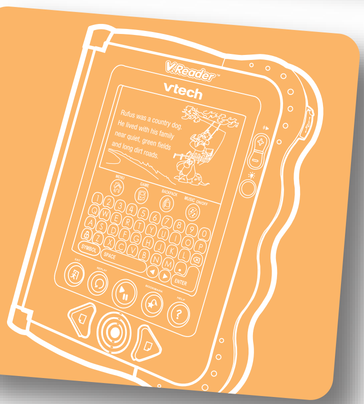
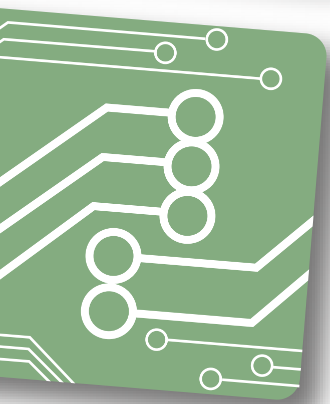




vtech

VTech Holdings Ltd

HKSE : 303

2010/2011

INTERIM REPORT 中期報告書

for the six months ended 30 September 2010

截至二零一零年九月三十日止六個月

VTech turned in a solid performance in the first half of the financial year 2011. Despite economic uncertainty and rising costs, both revenue and profit increased. Sales were especially strong in Europe, where all product lines saw increases. In North America, our electronic learning products (ELPs) are seeing the benefit of the new platform products we have introduced, while contract manufacturing services (CMS) were boosted by continued gains in professional audio equipment. In Asia Pacific, we doubled sales of our telecommunication (TEL) products.

RESULTS AND DIVIDEND

Group revenue for the six months ended 30 September 2010 increased by 10.3% to US$813.9 million. Growth was driven by Europe, Asia Pacific and other regions. During the period, all our product lines achieved sales increases in Europe. We were also able to make further inroads with our TEL products and CMS in Asia Pacific and other regions, where the Group is actively expanding.

Profit attributable to shareholders of the Company rose 2.3% to US$93.6 million. Net profit margin fell from 12.4% to 11.5% owing to change in product mix, higher cost of materials, rising labour costs and Renminbi appreciation.

Basic earnings per share increased from US37.2 cents in the first half of the financial year 2010 to US37.8 cents. The Board of Directors (the "Board") has declared an interim dividend of US16.0 cents per ordinary share, which was the same as the dividend paid in the corresponding period last year.

OPERATIONS

Rising costs posed a major challenge to the Group in the first half of the financial year 2011. Minimum wage in China has increased by a double digit rate since the middle of the year, while the Renminbi has recently begun to strengthen against the US dollar. Price increases for plastics and other raw materials have led to higher overall cost of materials. Meanwhile, freight costs rose sharply during the period. Furthermore, the launch of new ELPs has necessitated higher spending on advertising and promotion. All these factors have resulted in pressure on margins.

SEGMENT RESULTS

North America

Revenue in North America decreased by 4.6% to US$421.6 million in the first half of the financial year 2011. The decline was mainly due to lower sales of TEL products, which offset the growth in ELPs and CMS. North America remains the largest market for the Group, accounting for 51.8% of Group revenue.

During the period, sales of TEL products declined by 23.4% to US$221.8 million. This partly reflects comparison against a very strong first half in the last financial year, when one of our major competitors exited the market, and another suffered a delivery problem. Poor consumer sentiment also contributed to lower sales of our cordless telephones. Nevertheless, we maintain the number one position in the US corded and cordless phone market.

Since September 2009, we have started to introduce small to medium sized business (SMB) telephony systems in the US market. They are being sold through office superstores and value added resellers. The number of our SMB partners is steadily increasing, although the sales contribution in this first half has been small.

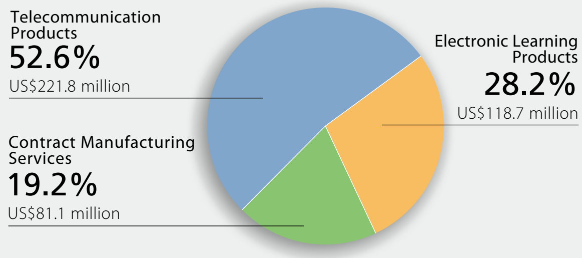
Our ELP sales in North America increased by 14.6% to US$118.7 million in the first half, with growth driven by the launch of new platform and standalone products.

Our two new platform products, V.Reader and MobiGo, have been on retail shelves since June 2010. V.Reader is the world's first interactive e-reading system for children aged between three and seven years. MobiGo is a handheld educational gaming system with touch control for children aged between three and eight years. Retail performance to-date for both products has been good.

Standalone products continued to sell well. As we introduced new items to the market and expanded our shelf space for infant and pre-school products, we saw healthy growth in these categories. Our new line of infant bath toys has been selling especially well.

CMS posted the strongest growth in North America. Sales rose by 66.2% during the first half to US$81.1 million, despite the relatively weak economy. Professional audio equipment was a major growth driver. Customers are giving us additional business as a result of our high quality products and excellent services. We continued to see growth in commercial solid-state lighting, an emerging business area.

Revenue in North America by Product Line
for the six months ended 30 September 2010



Total: US$421.6 million

Europe

Revenue in Europe was boosted by gains in all three product lines. Sales increased by 32.4% over the first half of the previous financial year, to US$298.6 million. Europe accounted for 36.7% of Group revenue.

Chairman's Statement

Sales of our TEL products in Europe grew by 44.9% to US$111.4 million in the first half, primarily due to restocking by customers and gains in market share. Despite the uncertainty of the European economy, sales growth in the UK, France and Germany was particularly strong, with correspondingly good sell-through. Since February 2010, we have been shipping integrated access devices to customers and sales are steadily increasing.

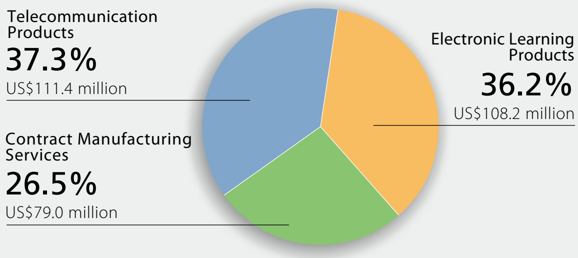
ELP sales in Europe increased by 13.4% to US$108.2 million in the first half. Growth was driven mainly by standalone products. As MobiGo only started to hit retail shelves in late August, while V.Reader (which is called Storio in Europe) is only launched in the UK this financial year, their contributions to sales in this period have been limited.

Despite weakness in the economy, the UK proved to be the strongest performing market. The Kidizoom range remained especially popular. The Kidizoom VideoCam was selected as one of the twelve "Dream Toys" for Christmas by the UK's Toy Retailers Association. In contrast, sales in France and Germany started slow during the period.

For CMS, our sales in Europe were up by 48.2% to US$79.0 million when compared with the first half of the previous financial year. Professional audio equipment was again very strong, with increased orders from existing customers. We also benefited from a new product launch with one of our wireless products customers. Furthermore, we saw solid growth in home appliances and switching mode power supplies.

Revenue in Europe by Product Line

for the six months ended 30 September 2010



Total: US$298.6 million

Asia Pacific

Revenue in Asia Pacific rose 20.2% as compared with the first half of the previous financial year, to US$51.1 million. This market accounted for 6.3% of Group revenue.

Sales of TEL products increased by 100.0% during this period, to US$16.2 million. This was partly driven by sales increases in Australia, where we signed a licensing agreement with Telstra in June 2009. VTech is now the direct supplier of Telstra branded fixed line telephones. We also successfully expanded our TEL products into the Japanese market with the acquisition of our first customer.

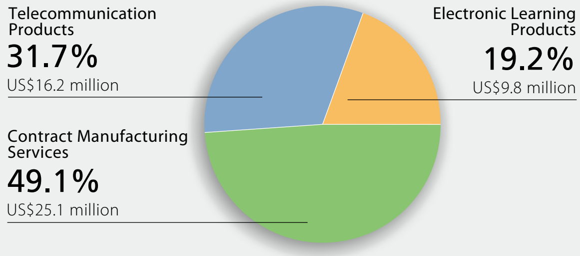
Sales of ELPs in Asia Pacific declined by 4.9% to US$9.8 million in the first half. During the period, retailers in some countries sought to work through their inventory, resulting in lower orders.

In China, our first ELP designed specifically for the market was launched in September. It is a curriculum based pen-reading system with downloadable textbook content. The product has been well received. As we are currently building up the distribution channels, sales to-date have been very limited.

CMS achieved modest growth in Asia Pacific in the first half, where Japan remained the dominant market. Revenue from the region increased by 4.1% to US$25.1 million, driven by medical equipment and LED light bulbs.

Revenue in Asia Pacific by Product Line

for the six months ended 30 September 2010



Total: US$51.1 million

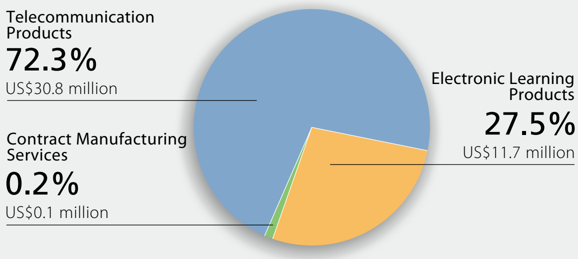
Other Regions

Revenue from other regions in the first half of the financial year 2011 increased by 51.6% to US$42.6 million. This accounted for 5.2% of Group revenue.

The increase was attributable to strong growth in TEL products, as we sold more to the Middle East and Latin America.

Revenue in Other Regions by Product Line

for the six months ended 30 September 2010



Total: US$42.6 million

OUTLOOK

We face an environment that is unusually uncertain, which makes forecasting for the second half of the financial year difficult. In most of our major markets, unemployment remains high, governments are cutting budgets and consumer sentiment is subdued. Nonetheless, we are cautiously optimistic of achieving revenue growth in the second half, as we expect good momentum in ELPs and CMS to continue. Profitability, however, will be under pressure as rising costs will further affect margins.

We are taking very active measures to counteract cost increases. To reduce the reliance on labour, our production processes are being automated at a faster pace. We have also intensified our product design efforts to optimise material and manufacturing costs.

To mitigate the impact of Renminbi appreciation and to capture the huge potential of the Chinese market, we are stepping up our efforts to increase sales in China, a strategy that provides a natural currency hedge. As mentioned earlier, we have launched our first ELP tailored for the China market during the first half of this financial year.

We will continue to exercise tight control over operating costs to rein in further increases in freight and marketing expenses. Overall, our economies of scale will ensure we remain cost competitive in this challenging operating environment, positioning VTech well for market share gains.

North America and Europe

We expect the performance of TEL products in North America to improve in the second half, as a new category of products, hotel phones, starts to contribute. Our existing line-up of SMB phones will be expanded with new products that offer enhanced features, while more value added resellers will be added to our network to drive sales.

In Europe, we expect TEL products will continue to perform, as we have seen good sell-through with customers in our major European markets. We aim to widen our market leadership through further product innovation. VTech is among the first companies to introduce products using CAT-iq 2.0 technology, an enhancement to DECT that allows cordless phones to be used for VoIP and other Internet-based services such as streaming audio and video.

For ELPs in North America, we expect the solid momentum of our new platform and standalone products to continue. In the US, both MobiGo and V.Reader have been featured in major retailer holiday catalogues. V.Reader has just been selected as one of the "Top Toys" this holiday season by Walmart. However, the US economy is still highly uncertain, and retailers are maintaining very low inventories. Furthermore, competition among platform products is unusually intense this year. We are keeping a watchful eye and working diligently to ensure good sell-through in the upcoming holiday season.

In Europe, our ELP sales in the UK are expected to remain strong, as the market is responding well to the products recently introduced. France is expected to pick up following a sluggish first half, and we expect modest growth from a low base in Spain and the Benelux countries.

CMS should continue to outperform the global EMS market and achieve growth in North America and Europe. Professional audio equipment and commercial solid state lighting will lead the way in North America, as in the first half. In Europe, on top of the already strong power supplies business, further growth will be driven by two new product areas, electric vehicle chargers and solar power inverters.

Asia Pacific and Other Regions

In Asia Pacific and other regions, TEL products should perform well as we enjoy good momentum in many of these markets. Our expansion in China in the final quarter of this financial year will add to revenue in the next financial year.

For ELPs, as retailers in these regions work through their inventory, we expect growth to resume in the second half. Our sales to China should benefit from the expanded distribution channels, as well as the launch of dedicated products.

At CMS, we will continue to step up efforts to open up the Japanese market, as the strength of the Japanese yen may induce more medium sized companies to seek outsourcing with a greater sense of urgency. This could offer considerable potential for VTech to acquire new orders and new customers.

CONCLUSION

The past six months have not been easy for VTech. Margins contracted owing to rising costs. We faced fierce competition for our ELPs and declining sales of TEL products in the US market. It appears likely that costs will rise further for the remainder of the financial year, making improvement in margins challenging. Furthermore, the present volatility in exchange rates between currencies is expected to continue. Despite this, VTech is in very good shape. Our excellent R&D, strong balance sheet, market leadership position and efficient operations continue to position us strongly to deliver better returns to shareholders going forward.

Allan WONG Chi Yun
Chairman

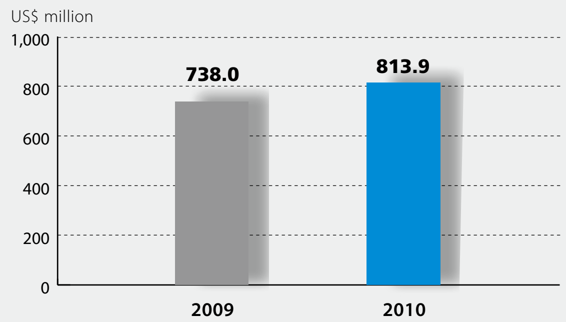
Hong Kong, 17 November 2010

REVENUE

Group revenue for the six-months ended 30 September 2010 rose by 10.3% over the same period of the previous financial year to US$813.9 million. The increase in revenue was largely driven by higher sales in Europe and Asia Pacific as well as strong sales growth in other regions, which contrasted with a decrease in revenue in North America. Sales to North America declined by 4.6% over the corresponding period of the last financial year to US$421.6 million, representing 51.8% of Group revenue. In Europe, revenue rose by 32.4% to US$298.6 million, accounting for 36.7% of Group revenue. Revenue from the Asia Pacific market increased by 20.2% to US$51.1 million, representing 6.3% of Group revenue. Sales to other regions grew by 51.6% to US$42.6 million, accounting for 5.2% of Group revenue.

The decrease in revenue from North America was mainly due to lower sales of TEL products, which offset an increase in the revenue of ELPs and CMS. Revenue from TEL products in North America was US$221.8 million, a decrease of 23.4% over the same period of the previous financial year. This partly reflects comparison against a very strong first half in the last financial year, when one of our major competitors exited the market, and another suffered a delivery problem. Poor consumer sentiment also contributed to lower sales of our cordless telephones. For ELPs, revenue grew by 14.6% to US$118.7 million, mainly driven by the increased sales in standalone products. V.Reader and MobiGo also contributed to the increase in revenue in the current financial period. Revenue from CMS rose by 66.2% to US$81.1 million. Growth was boosted mainly by higher sales in the area of professional audio equipment and solid state lighting.

Group Revenue
for the six months ended 30 September

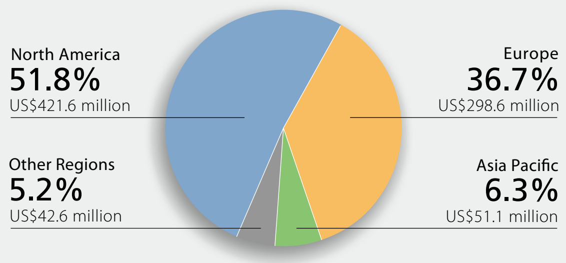


The European market achieved sales growth in all three product lines. For TEL products, which we sell in Europe on an ODM basis, revenue grew by 44.9% to US$111.4 million over the corresponding period of the previous financial year. The increase was primarily attributable to restocking by customers and gains in market share. Sales of ELPs to Europe reached US$108.2 million, growing by 13.4% over the same period last year. Growth was driven by the increased sales of standalone products. Revenue from CMS rose by 48.2% to US$79.0 million. The increase was mainly due to strong sales in professional audio equipment as existing customers placed more orders with us. Growth in revenue also came from higher sales in the areas of wireless products, home appliances and switching mode power supplies.

Revenue growth in Asia Pacific was mainly driven by an increase in sales of TEL products. Revenue from TEL products rose by 100.0% over the previous financial period to US$16.2 million. The growth was partly due to higher sales to Australia following the agreement signed with Telstra in June 2009. For CMS products, revenue from Asia Pacific increased by 4.1% to US$25.1 million, as a result of growth in sales of LED light bulbs and medical equipment. However, sales of ELPs to Asia Pacific dropped by 4.9% to US$9.8 million in the current financial period mainly due to a decrease in orders from customers.

For other regions, revenue increased mainly because of higher sales of TEL products. Sales of TEL products to other regions in the first six months of the current financial year were US$30.8 million, an increase of 90.1% over the same period of financial year 2010. Revenue of ELPs from other regions declined slightly by 0.8% to US$11.7 million in the current financial period.

Group Revenue by Region
for the six months ended 30 September 2010



Total: US$813.9 million

GROSS PROFIT/MARGIN

The gross profit for the six-month period ended 30 September 2010 was US$261.9 million, an increase of US$7.4 million or 2.9% compared to the US$254.5 million recorded in the previous financial period. However, gross profit margin for the period fell from 34.5% to 32.2%. This was mainly attributable to change in product mix, higher cost of materials, rising labour costs and Renminbi appreciation.

OPERATING PROFIT/MARGIN

The operating profit for the six-month period ended 30 September 2010 was US$102.2 million, an increase of US$1.5 million or 1.5% over the corresponding period of the previous financial year. The operating profit margin dropped from 13.6% in the previous financial period to 12.6% in the current financial period.

Selling and distribution costs rose by 10.0% from US$97.0 million in the first six months of the previous financial year to US$106.7 million in the current financial period. The increase was mainly attributable to increased spending on advertising and promotional activities by the Group and higher freight costs in current financial period. However, as a percentage of Group revenue, selling and distribution costs in the current financial period were 13.1% which was same as the previous financial period, owing to the tight control over operating costs.

Administrative and other operating expenses fell from US$29.3 million in the previous financial period to US$24.9 million in the current financial period. This was mainly attributable to lower legal and professional costs in the current financial period. With better foreign exchange risk management, the net exchange gain arising from the Group's global operations in the ordinary course of business was US$0.5 million in the current financial period. This compared with a net exchange gain of US$0.9 million recorded in the previous financial period. Administrative and other operating expenses as a percentage of Group revenue, decreased from 4.0% in the previous financial period to 3.1% in the current financial period.

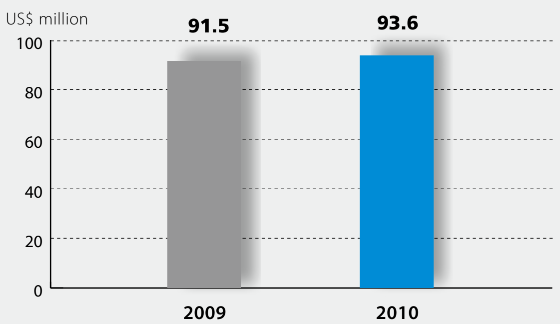
During the first half of the financial year 2011, the research and development expense was US$28.1 million, an increase of 2.2% over the previous financial period. Research and development expenses as a percentage of Group revenue declined from 3.7% in the previous financial period to 3.5% in the current financial period.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS

The profit attributable to shareholders of the Company for the period ended 30 September 2010 was US$93.6 million, an increase of US$2.1 million as compared to the corresponding period of previous financial year.

Basic earnings per share for the period ended 30 September 2010 were US37.8 cents as compared to US37.2 cents in the first half of the previous financial year. Since the balance sheet date, the directors have declared an interim dividend of US16.0 cents per share, which will aggregate to US$39.7 million.

Profit Attributable to Shareholders of the Company
for the six months ended 30 September



LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial resources remain strong. As at 30 September 2010, the Group had deposits and cash of US$181.1 million and was debt-free. The Group has adequate liquidity to meet its current and future working capital requirements.

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

Stock balance as at 30 September 2010 was US$296.8 million, as compared to US$159.3 million as at 31 March 2010. The increase in stock level was primarily to cater for increased demand for the Group's products in the second half of the financial year 2011. Furthermore, as lead time of material procurement became longer, we had arranged advance purchase of materials and early production of the Group's products to mitigate materials shortage risks. The turnover days for stock stood at 119 days compared to 98 days in the corresponding period of the last financial year.

Trade debtors balance as at 30 September 2010 was US$323.6 million, as compared to US$185.7 million as at 31 March 2010. The increase in trade debtors was mainly due to increased sales of ELPs and CMS products in the first six months of financial year 2011. The turnover days for trade debtors stood at 60 days compared to 55 days in the corresponding period of the last financial year.

CAPITAL EXPENDITURE AND CONTINGENCIES

For the period ended 30 September 2010, the Group invested US$12.9 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.

As of the financial period end date, the Group had no material contingencies.

Interim Financial Report

CONSOLIDATED INCOME STATEMENT

	Note	(Unaudited) Six months ended 30 September 2010 US$ million	2009 US$ million	(Audited) Year ended 31 March 2010 US$ million
Revenue	3	**813.9**	738.0	1,532.3
Cost of sales		**(552.0)**	(483.5)	(972.9)
Gross profit		**261.9**	254.5	559.4
Selling and distribution costs		**(106.7)**	(97.0)	(207.3)
Administrative and other operating expenses		**(24.9)**	(29.3)	(71.2)
Research and development expenses		**(28.1)**	(27.5)	(56.8)
Operating profit	3&4	**102.2**	100.7	224.1
Net finance income		**1.0**	1.0	1.4
Profit before taxation		**103.2**	101.7	225.5
Taxation	5	**(10.1)**	(10.6)	(20.2)
Profit for the period/year		**93.1**	91.1	205.3
Attributable to:				
Shareholders of the Company		**93.6**	91.5	206.5
Non-controlling interests		**(0.5)**	(0.4)	(1.2)
Profit for the period/year		**93.1**	91.1	205.3
Earnings per share (US cents)	7			
– Basic		**37.8**	37.2	83.7
– Diluted		**37.6**	37.1	83.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Six months ended 30 September 2010 US$ million	2009 US$ million	(Audited) Year ended 31 March 2010 US$ million
Profit for the period/year	**93.1**	91.1	205.3
Other comprehensive income (after tax and reclassification adjustments) for the period/year			
Realisation of hedging reserve	**–**	0.3	0.3
Exchange translation differences	**1.3**	7.7	2.9
Surplus arising on revaluation of properties	**1.3**	–	–
Other comprehensive income for the period/year	**2.6**	8.0	3.2
Total comprehensive income for the period/year	**95.7**	99.1	208.5
Attributable to:			
Shareholders of the Company	**96.2**	99.5	209.6
Non-controlling interests	**(0.5)**	(0.4)	(1.1)
Total comprehensive income for the period/year	**95.7**	99.1	208.5

CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) 30 September 2010 US$ million	2009 US$ million	(Audited) 31 March 2010 US$ million
Non-current assets				
Tangible assets		**80.2**	103.2	81.4
Leasehold land payments		**4.9**	2.1	4.9
Deferred tax assets		**7.5**	9.2	5.6
Investments		**0.2**	0.2	0.2
		92.8	114.7	92.1
Current assets				
Stocks	8	**296.8**	197.8	159.3
Debtors, deposits and prepayments	9	**349.3**	311.4	211.4
Taxation recoverable		**–**	0.4	0.7
Deposits and cash		**181.1**	229.9	382.6
		827.2	739.5	754.0
Current liabilities				
Creditors and accruals	10	**(385.4)**	(339.4)	(272.9)
Provisions		**(46.1)**	(51.4)	(42.4)
Taxation payable		**(17.9)**	(12.6)	(9.6)
		(449.4)	(403.4)	(324.9)
Net current assets		**377.8**	336.1	429.1
Total assets less current liabilities		**470.6**	450.8	521.2
Non-current liabilities				
Deferred tax liabilities		**(3.9)**	(4.0)	(3.7)
Net assets		**466.7**	446.8	517.5
Capital and reserves				
Share capital	11	**12.4**	12.3	12.4
Reserves		**453.0**	431.8	503.3
Shareholders' funds attributable to the Company's shareholders		**465.4**	444.1	515.7
Non-controlling interests		**1.3**	2.7	1.8
Total equity		**466.7**	446.8	517.5

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) Six months ended 30 September 2010 US$ million	2009 US$ million	(Audited) Year ended 31 March 2010 US$ million
Net cash (used in)/generated from operating activities	**(42.2)**	41.5	244.8
Net cash generated from/(used in) investing activities	**142.8**	4.8	(158.7)
Net cash used in financing activities	**(147.6)**	(95.9)	(134.9)
Effect of exchange rate changes	**1.2**	6.9	3.5
Decrease in cash and cash equivalents	**(45.8)**	(42.7)	(45.3)
Cash and cash equivalents at beginning of period/year	**196.9**	242.2	242.2
Cash and cash equivalents at end of period/year	**151.1**	199.5	196.9
Analysis of the balance of cash and cash equivalents			
Deposits and cash in the consolidated balance sheet	**181.1**	229.9	382.6
Less: Bank deposits with maturity greater than three months	**(30.0)**	(30.4)	(185.7)
Cash and cash equivalents in the condensed consolidated cash flow statement	**151.1**	199.5	196.9

The notes on pages 8 to 12 form part of this Interim Financial Report. Details of dividends payable to shareholders of the Company attributable to the profit for the period are set out in note 6.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010 – unaudited

		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	Non-controlling interests US$ million	Total equity US$million
At 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 six months ended 30 September 2009											
Comprehensive income											
Profit for the period		–	–	–	–	–	–	91.5	91.5	(0.4)	91.1
Other comprehensive income (after tax and reclassification adjustments)											
Realisation of hedging reserve		–	–	–	–	–	0.3	–	0.3	–	0.3
Exchange translation differences		–	–	–	7.7	–	–	–	7.7	–	7.7
Other comprehensive income for the period		–	–	–	7.7	–	0.3	–	8.0	–	8.0
Total comprehensive income for the period		–	–	–	7.7	–	0.3	91.5	99.5	(0.4)	99.1
Dividends approved and paid during the period	6	–	–	–	–	–	–	(101.2)	(101.2)	–	(101.2)
Shares issued under share option scheme	11	–	5.2	–	–	–	–	–	5.2	–	5.2
Equity-settled share based payments		–	0.7	–	–	(0.3)	–	–	0.4	–	0.4
Capital injection		–	–	–	–	–	–	–	–	3.1	3.1
At 30 September 2009		12.3	112.8	10.9	9.8	1.4	–	296.9	444.1	2.7	446.8
At 1 April 2010		12.4	113.3	10.9	4.9	1.8	–	372.4	515.7	1.8	517.5
Changes in equity for the six months ended 30 September 2010											
Comprehensive income											
Profit for the period		–	–	–	–	–	–	93.6	93.6	(0.5)	93.1
Other comprehensive income (after tax and reclassification adjustments)											
Exchange translation differences		–	–	–	1.3	–	–	–	1.3	–	1.3
Surplus arising on revaluation of properties		–	–	1.3	–	–	–	–	1.3	–	1.3
Other comprehensive income for the period		–	–	1.3	1.3	–	–	–	2.6	–	2.6
Total comprehensive income for the period		–	–	1.3	1.3	–	–	93.6	96.2	(0.5)	95.7
Dividends approved and paid during the period	6	–	–	–	–	–	–	(153.9)	(153.9)	–	(153.9)
Shares issued under share option scheme	11	–	6.3	–	–	–	–	–	6.3	–	6.3
Equity-settled share based payments		–	0.9	–	–	0.2	–	–	1.1	–	1.1
At 30 September 2010		**12.4**	**120.5**	**12.2**	**6.2**	**2.0**	**–**	**312.1**	**465.4**	**1.3**	**466.7**

The notes on pages 8 to 12 form part of this Interim Financial Report.

1 BASIS OF PREPARATION

The Directors are responsible for preparing the Interim Financial Report in accordance with applicable law and regulations. The unaudited interim financial report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") including compliance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting adopted by the International Accounting Standards Board (the "IASB").

The same accounting policies adopted in the 2010 annual financial statements have been applied to the Interim Financial Report except for the changes mentioned in note 2.

The preparation of an Interim Financial Report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The Interim Financial Report has not been audited or reviewed by the auditors pursuant to the International Auditing Practices Board guidance on International Standards on Review Engagements 2400 "Review of Interim Financial Statements".

The financial information relating to the financial year ended 31 March 2010 included in the Interim Financial Report does not constitute the Company's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 March 2010 are available at the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 14 June 2010.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued new and revised IFRS, amendments and interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

IFRSs (Amendments)	Improvements to IFRSs 2009
IFRS 3 (Revised)	Business combination
IAS 27 (Revised)	Consolidated and separate financial statements
IAS 39 (Amendment)	Eligible hedged items

The improvements to IFRSs 2009 consist of further amendments to existing standards, including amendments to IAS 17 – Leases. The amendment to IAS 17 requires the land element of long term leases to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. In accordance with the transitional provisions set out in the amendment to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of these leases. Leasehold land that qualifies for finance lease classification has been reclassified from leasehold land payments to tangible assets – land and buildings and has been measured using the revaluation model on a retrospective basis. The adoption of revised IAS 17 has led to a reclassification of prepaid leases of US$1.6 million to tangible assets and has had no significant financial impact to the Group's consolidated income statements for the current and prior periods.

The revised IFRS 3 provides new requirements and detailed guidance on any business combination acquired on or after 1 April 2010.

The revised IAS 27 will affect the accounting for future transactions with non-controlling interests (previously known as "minority interests"). It requires changes in a parent company's interest in subsidiaries that do not result in changes of control to be accounted for within equity, with no gain or loss recognised and no remeasurement of goodwill. A gain or loss on disposal will be recognised in the income statement only if the disposal results in a loss of control.

The amendment to IAS 39 provides additional guidance on when a financial item can be designated as a hedged item and on assessing hedge effectiveness. It is not expected that this amendment will have a significant effect on the Group's results or net assets.

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

3 SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by geography. In accordance with IFRS 8 – Operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

- North America (including the United States and Canada)
- Europe
- Asia Pacific
- Others, which covers sales of electronic products to the rest of the world

The Company is domiciled in Bermuda. The results of its revenue from external customers located in North America, Europe, Asia Pacific and elsewhere are set out in the table below.

Each of the above reportable segments primarily derive their revenue from the sale of telecommunication products, electronic learning products and products from contract manufacturing services to customers in the relevant geographical region.

All of these products and services are manufactured and performed in the Group's manufacturing facilities located primarily in the People's Republic of China, under the Asia Pacific segment.

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 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 amorisation and impairment of assets.

(b) Segment assets

Segment assets include all tangible and intangible assets and current assets with the exception of deferred tax assets and other corporate assets including taxation recoverable and investments.

Segment information regarding the Group's revenue, results and assets by geographical market is presented below:

	Reportable segment revenue (Unaudited) Six months ended 30 September		**Reportable segment profit (Unaudited) Six months ended 30 September**		**Reportable segment assets**	
					(Unaudited) 30 September	(Audited) 31 March
	2010 US$ million	2009 US$ million	**2010 US$ million**	2009 US$ million	**2010 US$ million**	2010 US$ million
North America	**421.6**	441.8	**47.2**	52.8	**210.8**	121.1
Europe	**298.6**	225.6	**40.7**	32.4	**159.6**	75.5
Asia Pacific	**51.1**	42.5	**7.8**	8.8	**540.9**	642.3
Others	**42.6**	28.1	**6.5**	6.7	**1.0**	0.7
	813.9	738.0	**102.2**	100.7	**912.3**	839.6

(c) Reconciliation of reportable segment assets

	(Unaudited) 30 September 2010 US$ million	(Audited) 31 March 2010 US$ million
Assets		
Reportable segment assets	**912.3**	839.6
Investments	**0.2**	0.2
Taxation recoverable	**–**	0.7
Deferred tax assets	**7.5**	5.6
Consolidated total assets	**920.0**	846.1

(d) Segment liabilities

Segment liabilities include trade creditors, bills payables, 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.

4 OPERATING PROFIT

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

	(Unaudited) Six months ended 30 September 2010 US$ million	2009 US$ million
Cost of inventories	**552.0**	483.5
Depreciation of tangible assets	**17.0**	17.5
Gain on disposal of tangible assets	**(0.1)**	–
Net foreign exchange gain	**(0.5)**	(0.9)

5 TAXATION

	(Unaudited) Six months ended 30 September 2010 US$ million	2009 US$ million
Company and subsidiaries		
Income tax		
– Hong Kong	**10.4**	12.5
– Overseas	**1.7**	2.3
Deferred tax		
– Origination and reversal of temporary differences	**(2.0)**	(4.2)
	10.1	10.6
Income tax	**12.1**	14.8
Deferred tax	**(2.0)**	(4.2)
	10.1	10.6

Provision for Hong Kong Profits Tax and overseas taxation has been calculated at tax rates prevailing in the countries in which the Group operates.

6 DIVIDENDS

(a) Dividends attributable to the period:

	(Unaudited) Six months ended 30 September 2010 US$ million	2009 US$ million
Interim dividend of US16.0 cents (2009: US16.0 cents) per share declared	**39.7**	39.5

The interim dividend was proposed after the balance sheet date and has not been recognised as liabilities at the balance sheet date.

(b) At a meeting held on 14 June 2010, the directors proposed a final dividend of US62.0 cents (2009: US41.0 cents) per ordinary share for the year ended 31 March 2010, which was estimated to be US$153.1 million at the time calculated on the basis of the ordinary shares in issue as at 31 March 2010. The final dividend was approved by shareholders at the Annual General Meeting on 30 July 2010. As a result of shares issuance upon exercise of share options during the period between 1 April 2010 and 30 July 2010, the final dividend paid in respect of the year ended 31 March 2010 totaled US$153.9 million (2009:US$101.2 million).

7 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$93.6 million (2009: US$91.5 million).

The calculation of basic earnings per share is based on the weighted average of 247.5 million (2009: 246.2 million) ordinary shares in issue during the period. The calculation of diluted earnings per share is based on 248.7 million (2009: 246.9 million) ordinary shares which is the weighted average number of ordinary shares in issue during the period after adjusting for the number of dilutive potential ordinary shares under the employee share option scheme.

8 STOCKS

Stocks in the consolidated balance sheet at 30 September 2010 comprised mainly of finished goods of US$206.9 million (31 March 2010: US$72.2 million).

9 DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments of US$349.3 million (31 March 2010: US$211.4 million) include trade debtors of US$323.6 million (31 March 2010: US$185.7 million).

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

	(Unaudited) 30 September 2010 US$ million	(Audited) 31 March 2010 US$ million
0-30 days	**189.1**	101.4
31-60 days	**92.6**	53.8
61-90 days	**40.4**	28.4
>90 days	**1.5**	2.1
Total	**323.6**	185.7

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.

10 CREDITORS AND ACCRUALS

Creditors and accruals of US$385.4 million (31 March 2010: US$272.9 million) includes trade creditors of US$215.4 million (31 March 2010: US$136.0 million).

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

	(Unaudited) 30 September 2010 US$ million	(Audited) 31 March 2010 US$ million
0-30 days	**130.3**	70.1
31-60 days	**47.6**	35.8
61-90 days	**27.3**	20.9
>90 days	**10.2**	9.2
Total	**215.4**	136.0

11 SHARE CAPITAL AND SHARE OPTIONS

(a) Share Capital

	(Unaudited) 30 September 2010 US$ million	(Audited) 31 March 2010 US$ million
Authorised		
Ordinary shares: 400,000,000 (31 March 2010: 400,000,000) of US$0.05 each	**20.0**	20.0

	Number of shares	(Unaudited) 30 September 2010 US$ million	Number of shares	(Audited) 31 March 2010 US$ million
Issued and fully paid				
Ordinary shares of US$0.05 each:				
At beginning of period/year	**246,990,133**	**12.4**	245,852,133	12.3
Shares issued upon exercise of share options	**1,208,000**	**–**	1,138,000	0.1
At end of period/year	**248,198,133**	**12.4**	246,990,133	12.4

(b) Share Options

As at 30 September 2010, the number of shares issuable under the options granted pursuant to the share option scheme adopted by the Company on 10 August 2001 (the "2001 Scheme") was 3,034,000, 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 financial period were as follows:

			Number of share options			
Date of grant	**Exercise price**	**Exercisable period** (Note 1)	**Balance in issue at 1 April 2010**	**Granted during the period**	**Exercised during the period**	**Balance in issue at 30 September 2010**
17 April 2008	HK$41.07	23 April 2009 to 29 April 2011	248,000	–	(150,000) (Note 2)	**98,000**
17 April 2008	HK$41.07	23 April 2010 to 29 April 2012	1,306,000	–	(1,058,000) (Note 3)	**248,000**
17 April 2008	HK$41.07	23 April 2011 to 29 April 2013	1,306,000	–	–	**1,306,000**
9 April 2010	HK$85.35	12 April 2012 to 4 May 2014	–	1,382,000 (Note 4)	–	**1,382,000**
			2,860,000	1,382,000	(1,208,000)	**3,034,000**

Notes:

(1) 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 150,000 share options were exercised at the exercise price of HK$41.07 per share during the financial period. 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$83.18 per share and HK$79.47 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 period. 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$84.88 per share and HK$81.09 per share respectively.

(4) On 9 April 2010, the Company granted 1,382,000 options to certain employees of the Company and its subsidiaries pursuant to the 2001 Scheme. The closing price per share as at the date immediately before on which options were granted was HK$86.90.

(5) No options were lapsed or cancelled during the financial period.

11 SHARE CAPITAL AND SHARE OPTIONS (CONTINUED)

(b) Share Options (Continued)

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			
	17 April 2008 (Note 1)	**17 April 2008** (Note 1)	**17 April 2008** (Note 1)	**9 April 2010** (Note 2)
Fair value of each share option as of the date of grant	HK$5.18	HK$5.76	HK$5.95	HK$22.12
Closing price at the date of grant	HK$40.1	HK$40.1	HK$40.1	HK$85.1
Exercise price	HK$41.07	HK$41.07	HK$41.07	HK$85.35
Expected volatility	43.33%	43.33%	43.33%	54.24%
Annual risk-free interest rate	1.22%	1.56%	1.88%	0.99%
Expected average life of options	1.5 years	2.5 years	3.5 years	2.5 years
Expected dividend yield (Note 3)	10.3%	10.3%	10.3%	5.22%
Exercisable period	23 April 2009 to 29 April 2011	23 April 2010 to 29 April 2012	23 April 2011 to 29 April 2013	12 April 2012 to 4 May 2014

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 two years 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 three 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.

12 CAPITAL COMMITMENTS

	(Unaudited) 30 September 2010 US$ million	(Audited) 31 March 2010 US$ million
Capital commitments for property, plant and equipment:		
Authorised but not contracted for	**30.4**	42.4
Contracted but not provided for	**8.3**	2.8
	38.7	45.2

13 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 30 September 2010, there were contingent liabilities in respective of guarantees given by the Company on behalf of subsidiaries related to overdrafts, short term loans and credit facilities of up to US$233.9 million (31 March 2010: US$233.9 million). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was US$Nil.

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

14 COMPARATIVE FIGURES

As a result of the application of improvements to IFRSs 2009, certain comparative figures have been adjusted to conform to current period's presentation. Further details of these developments are disclosed in note 2.

15 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 MARCH 2011

Up to the date of issue of the Interim Financial Report, the IASB has issued a number of amendments, new standards and new interpretations which are not yet effective for the accounting period ending 31 March 2011 and which have not been adopted in the Interim Financial Report.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

	Effective for accounting period beginning on or after
Improvements to IFRSs 2010	1 January 2011
IAS 24 (revised), Related Party Disclosures	1 January 2011
IFRS 9, Financial Instruments	1 January 2013

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 while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.

16 APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the Board on 17 November 2010.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 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 as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (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:

(a) Interests in the Company

	Number of shares					
Name of director	**Personal interest**	**Family interest**	**Other interest**	**Equity derivatives (share options)**	**Total**	**Approximate percentage of shareholding**
Allan WONG Chi Yun	8,646,393	3,968,683	74,101,153 (Note 1)	1,008,000	87,724,229	35.3%
PANG King Fai	81,000	–	–	850,000	931,000	0.4%
Andy LEUNG Hon Kwong	248,500	–	–	252,000	500,500	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 beneficially owned as to 1,416,325 by Honorex Limited ("Honorex"), as to 65,496,225 by Conquer Rex Limited ("Conquer Rex") and as to 7,188,603 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 positions.

(b) Share Options of the Company

				Number of share options held	
Name of director	**Date of grant**	**Exercise price**	**Exercisable period**	**as at 1 April 2010**	**as at 30 September 2010**
Allan WONG Chi Yun	17 April 2008	HK$41.07	24 April 2010 to 23 April 2012	496,000	– (Note 1)
	17 April 2008	HK$41.07	24 April 2011 to 23 April 2013	496,000	496,000
	9 April 2010	HK$85.35	12 April 2012 to 12 April 2014	–	512,000 (Note 2)
PANG King Fai	17 April 2008	HK$41.07	23 April 2009 to 22 April 2011	248,000	98,000 (Note 3)
	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
	9 April 2010	HK$85.35	13 April 2012 to 13 April 2014	–	256,000 (Note 2)
Andy LEUNG Hon Kwong	17 April 2008	HK$41.07	25 April 2010 to 24 April 2012	124,000	– (Note 1)
	17 April 2008	HK$41.07	25 April 2011 to 24 April 2013	124,000	124,000
	9 April 2010	HK$85.35	13 April 2012 to 13 April 2014	–	128,000 (Note 2)

Notes:

(1) The weighted average closing price per share immediately before the date on which options were exercised was HK$84.75.

(2) The closing price per share immediately before the date on which the options were granted was HK$86.90.

(3) The weighted average closing price per share immediately before the date on which options were exercised was HK$83.18.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

Save as disclosed above, as at 30 September 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 as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDINGS

As at 30 September 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	29.9%
Newcorp Limited	Interest of controlled corporation (Note 1)	74,101,153	29.9%
Honorex Limited	Interest of controlled corporation (Note 1) Beneficial owner (Note 1)	65,496,225 1,416,325	27.0%
Conquer Rex Limited	Beneficial owner (Note 1)	65,496,225	26.4%
Templeton Asset Management Limited	Investment manager	39,238,500	15.8%
Capital Research and Management Company	Investment manager	15,382,000	6.2%

Notes:

(1) The shares were beneficially owned as to 1,416,325 by Honorex, as to 65,496,225 by Conquer Rex and as to 7,188,603 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 represented long positions.

Save as disclosed above, as at 30 September 2010, the Company had 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

VTech Holdings Limited is incorporated in Bermuda and has its shares listing on 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 Listing Rules. Throughout the six months ended 30 September 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. WONG 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. WONG to the posts of Chairman and Group Chief Executive Officer is beneficial to the Group as he has considerable industry experience.

The Board has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Risk Management Committee with defined terms of reference which are of no less exacting than those set out in the Code. Corporate governance practices adopted by the Company during the six months ended 30 September 2010 are in line with those practices set out in the Company's 2010 Annual Report.

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 in relation to the financial period covered by the Interim Report. 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 for the six months ended 30 September 2010.

AUDIT COMMITTEE

The Audit Committee is chaired by Mr. Denis Morgie HO Pak Cho, with Dr. William FUNG Kwok Lun, Mr. Michael TIEN Puk Sun and Dr. Patrick WANG Shui Chung (appointed on 15 June 2010) 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 Listing Rules. The Audit Committee held two meetings during the financial period to the date of this Interim Report. 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 included reviewing the following:

- audited Group financial statements and reports for the year ended 31 March 2010;
- report from the external auditor for the year ended 31 March 2010;
- unaudited Group financial statements for the six months ended 30 September 2010;
- report from the external auditor based on limited agreed upon procedures on the unaudited Group financial statements for the six months ended 30 September 2010;
- accounting principles and practices adopted by the Group;
- implementation of applicable International Financial Reporting Standards;
- remuneration of the external auditor;
- significant findings by the internal audit department and recommendations for corrective actions; and
- respective audit plans of the internal and external auditors.

On 17 November 2010, the Audit Committee met to review the unaudited Group financial statements and reports for the six months ended 30 September 2010 in conjunction with the Company's external auditor, senior management and internal audit department before recommending them to the Board for consideration and approval.

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. The Audit Committee reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. Based on the information received from the Company's 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.

RISK MANAGEMENT COMMITTEE

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

Other Information

INTERIM DIVIDEND

The Board has declared an interim dividend ("Interim Dividend") of US16.0 cents per ordinary share in respect of the six months ended 30 September 2010, payable on 23 December 2010 to shareholders whose names appear on the register of members of the Company as at the close of business on 17 December 2010.

The Interim 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 13 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 December 2010 to 17 December 2010, both dates inclusive, during which period no transfer of shares will be effected.

In order to qualify for the Interim Dividend, all transfers of shares accompanied by the relevant share certificates, must be lodged with the share registrars of the Company no later than 4:00 p.m., the local time of the share registrars, on Friday, 10 December 2010.

The principal registrar is Butterfield Fulcrum Group (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda and the branch registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

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 this share option scheme include executive directors and employees of the Company and its subsidiaries. On 10 August 2001, the Company adopted 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 11 to the Interim Financial Report.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the six months ended 30 September 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the financial period.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules is set out below:

- Dr. Patrick WANG Shui Chung was appointed as a Member of the Greater Pearl River Delta Business Council by the Government of the Hong Kong Special Administrative Region of the People's Republic of China for the period of two years with effect from 1 March 2010.

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
13-17 December 2010 (both dates inclusive)

Payment of Interim Dividend
23 December 2010

FY2011 Annual Results Announcement
May 2011

SHARE INFORMATION

Board Lot	100 shares *
Issued Shares as at 30 September 2010	248,198,133 shares

* The board lot size for trading VTech Holdings Limited shares on the Stock Exchange of Hong Kong Limited was changed from 1,000 shares to 100 shares with effect from 27 August 2010.

DIVIDEND

Dividend per ordinary share for the six months ended 30 September 2010	US16.0 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, Wan Chai
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

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Tai Po, New Territories
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Fax: (852) 2680 1788
Email: investor_relations@vtech.com

WEBSITE

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

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 (Hong Kong) Limited

AUDITOR

KPMG
Certified Public Accountants
Hong Kong

VTech Holdings Ltd
(Incorporated in Bermuda with limited liability)

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Mixed Sources
Product group from well-managed
forests and other controlled sources
www.fsc.org Cert no. SGS-COC-004332
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