2)**	**1.8**	**135.7**	**246.7**
Total comprehensive income for the year		–	–	–	–	285.7	285.7
Final dividend in respect of the previous year		–	–	–	–	(125.4)	(125.4)
Interim dividend in respect of the current year	5	–	–	–	–	(29.5)	(29.5)
Shares issued under share option scheme	18(a)	0.2	6.7	–	–	–	6.9
Equity-settled share based payments		–	1.9	–	(0.1)	–	1.8
At 31 March 2009 and 1 April 2009		**12.3**	**106.9**	**(1.2)**	**1.7**	**266.5**	**386.2**
Total comprehensive income for the year		–	–	–	–	124.6	124.6
Final dividend in respect of the previous year	5	–	–	–	–	(101.2)	(101.2)
Interim dividend in respect of the current year	5	–	–	–	–	(39.5)	(39.5)
Shares issued under share option scheme	18(a)	0.1	5.7	–	–	–	5.8
Equity-settled share based payments		–	0.7	–	0.1	–	0.8
At 31 March 2010		**12.4**	**113.3**	**(1.2)**	**1.8**	**250.4**	**376.7**

The consolidated profit attributable to shareholders includes a profit of US$124.6 million (2009: US$285.7 million) which has been dealt with in the financial statements of the Company.

Reserves of the Company available for distribution to shareholders amounted to US$250.4 million (2009: US$266.5 million).

19 Reserves (Continued)

(c) Nature and purpose of reserves

The application of share premium account is governed by the Companies Act 1981 of Bermuda.

The properties revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings in note (I).

The exchange reserve mainly comprises exchange differences arising from the translation of the financial statements of foreign operations.

The capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the company recognised in accordance with the accounting policy adopted for share-based payments in note (T).

The hedging reserve comprises the effective portion of the cumulative net change in fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow.

20 Financial Risk Management and Fair Values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Financial assets which potentially subject the Group to credit risk consist principally of cash, short-term deposits and trade debtors. The Group's deposits and cash are placed with major financial institutions with sound credit ratings. Trade debtors are presented net of the allowance for doubtful debts. Credit risk with respect to trade debtors is limited due to the large number of customers comprising the Group's customer base and their dispersion across different industries and geographical areas. Accordingly, the Group has no significant concentration of credit risk. In addition, credit risks are mitigated by the use of credit insurance plans.

The Group manages these risks by monitoring credit ratings and limiting the aggregate risk to any individual counterparty.

(b) Foreign exchange risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in currencies other than the functional currency of the operations to which they relate. As the Hong Kong Dollar ("HKD") is pegged to United States Dollar ("USD"), the Group does not expect any significant movements in the HKD/USD exchange rate. The currencies giving rise to foreign currency risk are primarily denominated in Canadian dollars ("CAD"), Euro ("EUR"), Pounds Sterling ("GBP"), and Japanese Yen ("JPY").

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk rising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2010				2009			
	CAD million	**EUR million**	**GBP million**	**JPY million**	CAD million	EUR million	GBP million	JPY million
Group								
Debtors, deposits and prepayments	**–**	**4.6**	**–**	**–**	–	3.4	–	–
Intercompany receivables	**–**	**0.5**	**3.4**	**–**	0.3	1.4	2.8	1.3
Cash and cash equivalents	**0.2**	**1.8**	**–**	**–**	13.0	12.9	5.0	–
Creditors and accruals	**–**	**(1.7)**	**–**	**(90.7)**	–	(1.2)	–	(117.1)
Intercompany payables	**(27.9)**	**(5.6)**	**(0.1)**	**(17.8)**	(25.6)	(0.3)	(3.7)	(12.0)
Notional amounts of forward foreign exchange contracts at fair value through profit or loss	**(3.6)**	**(4.2)**	**–**	**–**	–	–	–	–
Notional amounts of forward foreign exchange contracts held as cash flow hedging instruments	**–**	**–**	**–**	**–**	(6.0)	(5.3)	(3.0)	–
Net exposure to currency risk	**(31.3)**	**(4.6)**	**3.3**	**(108.5)**	(18.3)	10.9	1.1	(127.8)

20 Financial Risk Management and Fair Values (Continued)

(b) Foreign exchange risk (Continued)

(i) Exposure to currency risk (Continued)

The Group enters into foreign exchange contracts in order to manage its exposure to fluctuations in foreign currency exchange rates on specific transactions. Foreign exchange contracts are matched with anticipated future cash flows in foreign currencies, primarily from sales.

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2010 were US$11.3 million (2009: US$26.3 million).

The Group does not anticipate any material adverse effect on its financial position resulting from its involvement in these financial instruments, nor does it anticipate non-performance by any of its counterparties.

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and total equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2010		2009	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and total equity US$ million**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and total equity US$ million
EUR	**5%**	**(0.3)**	5%	0.6
	(5)%	**0.3**	(5)%	(0.6)
CAD	**5%**	**(1.3)**	5%	(0.6)
	(5)%	**1.3**	(5)%	0.6
GBP	**5%**	**0.2**	5%	0.1
	(5)%	**(0.2)**	(5)%	(0.1)

The impact on the Group's profit after tax and total equity is not expected to be material in response to possible changes in the foreign exchange rates of other currencies to which the Group is exposed.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and total equity measured in the respective functional currencies, translated into USD at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2009.

(c) Interest rate risk

At 31 March 2009 and 31 March 2010, the Group had no bank borrowings.

The Group is exposed to interest rate risk through the impact of interest rates changes on income-earning financial assets, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

Deposits and Cash

	2010		2009	
	Effective interest rate	**Within one year US$ million**	Effective interest rate	Within one year US$ million
Floating	**0.18%**	**113.0**	0.72%	95.3
Fixed	**0.67%**	**269.6**	2.61%	191.9

Interest rate sensitivity

At the respective balance sheet dates, if interest rates had been increased by 25 basis points and all other variables were held constant, the Group's profit after tax and total equity would increase by approximately US$1.0 million and US$0.7 million for the years ended 31 March 2010 and 2009, respectively. This is mainly attributable to the Group's exposure to interest rate changes on its variable rate income-earning financial assets.

20 Financial Risk Management and Fair Values (Continued)

(d) Liquidity risk

Cash management of the Company and wholly-owned subsidiaries of the Group are substantially centralised at the Group level. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the balance sheet date of the Group's derivative and non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date of the Group can be required to pay:

		Contractual undiscounted cash flows				
	Carrying amount US$ million	**Total US$ million**	**Within 1 year or on demand US$ million**	**More than 1 year but less than 2 years US$ million**	**More than 2 years but less than 5 years US$ million**	**More than 5 years US$ million**
At 31 March 2010						
Creditors and accruals	**272.9**	**272.9**	**272.9**	**–**	**–**	**–**
Derivatives settled gross:						
Forward foreign exchange contracts – at fair value through profit or loss						
– outflow		**11.0**	**11.0**	**–**	**–**	**–**
– inflow		**(11.3)**	**(11.3)**	**–**	**–**	**–**

		Contractual undiscounted cash flows				
	Carrying amount US$ million	Total US$ million	Within 1 year or on demand US$ million	More than 1 year but less than 2 years US$ million	More than 2 years but less than 5 years US$ million	More than 5 years US$ million
At 31 March 2009						
Creditors and accruals	232.9	232.9	232.9	–	–	–
Forward foreign exchange contracts – cash flow hedge (net settled)	(0.2)	(0.1)	(0.1)	–	–	–
Derivatives settled gross:						
Forward foreign exchange contracts – cash flow hedge						
– outflow		16.3	16.3	–	–	–
– inflow		(16.0)	(16.0)	–	–	–

Derivative financial instruments

Forward foreign exchange contracts were remeasured to fair values at each balance sheet date. The positive fair value of derivative financial instruments at 31 March 2010 were US$0.3 million (2009 negative: US$0.3 million).

(e) Fair values

The fair values of trade debtors, deposits and cash and trade creditors and accruals approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2010 and 31 March 2009. Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose the fair values.

20 Financial Risk Management and Fair Values (Continued)

(e) Fair values (Continued)

Financial instruments carried at fair value

IFRS 7, Financial Instruments: Disclosures, requires the carrying value of financial instruments measured at fair value at balance sheet date across the three levels of the fair value hierarchy as defined in IFRS 7, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

At 31 March 2010, the fair values of all derivative financial instruments are categorised as level 2.

21 Commitments

	2010 US$ million	2009 US$ million
(i) Capital commitments for property, plant and equipment		
Authorised but not contracted for	**42.4**	18.0
Contracted but not provided for	**2.8**	25.9
	45.2	43.9
(ii) Operating lease commitments		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Land and buildings		
In one year or less	**10.9**	11.1
Between one and two years	**8.8**	10.1
Between two and five years	**6.7**	12.7
In more than five years	**1.6**	1.2
	28.0	35.1

The Group has entered into agreements with an independent third party in the PRC to lease factory premises in Houjie, Dongguan comprising several factory buildings. There are a number of leases which expire in 2010, 2011, 2012, 2019 and 2022 respectively. The leases expiring in 2019 and 2022 have a non-cancellable period of five years which expires in 2012. At the end of this non-cancellable period, the lease can only be cancelled on six months' notice with a penalty equivalent to three months' rentals. The leases expiring in 2010, 2011 and 2012 are non-cancellable over the lease term. The operating lease commitments above include total commitments over the non-cancellable period of the lease terms.

In January 1996, the Group entered into an agreement with an independent third party in the PRC whereby the PRC party constructed in phases and leases to the Group a production facility in Liaobu, Dongguan. Under a fifty year lease agreement, the Group rented the first and second phases of the facility for non-cancellable periods of six and eight years after completion respectively. The first phase became fully operational in April 1998 and the completed production facility of the second phase became operational in October 2001. The operating lease commitments above include total commitments over the non-cancellable period of the lease terms.

Under a Brand License Agreement expiring on 31 March 2015, whereby a wholly-owned subsidiary of the Group is required to make royalty payments to AT&T Intellectual Property II, L.P., calculated as a percentage of net sales, as defined of the relevant categories of products, subject to certain minimum aggregate royalty payments. The percentage of net sales payable varies over time and between products. There is no maximum royalty payment. The annual minimum royalty payment is determined based on a percentage of the preceding year's earned royalty payment (calculated based on the preceding year's net sales payable). The Brand License Agreement may be extended for an additional term of five years. As at 31 March 2010, the Group has a remaining royalty prepayment of US$9.0 million to AT&T Intellectual Property II, L.P. to set off against future royalty payments.

Certain wholly-owned subsidiaries of the Group (the "licensees") entered into certain licensing agreements with various third party licensors for the granting of certain rights to use the relevant cartoon characters in the Group's electronic learning products. Under these licensing agreements, the licensees are required to make royalty payments to the licensors, calculated as a percentage of net sales of the relevant character licensed products, subject to certain minimum aggregate royalty payments. The percentage of royalty payable varies over time and between licensed characters. There is no maximum royalty payment. The aggregate minimum royalty payments as at 31 March 2010 amount to US$7.6 million (2009: US$4.0 million), of which US$5.1 million and US$2.5 million are payable in the financial years ended 31 March 2011 and 2012 respectively.

22 Litigation

Certain subsidiaries of the Group were engaged in litigation with Motorola Inc. ("Motorola") related to infringement of six patents asserted against the Group in the United States District Court for the Eastern District of Texas, the United States of America. In January 2010, the Group entered into a settlement and license agreement with Motorola and the litigation against the Group was dismissed accordingly. The resulting settlement and licence fees together with the legal and professional costs incurred have been charged to the consolidated income statement and included in the administrative and other operating expenses. Under the terms of the confidential agreement, the Group and Motorola are obliged not to disclose the amount of the resulting settlement and license fees as such information is considered to be commercially sensitive. The Directors do not consider that the settlement of this litigation gave rise to any material adverse impact to the financial position of the Group.

23 Contingent Liabilities

The directors have been advised that certain accusations of infringements of patents, trademarks and tradenames have been lodged against the Company and its subsidiaries. In the opinion of the legal counsel, it is too early to evaluate the outcome of these claims and provisions have been made only to the extent that the amounts can be reliably estimated. Certain subsidiaries of the Group are involved in litigation arising in the ordinary course of their respective businesses.

Having reviewed outstanding claims and taking into account legal advice received, the directors are of the opinion that even if the claims are found to be valid, there will be no material adverse effect on the financial position of the Group.

As at 31 March 2010, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities of up to US$233.9 million (2009: US$233.4 million). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was US$Nil.

As at the balance sheet date, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

24 Principal Subsidiaries

(a) The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) Details of the Company's interest in those subsidiaries which materially affect the results or assets of the Group as at 31 March 2010 are set out below:

Name of subsidiary	Fully paid issued share capital	Percentage of interest held by the Group	Principal activity
Incorporated/established and operating in Hong Kong:			
VTech Communications Limited	Ordinary HK$1,000 Deferred HK$5,000,000	*100	Design, manufacture and sale of electronic products
VTech Electronics Limited	Ordinary HK$5,000,000	*100	Design, manufacture and distribution of electronic products
VTech Telecommunications Limited	Ordinary HK$1,000 Deferred HK$5,000,000	*100	Design, manufacture and distribution of telecommunication products
Perseus Investments Limited	Ordinary HK$1,000 Deferred HK$1,000	100	Property holding
Valentia Investment Limited	Ordinary HK$1,000 Deferred HK$1,000	100	Property holding
Incorporated/established and operating in Australia:			
VTech Telecommunications (Australia) Pty Limited	AUD 1	*100	Sale of telecommunication products
Incorporated/established and operating in Canada:			
VTech Technologies Canada Limited	Class A CAD5,000 Class B CAD195,000	*100 *100	Sale of telecommunication and electronic products

24 Principal Subsidiaries (Continued)

Name of subsidiary	Fully paid issued share capital	Percentage of interest held by the Group	Principal activity
Incorporated/established and operating in France:			
VTech Electronics Europe S.A.S.	EUR 450,000	*100	Sale of electronic products
Incorporated/established and operating in Germany:			
VTech Electronics Europe GmbH	EUR 500,000	*100	Sale of electronic products
VTech Funkwerk IAD GmbH	EUR 25,000	*51	Development of broadband connectivity software
Incorporated/established and operating in the Netherlands:			
VTech Electronics Europe B.V.	EUR 18,100	*100	Sale of electronic products
Incorporated/established and operating in the People's Republic of China:			
Dongguan VTech Satellite Equipment Co. Limited**	HK$28,500,000	*100	Manufacturing of telecommunication products
Dongguan Video Technology Electronics Limited**	HK$29,197,729	*100	Manufacturing of electronic products
Dongguan VTech Computers Limited**	HK$25,580,358	*100	Manufacturing of electronic equipment
VTech (Dongguan) Plastic Products Company Limited**	HK$3,000,000	*100	Manufacturing of plastics products
VTech (Qingyuan) Plastics & Electronics Limited**	HK$293,000,000	*100	Manufacturing of plastics products
Incorporated/established and operating in Spain:			
VTech Electronics Europe, S.L.	EUR 500,000	*100	Sale of electronic products
Incorporated/established and operating in the United Kingdom:			
VTech Electronics Europe Plc	GBP 500,000	*100	Sale of electronic products
Incorporated/established and operating in the United States:			
VTech Electronics North America, L.L.C.	US$22,212,997	*100	Sale of electronic products
VTech Communications, Inc.	US$300,000	*100	Sale of telecommunication products

* *Indirectly held by subsidiary companies*
** *Foreign-owned enterprise*

25 Material Related Party Transactions

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company and the five highest paid individuals is disclosed in note 3 to the financial statements.

In the normal course of business and on normal commercial terms, the Group undertakes certain transactions with its associates. None of these transactions were material to the Group's results.

26 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 (D).

27 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Annual Accounting Period ended 31 March 2010

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations, which have not been adopted since they are only effective after 31 March 2010.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

	Effective for accounting periods beginning on or after
IFRS 3 (Revised), Business combinations	1 July 2009
Amendments to IAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to IAS 39, Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
Improvements to IFRSs 2009	1 July 2009 or 1 January 2010

28 Accounting Estimates and Judgements

The presentation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

Notes 17, 18 and 20 contain information about the assumptions and their risk factors relating to pension scheme obligations, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

Provision for defective goods returns

The Group recognises provision for expected return claims, which included cost of repairing or replacing defective goods, loss of margin and cost of materials scrapped, based on past experience of the level of repairs and returns. The Group uses all available information in determining an amount that is a reasonable approximation of the costs including estimates based on reasonable historical information and supportable assumptions. Changes in these estimates could have a significant impact on the provision and could result in additional charges or reversal of provision in future years.

Estimated useful lives of tangible assets

The Group estimates the useful lives of tangible assets based on the periods over which the assets are expected to be available for use. The Group reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of tangible assets would increase depreciation charges and decrease non-current assets.

Impairment of assets

The Group reviews internal and external sources of information at each balance sheet date to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. The Group estimates the asset's recoverable amount when any such indication exists. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. The preparation of projected future cash flows involves the estimation of future revenue and operating costs which are based on reasonable assumptions supported by information available to the Group. Changes in the estimates would result in additional impairment provisions or reversal of impairment in future years.

Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each balance sheet date and consider the amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilised. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilised.

VTech in the Last Five Years

	Consolidated balance sheet as at 31 March				
	2006 US$ million	2007 US$ million	2008 US$ million	2009 US$ million	**2010** **US$ million**
Non-current assets					
Tangible assets	64.6	78.4	101.3	99.9	**79.8**
Leasehold land payments	3.7	3.7	3.8	3.8	**6.5**
Other non-current assets	5.3	5.7	7.1	5.4	**5.8**
	73.6	87.8	112.2	109.1	**92.1**
Current assets					
Stocks	133.8	124.1	132.4	128.0	**159.3**
Debtors, deposits and prepayments	183.6	203.4	229.2	190.2	**211.4**
Financial assets at fair value through profit or loss	–	–	14.7	4.9	**–**
Deposits and cash	242.4	246.5	285.4	287.2	**382.6**
Other current assets	1.8	1.6	0.7	3.1	**0.7**
	561.6	575.6	662.4	613.4	**754.0**
Current liabilities	(324.9)	(315.9)	(317.8)	(278.0)	**(324.9)**
Net current assets	236.7	259.7	344.6	335.4	**429.1**
Total assets less current liabilities	310.3	347.5	456.8	444.5	**521.2**
Non-current liabilities					
Deferred tax liabilities	(4.1)	(4.2)	(4.5)	(4.3)	**(3.7)**
	(4.1)	(4.2)	(4.5)	(4.3)	**(3.7)**
Net assets/total equity	306.2	343.3	452.3	440.2	**517.5**

	Consolidated income statement for the year ended 31 March				
	2006 US$ million	2007 US$ million	2008 US$ million	2009 US$ million	**2010** **US$ million**
Revenue	1,204.6	1,463.8	1,552.0	1,448.2	**1,532.3**
Profit before taxation	140.1	201.5	237.6	159.0	**225.5**
Taxation	(11.3)	(18.6)	(21.9)	(15.8)	**(20.2)**
Profit for the year	128.8	182.9	215.7	143.2	**205.3**
Attributable to:					
Shareholders of the Company	128.8	182.9	215.7	143.2	**206.5**
Minority interests	–	–	–	–	**(1.2)**
Profit for the year	128.8	182.9	215.7	143.2	**205.3**
Basic earnings per share (US cents)	54.9	76.6	89.4	58.5	**83.7**

Corporate Information

Board of Directors

Executive Directors

Allan WONG Chi Yun
(Chairman and Group Chief Executive Officer)
PANG King Fai
Andy LEUNG Hon Kwong

Independent Non-executive Directors

William FUNG Kwok Lun
Denis Morgie HO Pak Cho
Michael TIEN Puk Sun
Patrick WANG Shui Chung

Audit Committee

Denis Morgie HO Pak Cho *(Chairman)*
William FUNG Kwok Lun
Michael TIEN Puk Sun
Patrick WANG Shui Chung

Nomination Committee

William FUNG Kwok Lun *(Chairman)*
Denis Morgie HO Pak Cho
Michael TIEN Puk Sun
Patrick WANG Shui Chung
Allan WONG Chi Yun

Remuneration Committee

Michael TIEN Puk Sun *(Chairman)*
William FUNG Kwok Lun
Denis Morgie HO Pak Cho

Risk Management Committee

Allan WONG Chi Yun *(Chairman)*
PANG King Fai
Andy LEUNG Hon Kwong

Company Secretary

CHANG Yu Wai

Registered Office

Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal Office

23rd Floor, Tai Ping Industrial Centre
Block 1, 57 Ting Kok Road
Tai Po
New Territories
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank

Auditor

KPMG
Certified Public Accountants
Hong Kong

Information for Shareholders

Listing

Shares of VTech Holdings Limited are listed on The Stock Exchange of Hong Kong Limited. Ordinary shares are also available in the form of American Depositary Receipts through The Bank of New York Mellon.

Stock Code

The Stock Exchange of Hong Kong Limited	303
American Depositary Receipts	VTKHY

Financial Calendar

Closure of Register of Members
23 July 2010 – 30 July 2010 (both dates inclusive)

2010 Annual General Meeting
30 July 2010

Payment of Final Dividend
2 August 2010

2010/2011 Interim Results Announcement
November 2010

Share Information

Board Lot	1,000 shares
Issued Shares as at 31 March 2010	246,990,133 shares

Dividend

Dividend per ordinary share for the financial year ended 31 March 2010

– Interim dividend	US16.0 cents per share
– Final dividend	US62.0 cents per share

Share Registrars

Principal

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch

Computershare Hong Kong Investor Services Limited
Room 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2865 0990
Email: hkinfo@computershare.com.hk

American Depositary Receipts

The Bank of New York Mellon
BNY Mellon Shareowner Services
PO Box 358516
Pittsburgh, PA 15252-8516
United States
Tel: 1 888 BNY ADRS (US domestic toll free)
(1) 201 680 6825 (International)
Email: shrrelations@bnymellon.com

Investor Relations Contact

Corporate Communications Department
23rd Floor, Tai Ping Industrial Centre
Block 1, 57 Ting Kok Road
Tai Po
New Territories
Hong Kong
Tel: (852) 2680 1000
Fax: (852) 2680 1788
Email: investor_relations@vtech.com

Website

www.vtech.com
www.irasia.com/listco/hk/vtech

VTech Group of Companies

Head Office

VTech Holdings Limited
23rd Floor, Tai Ping Industrial Centre
Block 1, 57 Ting Kok Road
Tai Po, New Territories
Hong Kong
Tel: (852) 2680 1000
Fax: (852) 2680 1300
Website: www.vtech.com
Email: investor_relations@vtech.com

Regional Offices

Australia

VTech Telecommunications (Australia) Pty Limited
24 Gilby Road, Mount Waverley
Victoria, 3149
Tel: (61) 1300 369 193
Fax: (61) 1300 304 600
Email: (Business Enquiry)
orders_au@vtech.com
(Telstra product support)
tcpsupport_au@vtech.com

Canada

VTech Technologies Canada Ltd.
12111 Jacobson Way
Richmond, British Columbia
V6W 1L5
Tel: (1) 604 273 5131
Fax: (1) 604 273 1425
Website: www.vtechcanada.com
Email: (Telecommunication Products)
customersupport@vtechcanada.com
(Electronic Learning Products)
toys @vtechcanada.com

France

VTech Electronics Europe S.A.S.
2-6 rue du Château D'eau
Boite Postale 55
78362 Montesson Cédex
Tel: (33) 1 30 09 88 00
Fax: (33) 1 30 09 87 80
Website: www.vtech-jouets.com
Email: vtech_conseil@vtech.com

Germany

VTech Electronics Europe GmbH
Martinstrasse 5
70794 Filderstadt
Tel: (49) 711 709 740
Fax: (49) 711 709 7449
Website: www.vtech.de
Email: info@vtech.de

Japan

VTech Electronics (Japan) Inc.
3F, Shin-Osaka Building, 1-1-36
Nishiawaji, Higashiyodogawa-ku
Osaka 533-0031
Tel: (81) 6 4950 5100
Fax: (81) 6 4950 5101

VTech Communications Japan Ltd.
Okumura Building
3-14, Kanda Ogawamachi
Chiyoda-Ku, Tokyo 101-0052
Tel: (81) 3 3294 0740
Fax: (81) 3 3294 0785
Website: www.vtechcms.com
Email: hotline_oem@vtech.com

Netherlands

VTech Electronics Europe B.V.
Copernicusstraat 7
6003 DE Weert
Industrial Estate Kampershoek
Tel: (31) 495 459 111
Fax: (31) 495 459 114
Website: www.vtechnl.com
Email: vtechbenelux@vtech.com

Spain

VTech Electronics Europe, S.L.
Avda. de Aragón, 336 c/v Yécora
Oficina 1-Pol. Ind. Las Mercedes
28022 Madrid
Tel: (34) 91 312 0770
Fax: (34) 91 747 0638
Website: www.vtech.es
Email: informacion@vtech.com

United Kingdom

VTech Communications Ltd.
9, Manor Courtyard
Hughenden Avenue
High Wycombe
Buckinghamshire
HP13 5RE
Tel: (44) 1494 522 500
Fax: (44) 1494 522 001

VTech Electronics Europe Plc
Napier Court
Abingdon Science Park
Abingdon, Oxfordshire, OX14 3YT
Tel: (44) 123 555 5545
Fax: (44) 123 554 6804
Website: www.vtechuk.com
Email: gbmarketing@vtech.com

United States

VTech Electronics North America, L.L.C.
1155 West Dundee, Suite 130
Arlington Heights
IL 60004-1454
Tel: (1) 847 400 3600
Fax: (1) 847 400 3601
Website: www.vtechkids.com
Email: vtechkids@vtechkids.com

VTech Communications, Inc.
9590 S.W. Gemini Drive, Suite 120
Beaverton OR 97008
Tel: (1) 503 596 1200
Fax: (1) 503 644 9887
Website: www.vtechphones.com
Email: inquirevt@vtechphones.com

VTech Telecom, L.L.C.
545 Concord Avenue, Suite 14
Cambridge, MA 02138
Tel: (1) 617 576 3300
Fax: (1) 617 576 7753
Website: www.vtechcms.com
Email: rseichter@vtech-cms.com

A Chinese translation of the annual report may be obtained on request from Computershare Hong Kong Investor Services Limited, Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. If there is any discrepancies between the Chinese translation and the English version of this report and accounts, the English version shall prevail.

本年報備有中文譯本，請向位於香港皇后大道東183號合和中心17樓1712-16室香港中央證券登記有限公司索取。本報告書及賬目之中文譯本與英文本如有任何歧義，概以英文本為準。

VTech Holdings Ltd
(Incorporated in Bermuda with limited liability)

23rd Floor, Tai Ping Industrial Centre, Block 1
57 Ting Kok Road, Tai Po, New Territories, Hong Kong
Tel: (852) 2680 1000
Fax: (852) 2680 1300
Email: investor_relations@vtech.com
www.vtech.com

MIX
Paper from
responsible sources
FSC™ C006398
www.fsc.org