VTech Holdings Limited

HKSE : 303

Annual Report 2014

CONTENTS

CORPORATE PROFILE

VTech is the global leader in electronic learning products from infancy to preschool and the world's largest manufacturer of cordless phones. It also provides highly sought-after contract manufacturing services. Founded in 1976, VTech's mission is to design, manufacture and supply innovative and high quality products in a manner that minimises any impact on the environment, while creating sustainable value for its stakeholders and the community.

With headquarters in the Hong Kong Special Administrative Region and state-of-the-art manufacturing facilities in China, VTech currently has operations in 11 countries and regions. It employs approximately 30,000 employees, including around 1,500 R&D professionals in R&D centres in Canada, Germany, Hong Kong and 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.

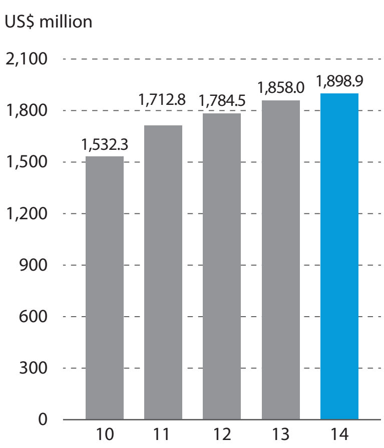
The Group invests significantly in R&D and launches numerous new products each year. VTech sells its products via a strong brand platform supported by an extensive global distribution network of leading traditional and online retailers.

Shares of VTech Holdings Limited are listed on The Stock Exchange of Hong Kong Limited (HKSE: 303).

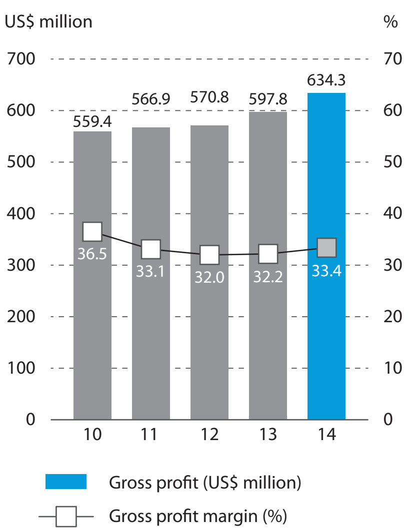
For the year ended 31 March	2014	2013 (Restated)	Change
Operating results (US$ million)			
Revenue	**1,898.9**	1,858.0	2.2%
Gross profit	**634.3**	597.8	6.1%
Operating profit	**226.1**	223.9	1.0%
Profit before taxation	**227.5**	225.6	0.8%
Profit attributable to shareholders of the Company	**203.3**	201.5	0.9%
Financial position (US$ million)			
Cash generated from operations	**257.2**	214.3	20.0%
Deposits and cash	**322.9**	308.6	4.6%
Shareholders' funds	**575.6**	564.3	2.0%
Per share data (US cents)			
Earnings per share – basic	**81.1**	80.6	0.6%
Earnings per share – diluted	**81.1**	80.5	0.7%
Dividend per share – interim and final	**80.0**	80.0	–
Other data (US$ million)			
Capital expenditure	**30.1**	29.9	0.7%
R&D expenditure	**58.0**	57.1	1.6%
Key ratios (%)			
Gross profit margin	**33.4**	32.2	1.2% pts
Operating profit margin	**11.9**	12.0	-0.1% pts
Net profit margin*	**10.7**	10.8	-0.1% pts
EBITDA/Revenue	**13.6**	13.6	–
Return on shareholders' funds	**35.3**	35.7	-0.4% pts

* Net profit margin is calculated as profit attributable to shareholders of the Company as a percentage of revenue

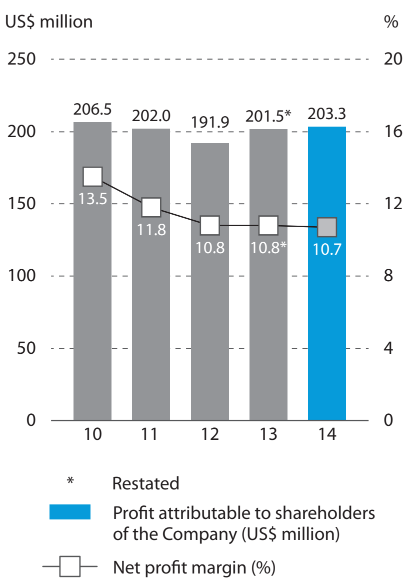
Group Revenue in Last 5 Years



Gross Profit and Gross Profit Margin in Last 5 Years



Profit Attributable to Shareholders of the Company and Net Profit Margin in Last 5 Years



Dear Shareholders,

VTech delivered top-line growth across its major markets in the financial year 2014, reporting record revenue despite a generally soft retail environment. Gross margin continued to improve, as material costs were lower. The Group's efforts to raise productivity through automation also began to bear fruit. Profit attributable to shareholders of the Company, however, showed lower growth due to higher advertising and promotion expenses. During the financial year, the Group's leadership in core product categories was further strengthened.

Results and Dividend

Group revenue for the year ended 31 March 2014 increased by 2.2% to US$1,898.9 million. The increase was mainly attributable to higher revenue in North America, Europe and Asia Pacific, offsetting lower revenue in Other Regions.

Profit attributable to shareholders of the Company rose 0.9% to US$203.3 million. During the financial year 2014, the Group increased its advertising and promotion expenses to support InnoTab® in the US in response to a competitive market. Basic earnings per share grew by 0.6% to US81.1 cents, compared to US80.6 cents in the previous financial year.

The Board of Directors has proposed a final dividend of US64.0 cents per ordinary share, providing a full-year dividend of US80.0 cents per ordinary share, the same as the dividend paid in the financial year 2013.

Costs and Operations

The Group's gross margin improved in the financial year 2014 as lower material costs more than offset higher labour costs and manufacturing overheads. Material costs declined due to subdued global demand and VTech's efforts in re-engineering products for lower cost. The Group also succeeded in reducing the impact of the rise in the minimum wage in China, via its initiatives to raise productivity through automation and process improvement. As a result, VTech employed 11% fewer workers on average compared with the previous financial year despite output being higher. Manufacturing overheads increased owing to higher production capacity, inflation in China and the appreciation of the Renminbi.

Our Business

The Group's sales composition continued to evolve in response to changes in market demand.

In the financial year 2014, Electronic Learning Products (ELPs) remained the Group's largest product line, followed by telecommunication (TEL) products and contract manufacturing services (CMS).

Overall sales of the Group via e-tailers have risen strongly, outpacing the traditional sales channels. Sales of content downloaded from VTech's app store, Learning Lodge™, continued to see good growth.

Even though the European toy markets were generally down or flat in the calendar year 2013, VTech ELPs outperformed in the region to deliver 16.5% revenue growth. The Group was the number one player in the overall Infant Toys category in France, the UK and Germany in the calendar year 2013[1]. Furthermore, Storio® was the number one children's educational tablet in Europe for the second year in a row[2]. In the US, Go! Go! Smart Wheels® delivered a strong performance in the financial year 2014. Sales of InnoTab, however, were lower due to competition from low-cost consumer electronics tablets. In the financial year 2014, standalone products accounted for about 68% of total ELPs revenue, while platform products accounted for approximately 32%, as compared with about 64% and 36% respectively in the financial year 2013.

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[1] *Source: NPD Group, Retail Tracking Service*

[2] *Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales of Storio for the combined market of France, the UK, Germany, Spain and Italy*

In TEL products, the businesses in the US and Asia Pacific posted good performances, partially offsetting the weakness in Europe. In residential phones, the Group maintained its number one position in the US[3] and grew its share further as the market continued to consolidate. Sales of commercial phones and other telecommunication products continued to rise. Among these, baby monitors and the cordless business phone system, SynJ®, were the best performers. VTech also started shipping ErisStation™, its first conference phone with wireless microphones, to customers in the US and Europe in the fourth quarter of the financial year. In the financial year 2014, commercial phones and other telecommunication products represented about 14% of total TEL products revenue, against approximately 12% in the financial year 2013.

VTech CMS registered 7.2% revenue growth in the financial year 2014, once again outperforming the global EMS market and marking the 12th consecutive year of growth. Its strong reputation and expertise in a number of product categories enabled it to add new customers and expand geographically, resulting in top-line growth in all regions.

Our Strategies

VTech's proven strategy centres on four growth drivers: product innovation, gains in market share, geographic expansion and operational excellence.

Product Innovation has given the Group leadership in core product categories, while acting as the driver for growth in the new product areas.

VTech's ELPs have benefited from tremendous growth in areas beyond that of core learning and the Group will build on this momentum by introducing new product ranges. The infant-toddler vehicles line Go! Go! Smart Wheels and its playsets were strong performers in the financial year 2014. Riding on their success, the Group will increase its presence in the playset arena with the launch of Go! Go! Smart Animals™ in the US and Europe. More vehicles and playsets, meanwhile, will be added to the Go! Go! Smart Wheels line. The Switch & Go Dinos® range of vehicles for the preschool segment will expand further with the introduction of Switch & Go Dinos Turbo, adding nine new models to the range.

VTech's proven strategy centres on four growth drivers: product innovation, gains in market share, geographic expansion and operational excellence.

VTech will also continue to broaden its learning products portfolio. More than 100 new standalone products targeting infants, toddlers, preschoolers and grade-schoolers, will be introduced globally this calendar year.

In platform products, VTech continues to innovate to capture the latest trends. Kidizoom® Smart Watch, the world's first children's smartwatch with a camera, will hit the shelves in both the US and Europe this summer. To maintain momentum in children's tablets, the Group will upgrade InnoTab with new versions, including InnoTab Max. With a 7" LCD screen and a child-proof design, InnoTab Max has an upgraded processor for an enhanced experience, backed by a rich and expert-endorsed library of educational software titles.

For TEL products, growth will be driven by commercial phones and other telecommunication products, which will see new offerings across the spectrum during the financial year 2015. Among them, a new range of small to medium sized business (SMB) phones will be launched under the VTech brand. This will include a new conference phone model with wireless microphones, SIP (Session Initiation Protocol) phones and a 4-line, SIP-based telephone system catering to the needs of small businesses. VTech's range of baby monitors will be enhanced by the introduction of more video and audio models. For connected home™ devices, in addition to Wi-Fi video monitors, a new family of home monitoring devices based on the DECT ULE (Ultra Low Energy) standard will be launched in the second half of the financial year 2015.

In residential phones, the Group continues to develop products with new styling and features. The DECT platform has been re-engineered to make it more cost-competitive. This supports the strategy to revitalise the European TEL products business and strengthen VTech's leadership position in the US. The Group will also introduce new CAT-iq handsets in Europe offering affordable, high-definition voice quality supporting multiple lines during the financial year 2015.

[3] *Source: MarketWise Consumer Insights, LLC*

The ability to offer DFM (Design for Manufacturing), flexible services and manufacturing know-how in a number of product categories has made VTech CMS a leading contract manufacturer. It has a dedicated manufacturing facility offering reduced logistics and customs clearance costs for customers wishing to distribute their products in China. The Group's stringent quality control system and experienced staff allow it to handle low to medium volumes as well as a high mix of different products. As in previous years, VTech CMS received numerous customer service awards during the financial year 2014.

Gains in Market Share will continue to be the growth driver for the Group in the financial year 2015.

VTech continued to be the world's largest player in ELPs from infancy to preschool in the calendar year 2013[4]. The pipeline of new products will enable the Group to strengthen its market leadership in the core learning area, while pursuing growth in new areas.

In addition to leadership in ELPs, VTech remained the world's number one manufacturer of cordless telephones in the calendar year 2013[5]. In the calendar year 2014, further market share gains are expected for TEL products in the US and Asia Pacific. Market share in Europe and Other Regions will recover, driven by new product launches and the signing of a major new distributor for the Middle East.

The Group's commitment to quality products and services has enabled CMS to win market share year after year. According to *Manufacturing Market Insider*, VTech CMS ranked among the world's top 50 EMS providers in the calendar year 2013. The Group expects to continue to increase its CMS sales globally in the financial year 2015.

Geographic Expansion will see more emphasis on expanding outside North America and Western Europe, in order to capture growth opportunities. In Asia Pacific, the potential in China is huge and it will continue to be the most important market for development. The developed markets in the region such as Australia and Japan will continue to be a focus. The Group will also extend its reach to other markets including Taiwan, Malaysia and Korea. In Other Regions, the Group aims to grow sales in Latin America and the Middle East.

Operational Excellence underpins VTech's success. As costs in China are set to rise further, operational efficiency is becoming increasingly important. In addition to process improvement and product optimisation for manufacturing, the Group will increase its application of automation by deploying more commercially available and in-house custom-made machines. This will reduce the number of workers further, even as output increases. The Group will also benefit from enhanced competitiveness as automation improves product quality, reduces time to market and increases flexibility in production.

Outlook

Economic recovery in the US appears to be on a sustainable footing, while the economies of Western Europe are improving. With a stabilised market environment and new products ready to be launched, the Group is targeting further revenue growth in the financial year 2015.

In addition to process improvement and product optimisation for manufacturing, the Group will increase its application of automation by deploying more commercially available and in-house custom-made machines. This will reduce the number of workers further, even as output increases.

[4] *Source: MarketWise Consumer Insights, LLC and Retail Tracking Service of NPD Group. Ranking based on 2012 and 2013 total estimated annual retail sales in the combined toy categories of infant electronic learning and preschool electronic learning*

[5] *Source: MZA Ltd, 2014*

VTech's product innovation and operational efficiency have given it market-leading positions in a number of areas. It continues to gain market share and expand geographically, while maintaining a strong financial position. The Group will continue to implement its sustainability strategies, while exploring every avenue of potential growth to generate higher returns for shareholders.

Sales of ELPs in the financial year 2015 are forecast to increase as the strong momentum in standalone products carries through. Innovative products including Go! Go! Smart Animals and Switch & Go Dinos Turbo, as well as new core learning products, will drive growth. Despite the introduction of Kidizoom Smart Watch, sales of platform products are still expected to be challenging. InnoTab will face rising competition as more low-cost tablets are being introduced to the consumer electronics aisles.

TEL products revenue is also expected to increase. Growth will be driven by commercial phones and other telecommunication products, as the Group introduces new products and makes higher shipments of continuing products. Sales of residential phones in Europe and Other Regions are expected to recover, while in Asia Pacific growth will continue. In the US, although the residential phone market will shrink further, VTech will continue to increase its share.

CMS is expected to grow further in the financial year 2015. Business with existing customers will increase, as the Group continues to take market share from the competition. New customers will add a further stimulus to growth. To cope with higher expected demand over the next three years, the Group plans to add a new CMS factory building. This will raise manufacturing capacity by 25% once it enters operation in the middle of the calendar year 2015.

Regarding costs, material prices are expected to hold broadly steady, although labour costs and manufacturing overheads in China will continue to rise. However, the Group's gross profit margin is expected to be stable as efficiency gains through automation, process improvements and product optimisation should offset higher costs in China.

As a global company that is part of the communities in which it operates, VTech recognises the need to step up its effort to achieve sustainable development. The goal is to design, manufacture and supply innovative and high quality products in a manner that minimises any impact on the environment, while creating value for stakeholders and communities. To this end, VTech will continue to incorporate sustainability concepts into product design, improve energy and resource efficiency in operations, and upgrade employees' living and working environments.

VTech's product innovation and operational efficiency have given it market-leading positions in a number of areas. It continues to gain market share and expand geographically, while maintaining a strong financial position. The Group will continue to implement its sustainability strategies, while exploring every avenue of potential growth to generate higher returns for shareholders.

Finally, I wish to thank all the Group's employees worldwide for their dedication to ensuring another successful year for VTech, my fellow directors for their counsel and all shareholders, customers and suppliers for their support.

Allan Wong Chi Yun
Chairman

Hong Kong, 22 May 2014

Financial Overview

For the year ended 31 March 2014	**2014** US$ million	2013 (Restated) US$ million	Change US$ million
Revenue	**1,898.9**	1,858.0	40.9
Gross profit	**634.3**	597.8	36.5
Gross profit margin	**33.4%**	32.2%	
Total operating expenses	**(408.2)**	(373.9)*	(34.3)
Total operating expenses as a percentage of revenue	**21.5%**	20.2% *	
Operating profit	**226.1**	223.9 *	2.2
Operating profit margin	**11.9%**	12.0% *	
Net finance income	**1.4**	1.7	(0.3)
Profit before taxation	**227.5**	225.6 *	1.9
Taxation	**(24.2)**	(24.1)	(0.1)
Effective tax rate	**10.6%**	10.7% *	
Profit for the year and attributable to shareholders of the Company	**203.3**	201.5 *	1.8
Net profit margin	**10.7%**	10.8% *	

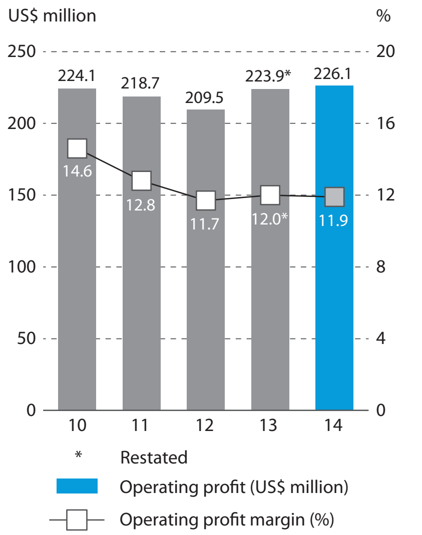
* Restated upon the adoption of IAS 19 (Revised 2011) as described in note B to the financial statements

Revenue

Group revenue for the year ended 31 March 2014 rose by 2.2% to US$1,898.9 million over the previous financial year. The increase in revenue was largely driven by higher sales in North America, Europe and Asia Pacific, which offset a decrease in revenue in other regions.

	2014		2013		Increase/(decrease)	
	US$ million	**%**	US$ million	%	US$ million	%
North America	**950.7**	**50.1%**	933.4	50.2%	17.3	1.9%
Europe	**791.8**	**41.7%**	769.9	41.4%	21.9	2.8%
Asia Pacific	**108.9**	**5.7%**	99.8	5.4%	9.1	9.1%
Other regions	**47.5**	**2.5%**	54.9	3.0%	(7.4)	(13.5%)
	1,898.9	**100.0%**	1,858.0	100.0%	40.9	2.2%

Operating Profit and Operating Profit Margin in Last 5 Years



Gross Profit/Margin

Gross profit for the financial year 2014 was US$634.3 million, an increase of US$36.5 million or 6.1% compared to the US$597.8 million recorded in the previous financial year. Gross profit margin for the year rose from 32.2% to 33.4%. The decline in material costs offset higher labour costs and manufacturing overheads arising from the increase in wages and production capacity, as well as Renminbi appreciation during the financial year 2014.

Operating Profit/Margin

Operating profit for the year ended 31 March 2014 was US$226.1 million, an increase of US$2.2 million or 1.0% over the previous financial year. The improvement in operating profit was mainly due to the increase in gross profit and gross profit margin, which offset the increase in total operating expenses.

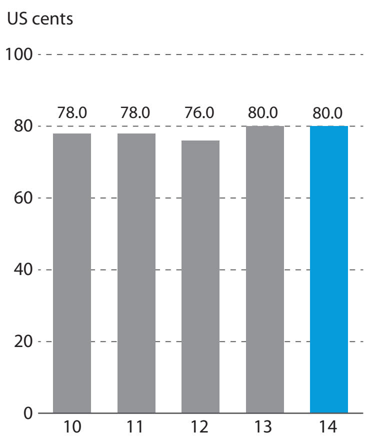
Operating profit margin, however, declined from 12.0% to 11.9%. It was mainly due to the increase in total operating expenses as a percentage of Group revenue, which offset the improvement in gross profit margin. The ratio of EBITDA to revenue was 13.6%, same as the last financial year.

Total operating expenses were US$408.2 million, an increase of 9.2% over the last financial year. Correspondingly, total operating expenses as a percentage of Group revenue rose from 20.2% to 21.5%.

Selling and distribution costs rose by 10.2% from US$260.0 million in the previous financial year to US$286.4 million in the financial year 2014. The increase was mainly attributable to the increased spending on advertising and promotional activities by the Group, especially for the children's educational tablets in response to the keen market competition during the financial year. As a percentage of Group revenue, selling and distribution costs increased from 14.0% to 15.1%.

Administrative and other operating expenses increased from US$56.8 million to US$63.8 million over the same period last year, which was mainly due to the increase in employee related costs. An exchange loss of US$0.4 million arising from the Group's global operations in the ordinary course of business was also recorded in the financial year 2014, which contrasted with an exchange gain of US$0.4 million in the last financial year. Administrative and other operating expenses as a percentage of Group revenue increased from 3.1% to 3.3%.

Dividend per Share in Last 5 Years



During the financial year 2014, the research and development expense was US$58.0 million, an increase of 1.6% over the previous financial year. Research and development expense as a percentage of Group revenue was 3.1%, same as the last financial year.

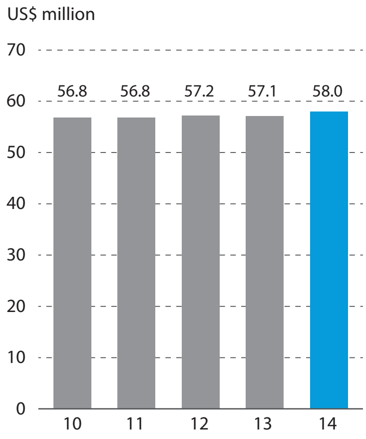
Profit Attributable to Shareholders and Earnings per Share

Profit attributable to shareholders of the Company for the year ended 31 March 2014 was US$203.3 million, an increase of US$1.8 million as compared to the last financial year. Net profit margin, however, decreased from 10.8% to 10.7%.

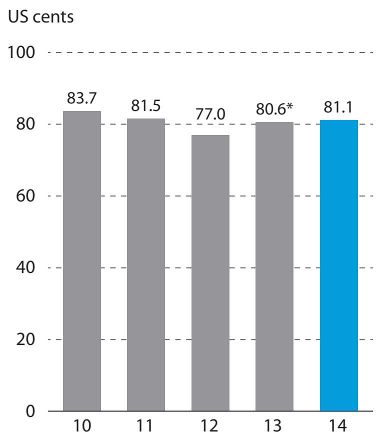
Taxation charges increased from US$24.1 million in the last financial year to US$24.2 million in the financial year 2014. The effective tax rate decreased from 10.7% to 10.6%.

Basic earnings per share for the year ended 31 March 2014 were US81.1 cents as compared to US80.6 cents in the previous financial year.

Group R&D Expenditure in Last 5 Years



Basic Earnings per Share in Last 5 Years



* Restated

Dividends

During the financial year 2014, the Group declared and paid an interim dividend of US16.0 cents per share, which aggregated to US$40.1 million. The Directors have proposed a final dividend of US64.0 cents per share, which is estimated to be US$160.6 million.

	2014 US cents	2013 US cents
Dividend per share		
Interim	**16.0**	16.0
Final*	**64.0**	64.0
Total	**80.0**	80.0

* Final dividend proposed after the balance sheet date

Liquidity and Financial Resources

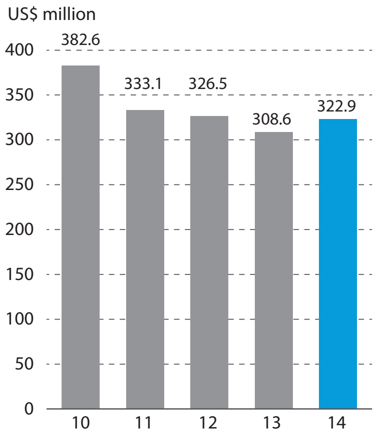
Shareholders' funds as at 31 March 2014 were US$575.6 million, an increase of 2.0% from US$564.3 million in the last financial year. Shareholders' funds per share increased by 1.8% from US$2.25 to US$2.29.

The Group had no borrowings as at 31 March 2013 and 31 March 2014.

The Group's financial resources remain strong. As at 31 March 2014, deposits and cash increased from US$308.6 million to US$322.9 million, an increase of 4.6% compared with the last financial year-end-date. It was mainly due to the increase in cash generated from operations compared with the same period last year. The Group has adequate liquidity to meet its current and future working capital requirements.

Deposits and Cash in Last 5 Years

(As at 31 March)



Analysis of Cash Flow from Operations

	2014 US$ million	2013 (Restated) US$ million	Change US$ million
Operating profit	**226.1**	223.9	2.2
Depreciation and amortisation	**31.3**	29.3	2.0
EBITDA	**257.4**	253.2	4.2
Gain on disposal of tangible assets	**(0.1)**	(0.1)	–
Working capital change	**(0.1)**	(38.8)	38.7
Cash generated from operations	**257.2**	214.3	42.9

The Group's cash generated from operations for the year ended 31 March 2014 was US$257.2 million, as compared to US$214.3 million in the previous financial year. The increase was mainly attributable to the increase in EBITDA in the financial year 2014 and the lower working capital investment compared with the previous financial year.

Working Capital Change

	Balance as at 31 March 2013 (Restated) US$ million	Hedging and others US$ million	Working capital change per cash flow US$ million	**Balance as at 31 March 2014 US$ million**
Stocks	276.9	–	(11.0)	**265.9**
Trade debtors	224.9	–	(16.3)	**208.6**
Other debtors, deposits and prepayments	32.2	(2.4)	(2.6)	**27.2**
Trade creditors	(176.2)	–	35.4	**(140.8)**
Other creditors and accruals	(154.4)	(4.2)	(5.0)	**(163.6)**
Provisions	(28.2)	–	0.3	**(27.9)**
Net obligations on defined benefit scheme	(6.5)	5.2	(0.7)	**(2.0)**
Total working capital	168.7	(1.4)	0.1	**167.4**

Stocks as of 31 March 2014 were US$265.9 million, decreased from US$276.9 million as of 31 March 2013. The turnover days fell from 90 days to 87 days. The reduction resulted from management's effort to improve stock management.

As at 31 March 2014 and 2013 All figures are in US$ million unless stated otherwise	**2014**	2013
Stocks	**265.9**	276.9
Average stocks as a percentage of Group revenue	**14.3%**	13.9%
Turnover days	**87 days**	90 days

Trade debtors as of 31 March 2014 were US$208.6 million, decreased from US$224.9 million as of 31 March 2013. Debtor turnover days improved from 62 days to 54 days. The decrease in the trade debtor balance as at 31 March 2014 was mainly due to continuous efforts to tighten debt collection and credit exposure management. The amounts with overdue balances greater than 30 days accounted for 1.0% of the gross trade debtors as of 31 March 2014.

As at 31 March 2014 and 2013 All figures are in US$ million unless stated otherwise	**2014**	2013
Trade debtors	**208.6**	224.9
Average trade debtors as a percentage of Group revenue	**11.4%**	11.7%
Turnover days	**54 days**	62 days

Other debtors, deposits and prepayments as of 31 March 2014 were US$27.2 million, compared to US$32.2 million as of 31 March 2013. The decline was mainly attributable to the decrease in prepayments and the reversal of fair value gains on forward foreign exchange contracts upon exercise.

Trade creditors as of 31 March 2014 were US$140.8 million, as compared to US$176.2 million as of 31 March 2013. Creditor turnover days decreased from 85 days to 78 days.

As at 31 March 2014 and 2013 All figures are in US$ million unless stated otherwise	**2014**	2013
Trade creditors	**140.8**	176.2
Turnover days	**78 days**	85 days

Treasury Policies

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations and to minimise the Group's financial risks. The Group principally uses forward foreign exchange contracts as appropriate for risk management purposes only, for hedging foreign exchange transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Capital Expenditure

For the year ended 31 March 2014, the Group invested US$30.1 million in the purchase of tangible assets including plant and machinery, equipment, computer systems, as well as the improvement of manufacturing working environment. All of these capital expenditures were financed from internal resources.

Capital Commitments and Contingencies

In the financial year 2015, the Group will incur capital expenditure of US$34.7 million for ongoing business operations.

All of these capital expenditures will be financed from internal resources.

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

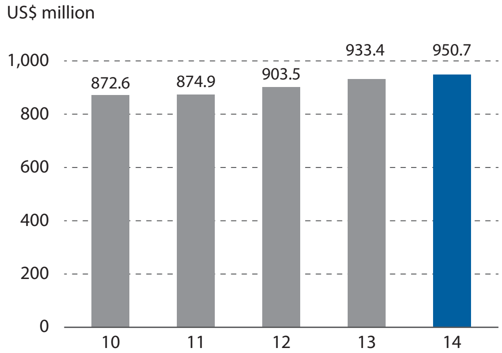
Other creditors and accruals as of 31 March 2014 were US$163.6 million, increased from US$154.4 million as of 31 March 2013. The increase was largely attributable to the increase in accruals of advertising expenses and royalties, as well as the increase in fair value losses on forward foreign exchange contracts in the financial year 2014.

Provisions as of 31 March 2014 were US$27.9 million, as compared to US$28.2 million as of 31 March 2013.

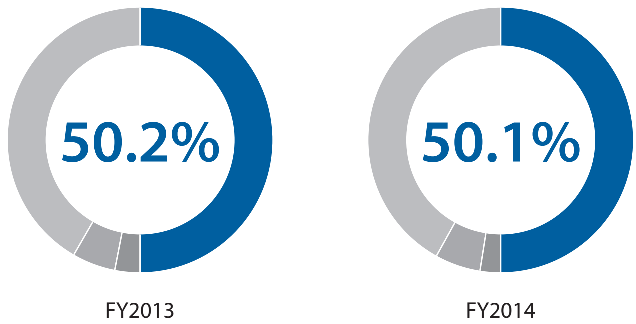
Net obligations on defined benefit scheme as of 31 March 2014 were US$2.0 million, as compared to US$6.5 million as of 31 March 2013. The decrease was mainly due to the re-measurement of net liability of defined benefit scheme.

NORTH AMERICA

Revenue in North America in Last 5 Years



As % of Group Revenue



Group revenue in North America increased by 1.9% to US$950.7 million in the financial year 2014, as higher revenue from TEL products and CMS offset lower revenue from ELPs. North America remained VTech's largest market, accounting for 50.1% of Group revenue.

ELPs revenue in North America declined by 1.1% to US$358.1 million, mainly because of lower sales of platform products. InnoTab, the Group's educational tablet for children, has faced increasing competition in the US market. Sales of MobiGo® 2 were lower due to the popularity of tablets, while V.Reader® reached the end of its product life cycle.

Standalone products posted good growth, driven by strong sell-through of Go! Go! Smart Wheels, infant products and Switch & Go Dinos. The full launch of Go! Go! Smart Wheels in all major retailers in the US boosted sales, following only a limited launch in the financial year 2013. Its vehicles, Train Station and Airport playsets were the best performers. The range was cited in a number of top awards, including Walmart's Top 20 Toys "Chosen by Kids" and Amazon.com's Holiday Toy List. In infant products, Sit-to-Stand Learning Walker™ and Alphabet Activity Cube™ performed especially well. Growth in Switch & Go Dinos was driven by the introduction of new models.

Revenue from TEL products in North America rose by 2.4% to US$398.6 million, driven by higher sales of residential phones, commercial phones and other telecommunication products. Sales of residential phones grew as VTech gained further market share as a result of the continuing consolidation of brands in the market. This helped the Group to maintain its number one position in the US residential phones market[6].

Sales of commercial phones and other telecommunication products also increased, as the existing product lines continued to perform well, while the Group expanded its offering by launching several new products.

For commercial phones and other telecommunication products, positive momentum continued for the SMB phones, SynJ and Syn248®. Higher sales were recorded for baby monitors, as the Group expanded its distribution channels. Hotel phones also saw growth, with VTech expanding its customer base to an increasing number of the world's leading hotel chains. CareLine™ is VTech's home safety telephone system designed for seniors. This product line achieved increased sales and received many favourable online reviews during the financial year 2014.

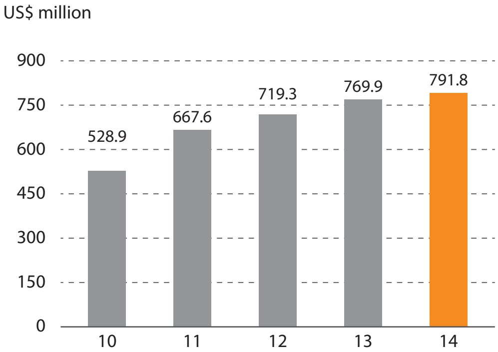
The launch of ErisStation, the Group's first conference phone, in March 2014 was very successful. Featuring four DECT 6.0 microphones with Orbitlink Wireless Technology™, ErisStation makes conversations more comfortable by letting meeting participants spread out while allowing all parties to enjoy interference-free, high-quality conference calls.

CMS revenue in North America increased by 6.5% to US$194.0 million. Sales of professional audio equipment, solid-state lighting, home appliances and communication products were higher, offsetting lower sales of industrial products. In professional audio equipment, the Group added a new account and secured more orders from an existing customer as it expanded its product portfolio to target a new market segment. Solid-state lighting posted solid growth, as the new client ramped up orders. Sales of home appliances and communication products also increased, supported by the customer's new product launch and more orders of VoIP (Voice over Internet Protocol) phones.

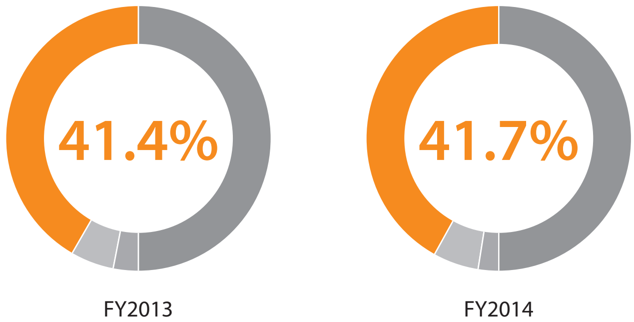
[6] *Source: MarketWise Consumer Insights, LLC*

EUROPE

Revenue in Europe in Last 5 Years



As % of Group Revenue



Group revenue in Europe was up 2.8% to US$791.8 million in the financial year 2014, as higher revenue from ELPs and CMS compensated for lower revenue from TEL products. Europe remained the second largest market of the Group, representing 41.7% of Group revenue.

ELPs revenue in Europe increased by 16.5% to US$385.8 million, with sales growth across all major markets, especially France, from both standalone and platform products. The growth in standalone products was driven by the Toot-Toot Drivers® range, infant products, Kidizoom and the Kidi line of products. During the calendar year 2013, VTech was the number one market player in the overall Infant Toys category in France, the UK and Germany[7]. Furthermore, Toot-Toot Drivers garnered a number of top industry awards. In France, Its Train Station was given the "Toy Grand Prix 2013" award in the preschool toy category by *La Revue du Jouet* magazine, while in the UK, it was named "Preschool Toy of the Year" by the Toy Retailers Association. Toot-Toot Drivers Garage was also ranked among the top five best-selling infant items by retail value in France, the UK and Germany[8].

In platform products, children's educational tablets led the growth. The InnoTab range was updated for the UK market through the introduction of InnoTab 3 and 3S, while Storio 2 was sold in all VTech's major European markets. In the calendar year 2013, Storio was the number one children's educational tablet in Europe for the second year in a row[9].

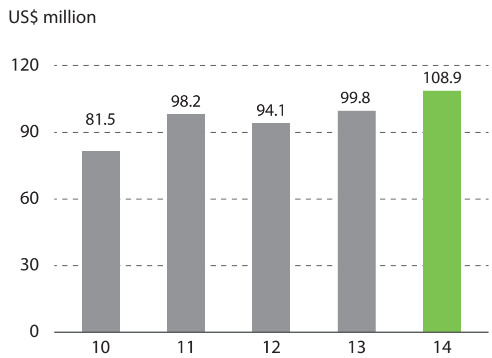
TEL products revenue in Europe decreased by 24.2% to US$154.3 million. The decline was mainly due to lower sales of residential phones. This resulted from the decline of the fixed-line telephones market, a generally weak economy in Europe and the Group's decision to focus on higher margin business. For commercial phones and other telecommunication products, sales of baby monitors, connected home devices and hotel phones were higher, offsetting lower sales of integrated access devices. In January 2014, the Group began initial shipments of its conference phone and SIP phones to the UK and France. These new products have been very well received by both customers and end-users.

CMS revenue in Europe increased by 7.1% to US$251.7 million. Professional audio equipment, wireless headsets and home appliances saw higher sales, offsetting lower revenue from switching mode power supplies and medical and health products. Professional audio equipment delivered robust growth, as the Group benefited from new product launches by existing customers. More orders from new accounts in Germany also buoyed sales. Wireless headsets posted decent growth, as VTech gained market share owing to better service, while good sell-through of the client's products also contributed to higher revenue. Sales of home appliances rose as the new Italian customer increased orders. Switching mode power supplies and medical and health products, however, saw sales decline as the switching mode power supplies customer divested its solar power inverter business, while the product of the medical and health client did not sell as expected, resulting in lower orders.

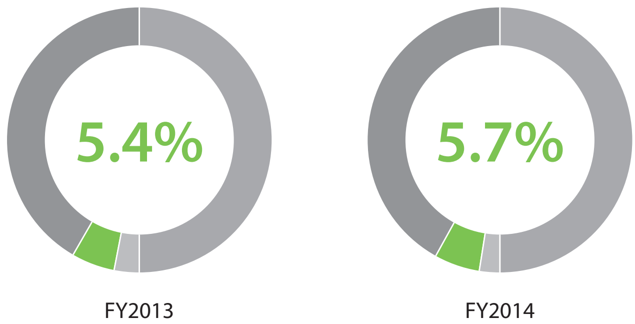
[7] *Source: NPD Group, Retail Tracking Service*
[8] *Source: NPD Group, Retail Tracking Service*
[9] *Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales of Storio for the combined market of France, the UK, Germany, Spain and Italy*

ASIA PACIFIC

Revenue in Asia Pacific in Last 5 Years



As % of Group Revenue



Group revenue in Asia Pacific increased by 9.1% to US$108.9 million during the financial year 2014, driven by higher sales among all product lines. The region represented 5.7% of Group revenue.

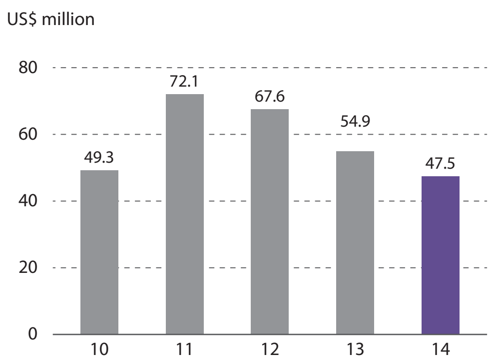
ELPs revenue in Asia Pacific increased by 9.2% to US$21.3 million. Strong growth was seen in China, boosted by increasing revenues from traditional and online sales channels. Higher sales were also recorded in Korea, as the Group made some inroads in the market. Sales in Australia, however, registered a decline during the financial year 2014.

Revenue from TEL products in the region grew by 8.7% to US$41.1 million, mainly due to higher sales in Australia, China and Japan. In Australia, sales rose as VTech increased its share of the cordless phone market. The Group also started selling baby monitors to Australian customers, adding to the growth in this market. Sales in China climbed, as the Group increased market penetration by introducing more VTech and AT&T branded products. In Japan, sales growth was driven by the addition of a new ODM (Original Design Manufacturing) customer.

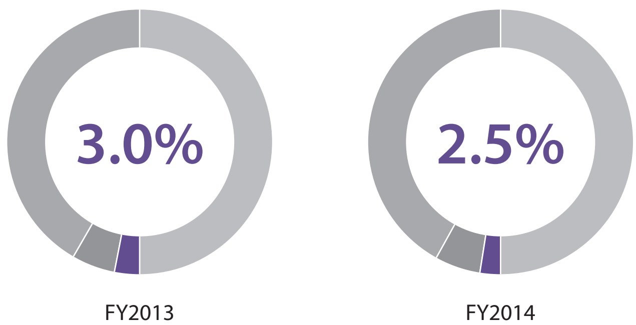
CMS revenue in Asia Pacific rose by 9.4% to US$46.5 million. Japan posted higher sales, driven by more orders for marine radio and medical and health products. Australia also recorded sales growth, with sales increases in professional audio equipment, home appliances and medical and health products. Sales in China and Korea, however, were lower as orders for solid-state lighting and Bluetooth speakerphones declined.

OTHER REGIONS

Revenue in Other Regions in Last 5 Years



As % of Group Revenue



Other Regions comprise Latin America, the Middle East and Africa. Group revenue in Other Regions declined by 13.5% to US$47.5 million, mainly due to lower sales of TEL products and ELPs. These regions accounted for 2.5% of Group revenue.

ELPs revenue in Other Regions dropped 28.0% to US$13.4 million, with all regions seeing sales declines, especially Latin America.

Revenue from TEL products in Other Regions fell 7.6% to US$32.9 million, with Latin America and the Middle East recording sales decreases during the financial year 2014.

CMS revenue in Other Regions was US$1.2 million in the financial year 2014, as compared to US$0.7 million in the financial year 2013.

ELECTRONIC LEARNING PRODUCTS

VTech's strategy for ELPs is to apply the latest proven technology to innovative educational toys that help kids learn and develop through fun and smart play. These key figures testify to the success of the Group's strategy

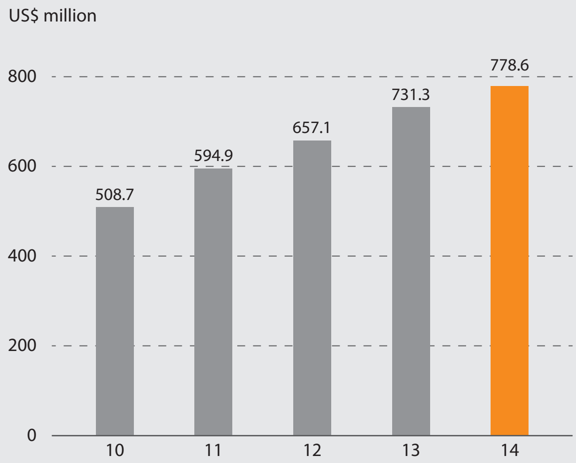
No.1 global player in ELPs

No.1 player in infant toys in France, the UK and Germany

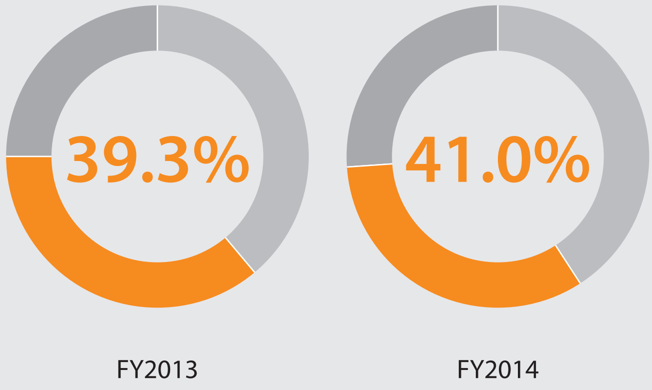
46 million products shipped in FY2014

84 countries selling VTech ELPs in 24 languages

ELPs Revenue in Last 5 Years

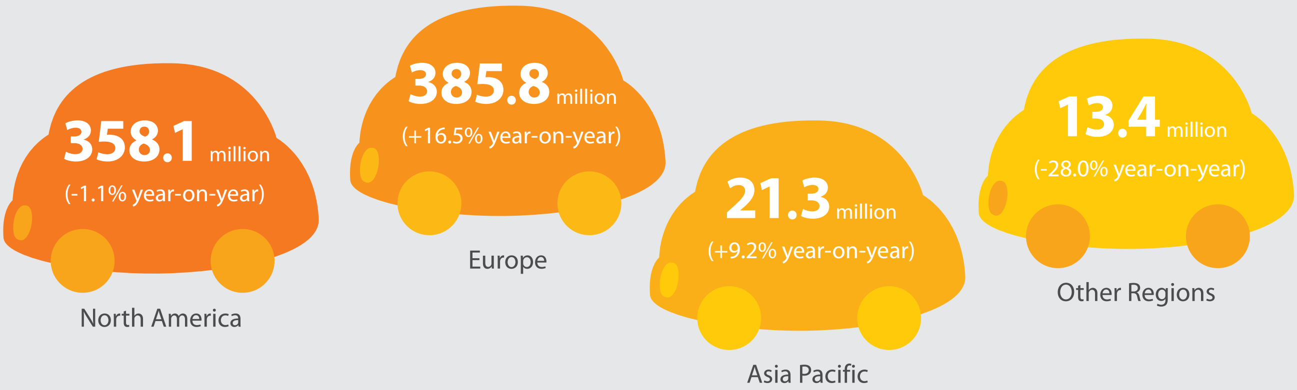


As % of Group Revenue



ELPs Revenue by Region

All figures are in US$ unless stated otherwise



STANDALONE PRODUCTS

Core Learning

Infant
0-12 months

Toddler
1-3 years

Preschool
3-6 years

Grade School
6+ years

Infant-Toddler Vehicles and Playsets

Go! Go! Smart Wheels
1-5 years

Go! Go! Smart Animals
1-5 years

Preschool Vehicles

Switch & Go Dinos and its Turbo Line
3-8 years

PLATFORM PRODUCTS

Hardware

InnoTab Children's Educational Tablets
1-9 years

Kidizoom Smart Watch
4+ years

MobiGo 2 Handheld Gaming System
3-8 years

Software

Apps

Cartridges

Accessories

Gel Skins, Cases, Headphones...

TELECOMMUNICATION PRODUCTS

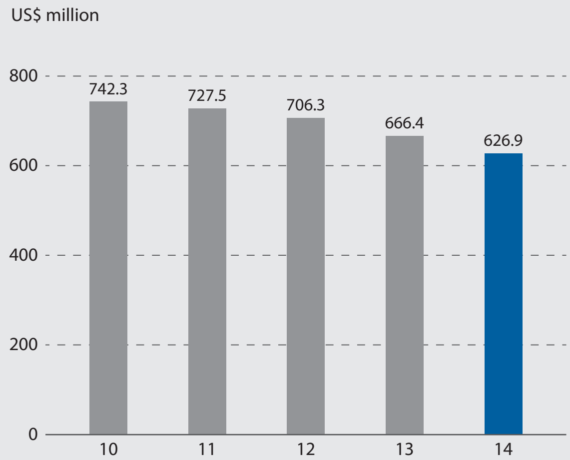
With superior design and functionality, VTech's cordless phones continue to be the number one choice for consumers worldwide. A few facts and figures

No.1
cordless phones manufacturer globally

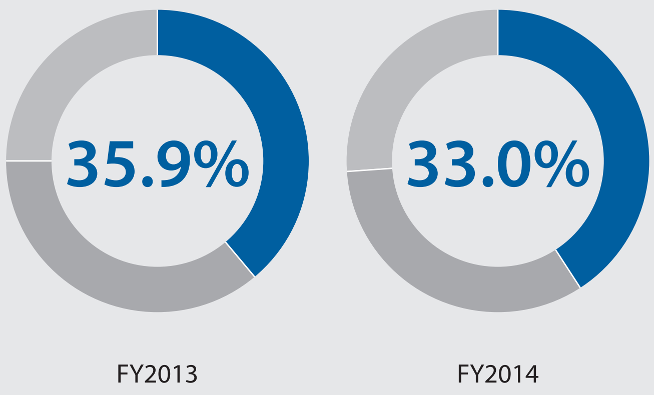
40 million
handsets shipped in FY2014

80 countries
selling VTech TEL products

TEL Products Revenue in Last 5 Years

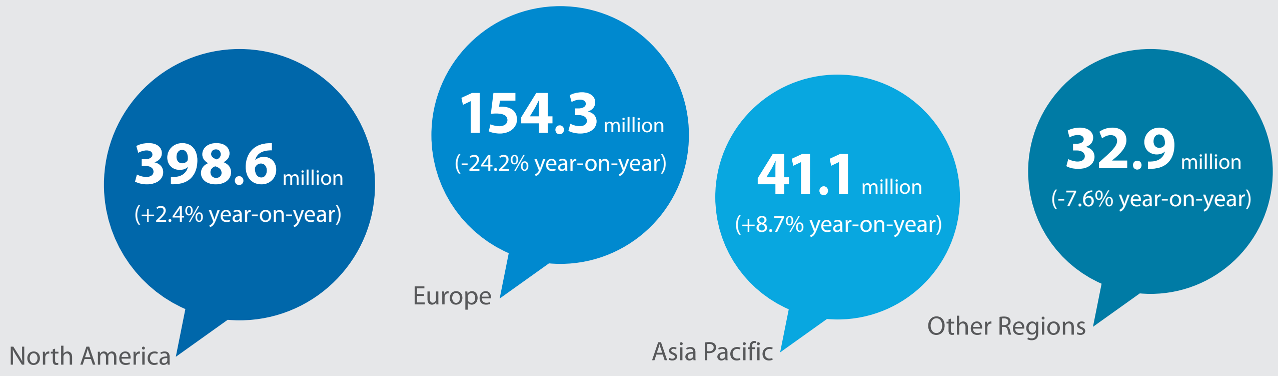


As % of Group Revenue



TEL Products Revenue by Region

All figures are in US$ unless stated otherwise



RESIDENTIAL PHONES

COMMERCIAL PHONES

ErisStation
Conference phone with
wireless microphones

ErisTerminal™
SIP deskset

SMB Phone

Hotel Phone

Cordless Headset

OTHER TELECOMMUNICATION PRODUCTS

Safe&Sound® Baby Monitor
Video and audio baby monitor

Connected Home Device

Integrated Access Device
A 3-in-1 device combining
VDSL modem, wireless router
and CAT-iq cordless handset

CareLine
Senior phone

CONTRACT MANUFACTURING SERVICES

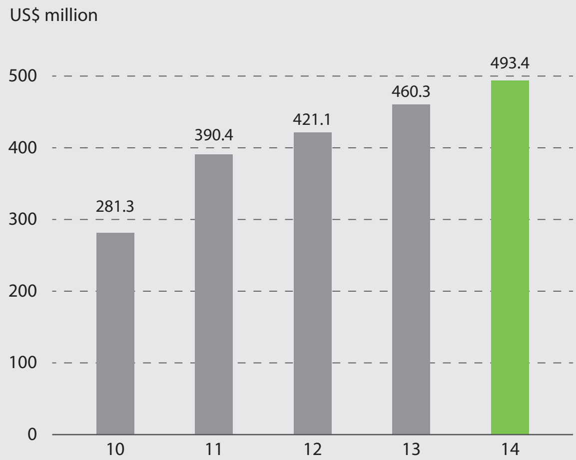
Flexibility in service, excellence in product quality, manufacturing know-how in a number of product categories and strong reputation are key factors that have made VTech a top 50 EMS provider globally

29th
among the world's top 50 EMS providers

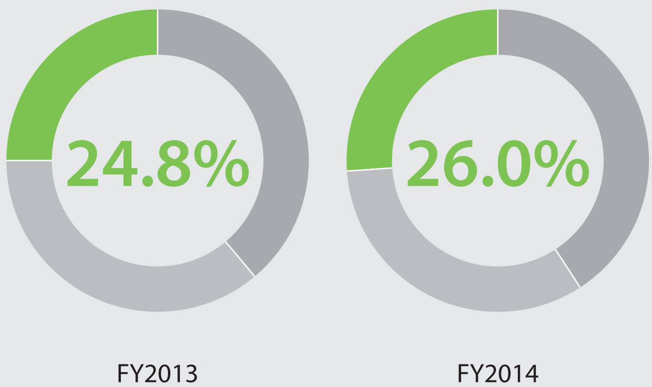
12th
consecutive year of sales growth

7.2%
sales growth in FY2014, outpacing global EMS market

CMS Revenue in Last 5 Years

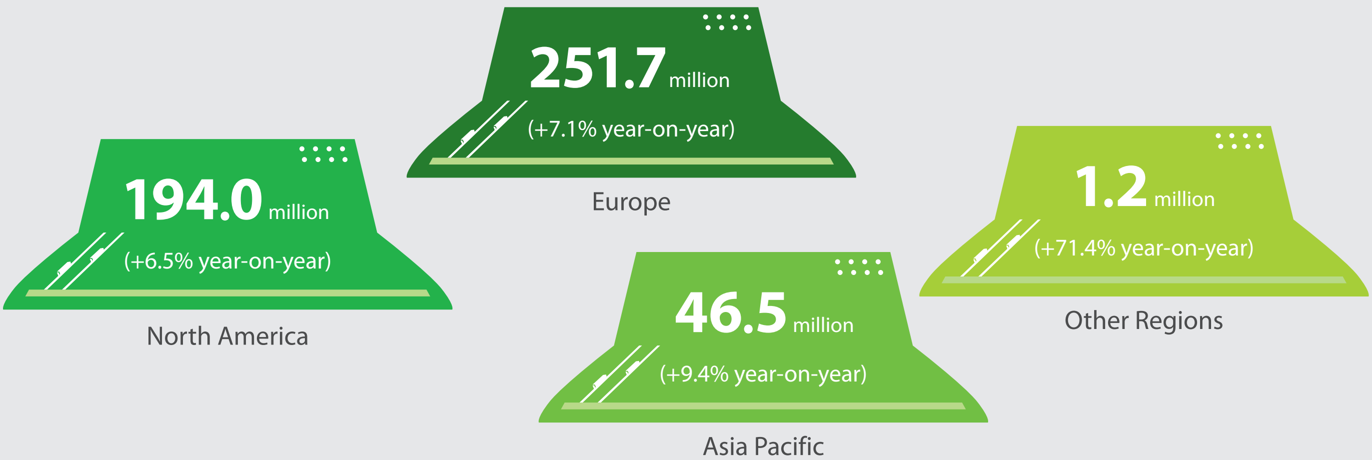


As % of Group Revenue



CMS Revenue by Region

All figures are in US$ unless stated otherwise



MAIN PRODUCT CATEGORIES

Professional Audio Equipment

Wireless Products

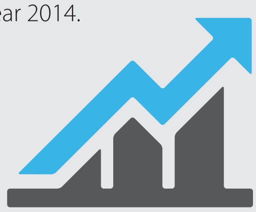
Switching Mode Power Supplies

Solid-State Lighting

MANUFACTURING EXCELLENCE

Record Revenue

The Group achieved record revenue for the fourth consecutive year in the financial year 2014.



The World No. 1

For the fifth consecutive year, VTech maintained its number one position as manufacturer in the global consumer cordless telephony market in the calendar year 2013[10].

The Group's First Conference Phone

In January 2014, VTech introduced ErisStation, its first conference phone with wireless microphones, to the European markets.

A World's Top 50 EMS Provider

VTech Communications Limited was ranked 29th among the "Top 50 EMS Providers in 2013" by *Manufacturing Market Insider* magazine.

Vendor of the Year

VTech Electronics North America, L.L.C. was named "Vendor of the Year" by Toys"R"Us in the US for the third year in a row.

No. 1 in Infant Toys Category

VTech was the number one player in the overall Infant Toys category in France, the UK and Germany in the calendar year 2013[11].

[10] *Source: MZA Ltd, 2014*
[11] *Source: NPD Group, Retail Tracking Service*

Award-Winning Toys

In the financial year 2014, VTech received over 45 accolades from esteemed toy and parenting industry experts, toy councils and retailers globally. This testifies the Group's success in developing innovative electronic learning toys for children that are fun and educational.

Vendor of the Year

VTech Technologies Canada Limited was named "Vendor of the Year – Best Service Levels" by Staples, Inc. for the second year in a row.

Best Supplier

VTech Communications Limited received the "Best Supplier" award from customers in wireless products and professional audio equipment.

Storio – No. 1 Children's Educational Tablet in Europe

In the calendar year 2013, Storio was the number one children's educational tablet in Europe for the second year in a row[12].

"Caring Company" Recognition

VTech's contribution to the Hong Kong community was recognised by the Hong Kong Council of Social Service and the Group was named a "Caring Company" for the sixth consecutive year.

Award-Winning Baby Monitor

The Safe&Sound Full Colour Video and Audio Monitor VM321 was named a 2013 National Parenting Publications Award (NAPPA) Silver winner, recognised for its value and feature-packed, high-resolution and full-motion capabilities.

[12] *Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales of Storio for the combined market of France, the UK, Germany, Spain and Italy*

Since its inception in 1976, VTech has grown into the global leader in electronic learning products from infancy to preschool[13], the world's largest manufacturer of cordless phones[14], and a leading electronic manufacturing services provider. As a global company and part of the communities in which we operate, VTech recognises that we have to step up our efforts to achieve sustainable development, with a vision to design, manufacture and supply innovative and high quality products in a manner that minimises any impact on the environment, while creating sustainable value for our stakeholders and the communities.

VTech published its first Sustainability Report for the financial year 2013 (FY2013), included as a section in our Annual Report 2013. The purpose of the report is to inform our stakeholders of our ongoing activities to conserve energy, protect the environment and demonstrate the principles behind our sustainability strategies.

With increasing interests of our stakeholders in our sustainable development, we published our Sustainability Report for the financial year 2014 (FY2014) to comprehensively introduce our sustainability strategies and initiatives toward the societies and environment in which we operate, and follow the Core option of the Global Reporting Initiative Sustainability Reporting G4 Guideline (GRI G4 Guideline) and its principles to define the report content.

We are pleased to announce that passing through the FY2014, our approach and initiatives have become more comprehensive and are generating meaningful benefits for our stakeholders. Some of our major achievements are highlighted in the Sustainability Report 2014, with a summary of the activities and targets to be followed moving forward.

Full details of the VTech Sustainability Report 2014 are available on www.vtech.com/en/about-vtech/sustainability.

VTech Risk Management and Sustainability Committee (RMSC)

Sustainability Sub-Committees

Product Responsibility & Innovation	**Sustainable Product Design** Design for the environment – incorporate environmental solutions into product design. Reduce the carbon footprint of the products through choice of materials and eco design.	**Customer Health and Safety** Ensure product is of good quality and compliant with the highest safety standard.
Environmental Protection	**Sustainable Manufacturing Process** Maximise resource efficiency (energy, water and material used) throughout all VTech activities. Minimise pollutant and GHG emissions throughout manufacturing process and daily operation.	**Sustainable Logistics** Improve efficiency and reduce carbon emission of the logistic chain.
Workplace Quality	**Labour Practices and Decent Work Environment** Increase the internal capability of our labour force, and continue to provide a high standard of working and living environment. Promote equal opportunity, and ensure no discrimination, no harassment or abuse of employees.	
Sustainable Operating Practices	**Sustainable Supplier Management** Systematic supplier management procedure to ensure our entire production process is of high quality, socially responsible and minimise the impact on the environment.	
Community Investment	**Social Investment, Donation and Philanthropy** Use resources to support the community.	

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[13] *Source: MarketWise Consumer Insights, LLC and Retail Tracking Service of NPD Group. Ranking based on 2012 and 2013 total estimated annual retail sales in the combined toy categories of infant electronic learning and preschool electronic learning*

[14] *Source: MZA Ltd, 2014*

Sustainability Management

At VTech, the Risk Management and Sustainability Committee (RMSC) is chaired by Dr. Allan WONG Chi Yun with Dr. PANG King Fai, Mr. Andy LEUNG Hon Kwong, and Mr. WONG Kai Man as members – a mix of both executive and non-executive directors. RMSC provides vision and strategic direction for our sustainability activities to ensure that we stay on track and in balance with the three sustainability dimensions of economic, environmental and social impacts at all times. The RMSC is also responsible for reviewing our sustainability strategies and improvement activities, assessing how the policies are implemented in achieving the sustainability goals and targets, and monitoring the performance progress on a biannual basis. We also have an escalation process in place to ensure that any identified issues are dealt with at the appropriate organisational level.

In order to ensure that our sustainability strategies are carried out effectively and consistently throughout the organisation, our RMSC has also formed the Sustainability Sub-Committees, comprising key employees from the company's different product lines and the relevant departments. We have organised our sustainability approach into five key areas across the company (please refer to the table on page 22).

Stakeholder Engagement

Stakeholder engagement is the process through which we stay connected with our customers, employees, shareholders, investors, suppliers and the wider communities in which we operate. We believe that the approach of stakeholder engagement is integral to the development of our sustainability strategy, and is a pre-requisite for our long-term sustainable growth.

During the stakeholder engagement process, our Sustainability Sub-Committees identified the broad topics that the stakeholder groups are concerned with, and used a materiality matrix to assess the material issues identified by our stakeholders. An issue is classified as 'material' when it substantially affects our long term commercial or operational viability, with material impacts from economic, environmental or social aspects. This matrix combines VTech's approach to identifying and assessing the material concerns of our stakeholders, and our own materiality scoring methodology in accordance with the principles outlined in GRI G4 Guideline.

Sustainability Strategies and Activities

Product Responsibility and Innovation

Product Design is the first stage of our product life cycle and is where the greatest sustainability gains can be achieved. We have cross-functional teams to ensure that our products are of the highest quality and are designed to minimise resource usage throughout their life cycle.

VTech is committed to bringing high quality and safe products to consumers around the world. All our products comply with the highest levels of safety standards specified in the relevant countries. Our manufacturing facilities are also certified with Quality Management System: ISO9001. In addition, we have strict quality and safety assurance programmes in place to warrant that all our products meet the required specification and are free from defects in both materials and workmanship at the time of delivery.

While ensuring that our products are designed to be intrinsically safe and have minimum impact on the environment, we are also continually exploring opportunities, using our expertise to provide products that enhance the well-being of our customers and also benefit the society generally. Our baby monitors help to reduce the stress of parenting, our home safety telephone system helps senior citizens to live independently, and our DECT cordless phones with low radiation and less power consumption features compared with the conventional models also help reduce impacts on the environment.

VTech also uses its global leadership position in electronic learning toys to engage children with sustainable growth, help them to inspire their creativity and develop valuable skills from the early age of their educational development. InnoTab comes with fun and useful apps, and InnoTab users can download more educational games, e-books, music, and videos from the Learning Lodge website (www.VTechkids.com/download), which have been designed for each child's unique stage of development. Our Go! Go! Smart Wheels with multi-vehicles set, featuring a family car, truck, van, police car, ambulance and fire truck, all interacting with different configured playsets, help children understand the use of road transportation and the different functions of vehicles in the community. The Go! Go! Smart Wheels playsets can also be reconfigured with different track shapes, or connected to other Go! Go! Smart Wheels playsets to inspire the kids' creativity.

Environmental Protection

In addition to making significant efforts to design our products to minimise their environmental impact, we also operate our manufacturing processes and facilities in the same manner. Our TEL and CMS manufacturing facilities are certified with the ISO14001 standard for environmental management, demonstrating that we are committed to continuous improvement. Although our manufacturing facilities are low risk in terms of pollution incidents compared to many factories in China, we go beyond minimum requirements. We are committed to the prevention of pollution throughout our supply chain by engaging with our suppliers and managing our logistics requirements to further minimise our environmental impact and improve the energy efficiency of our operations.

Green roof at ELPs production building

The key environmental impacts from VTech's operations relate to energy and water consumption, waste production and logistics. We are committed to the following principles in environmental protection:

- Comply with all relevant environmental, legal and other statutory requirements
- Maintain an Environmental Management System in line with the requirements of ISO14001:2004
- Quantify and monitor the significant environmental impacts of our activities, products and services, and set specific targets for improvement in the respective areas and review these annually
- Integrate environmental objectives into our business decisions in a cost effective manner
- Require all staff to address environmental responsibilities within normal operating procedures
- Enhance awareness of environmental and resource efficiency issues amongst our customers, staff and stakeholders through improvement projects and programmes in the respective areas

To achieve this, VTech has teams comprising individuals from across the organisation. Our environmental policy is reviewed annually to ensure that it is relevant and up to date.

Workplace Quality

VTech continually strives to provide a supportive, pleasant and healthy workplace for our staff, and to foster a caring community in our working environment. We care for our employees and recognise that having good staff relations and a motivated workforce play a vital role in the Group's efficient operation.

All our manufacturing facilities are certified to meet the international Occupational Health and Safety Standards (OHSAS 18001), with TEL and CMS manufacturing facilities also certified with international standards of Social Accountability (SA8000), and ELPs with International Council of Toy Industries standards (ICTI CARE). All of these certifications demonstrate external verification of our compliance with local laws and quality working conditions. In order to ensure the effectiveness of our workplace management system, we have cross-functional teams and committees that meet quarterly, involving staff representatives and managers, to assess risks, determine goals and targets, and set up improvement projects and review progress. The Sustainability Sub-Committees also undertake an annual review and make improvement recommendations to the functional team members.

At VTech, workplace safety is our number one priority. We are committed to providing our employees with a healthy and safe working environment. Our goal is to instill robust safety measures at every level of the company and to ensure the physical well-being of employees through the implementation of our "Health and Safety" programme. Our activities in operational health and safety resulted in a 33% reduction on safety related incidents between FY2014 and FY2013.

VTech also recognises that a capable and motivated workforce is integral to our success. We actively promote continuous learning and provide different kinds of training programmes for our employees, encouraging them to develop and advance their careers in our company. These include general training courses such as business skills and knowledge, effective communication skills, foreign language and leadership courses. Outdoor team building activities and off-site management workshops are also arranged for the employees on specific topics. Subsidised external professional courses are also available for staff where the development needs match the requirements of the company.

Living environment and recreational facilities

The majority of employees in our China manufacturing facilities are from different provinces of the country. We recognise that to make them feel at home and have a sense of belonging while they are living in our dormitories are very important. In FY2014, as part of our continuous improvement programme for the living environment, we upgraded our dormitory facilities and renovated the canteens to provide a relaxing eating environment for our employees. To provide better recreational experiences for our people, we also have installed and upgraded a number of recreational facilities. These include libraries, Internet rooms, sports facilities and a communal vegetable garden. The latest employee survey results also indicate an increase in overall satisfaction of our workers on the living environment compared with the previous year.

Sustainable Operating Practices

VTech's significant suppliers in the supply chain include the manufacturers of PCBs and other electronic components, of which 89% are located in China. Logistics providers form the bulk of the latter part of the supply chain. We notice that extreme events can delay the supply of materials and given the nature of some of the major activities, may also pose social and environmental risks. In order to mitigate the risks to VTech and its customers, we have a supply chain management system in place to monitor the supplier quality as well as their environmental and ethical performance.

During FY2014, we continued to actively manage our supplier base to mitigate our corporate risks, ensure continuity of production, maintain quality supply and align the suppliers with VTech's core requirements. These include the examination of their labour practices, health and safety systems, environmental management and business ethical standards. Each supplier is also given a risk category rating.

In FY2014, VTech audited 300 suppliers, a small number of these were removed as approved suppliers due to their failures to meet VTech's required standards. We plan to carry on with our audit schedule, and to extend the topics covered in order to further improve the energy efficiency of our supplier base. By using the knowledge gained internally, we believe that we can further reduce the carbon footprint of the components in our products, and help our suppliers reduce their environmental impact while remaining cost competitive.

Community Investment

As a responsible corporate citizen, VTech uses its resources to support the communities in which it operates in a variety of ways, focusing on innovation, helping people in need and the general corporate philanthropy.

We also encourage our employees to participate in volunteering events, which could provide an opportunity to connect them outside the workplace, and inspire team-building experiences whilst contributing to our local communities. In FY2014, VTech volunteers continued to extend their care for our society, and we were awarded as a "Caring Company" by The Hong Kong Council of Social Service for the sixth consecutive year in recognition of our continuous contributions to the Hong Kong community. Our Hong Kong and China staff also joined the New Territories Walk of Community Chest 2014, and won the "Top Fund-raiser Award" with Third Runner-up among the top five outstanding participating teams.

During FY2014, VTech Group made charitable and other donations of over US$182,000 and contributed over 2,700 hours in volunteering community activities.

New Territories Walk of Community Chest 2014

VTech's active investor relations programme has enabled it to build long-term relationships with shareholders and investors for more than two decades. The Group's continuous dialogue with institutional and retail investors ensures their understanding of VTech's corporate strategies, business development and outlook.

Shareholder Value

VTech has enhanced shareholder value over the long term through a combination of share price performance and dividend payments.

Share Price Performance

In the financial year 2014, the highest closing price of VTech's shares was HK$120.40 (28 May 2013) and the lowest closing price was HK$86.80 (18 February 2014).

VTech's share price has shown significant appreciation over the past ten years. The only exception was 2008 – 2009, when the stock price fell sharply in line with the universal sell-off in equity markets during the global financial crisis.

Dividend Payments

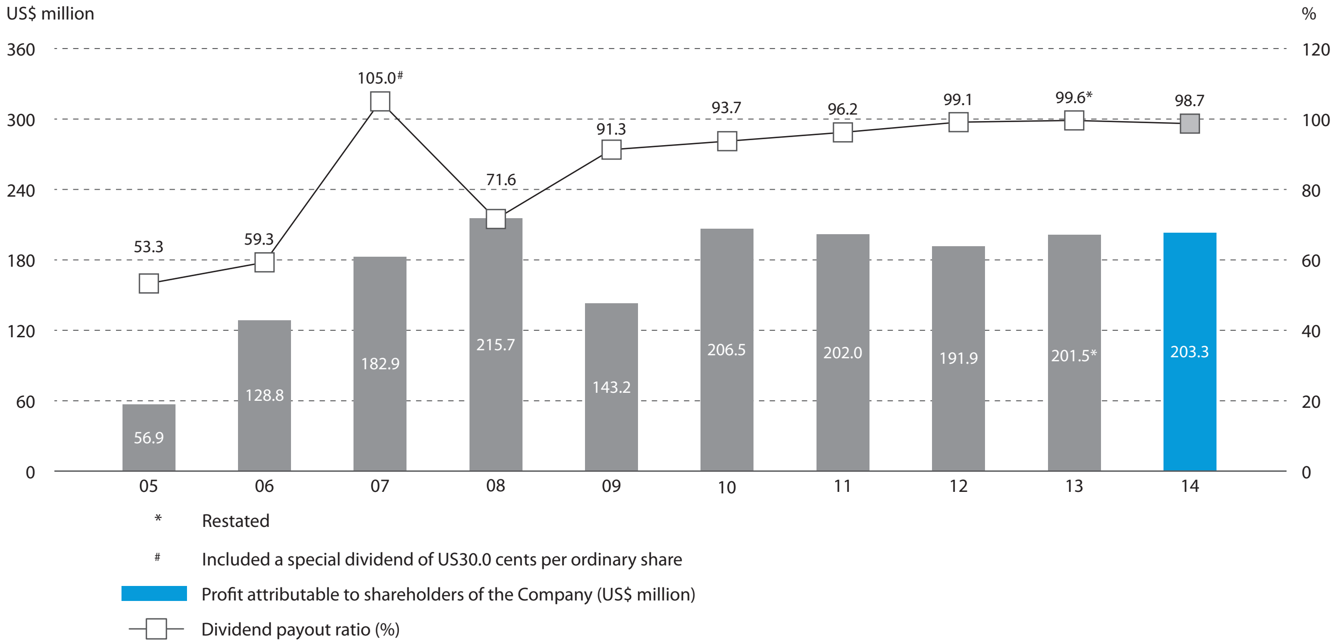
The Company's dividend payout ratio is linked to its operating earnings performance, financial position and future investment opportunities. The dividend payout ratio in the financial year 2014 amounted to 98.7% of the profit attributable to shareholders of the Company, against 99.6% in the financial year 2013.

During the past ten years, VTech has provided a sustainable return to shareholders.

VTech Share Price in Last 10 Years (1 April 2004 – 31 March 2014)

Source: Bloomberg Finance L.P.

Profit Attributable to Shareholders of the Company and Dividend Payout Ratio in Last 10 Years



Company visit by Japanese investors

Index Recognition

The Company's success and importance have been recognised by the inclusion of the stock in market indices.

The Company is a constituent stock of two indices listed on The Stock Exchange of Hong Kong Limited: the Hang Seng HK 35, which comprises the 35 largest companies which derive the majority of their sales revenue (or profits or assets if more relevant) from areas outside mainland China; and the Hang Seng High Dividend Yield Index, which comprises 50 stocks and/or real estate investment trusts with the highest net dividend/distribution yield.

Corporate Governance

VTech is committed to sound corporate governance, which underpins the efforts to execute its strategy, generate shareholder value and safeguard shareholders' long-term interests.

To ensure sound corporate oversight, the majority of the Board is composed of independent non-executive directors. The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Management and Sustainability Committee with defined terms of reference. All directors, management and employees are required to abide by the Company's Code of Conduct.

A Whistleblowing Policy is in place to facilitate the raising of matters of serious concerns by employees in confidence. VTech has also established a Continuous Disclosure Policy to ensure full compliance with the statutory inside information disclosure requirement under the Securities and Futures Ordinance and the Listing Rules.

Investor Communications

The Group makes every effort to maintain open communication with shareholders and potential investors, in order to keep them fully informed about VTech's latest developments. Suggestions are welcome on how VTech can improve.

All of the Group's investor communications activities are governed by a Shareholders Communication Policy. This aims to ensure that all shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

During the financial year 2014, management held meetings with investors in Hong Kong, organised site visits to the Group's manufacturing facilities in China and participated in investment conferences. The Group also hosted roadshows in Singapore, Japan and the UK.

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

Financial Calendar

Event	Date
Closure of Register of Members – Annual General Meeting	15 July – 18 July 2014 (both days inclusive)
2014 Annual General Meeting	18 July 2014
Closure of Register of Members – Payment of Final Dividend	24 July 2014
Payment of Final Dividend	4 August 2014
2014/2015 Interim Results Announcement	November 2014
FY2015 Annual Results Announcement	May 2015

Listing

Shares of VTech Holdings Limited are listed on The Stock Exchange of Hong Kong Limited. It is a constituent of the Hang Seng HK 35 and Hang Seng High Dividend Yield Index

Stock Code

The Stock Exchange of Hong Kong Limited: 303

Share Information

Board lot: 100 shares
Issued shares as at 31 March 2014: 250,872,133 shares

Dividend

Dividend per ordinary share for the year ended 31 March 2014
– Interim dividend: US16.0 cents per share
– Final dividend: US64.0 cents per share

Share Registrars

Principal
MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Hong Kong Branch
Computershare Hong Kong Investor Services Limited
Shops 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

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/investors/stock-info

Corporate Governance Practices

VTech Holdings Limited is incorporated in Bermuda and has its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The corporate governance rules applicable to the Company are the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Throughout the year ended 31 March 2014, 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 should be separate and should not be performed by the same individual. Dr. Allan WONG Chi Yun has the combined role of Chairman and Group Chief Executive Officer. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as independent non-executive directors form the majority of the Board, with four out of seven of the directors of the Company (the "Directors") being independent non-executive Directors. The Board believes the appointment of Dr. Allan WONG Chi Yun to the posts of Chairman and Group Chief Executive Officer is beneficial to the Company and its subsidiaries (the "Group") as he has considerable industry experience.

The key corporate governance principles and practices of the Company are set out below.

Board of Directors

The Board currently comprises three executive Directors and four independent non-executive Directors. Their names and brief biographies are set out on page 33 of this Annual Report. The independent non-executive Directors are executives of high calibre 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 human resources management through their contribution at Board meetings. The Board considers that the four independent 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 independent 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 Bye-laws. In accordance with the Company's Bye-laws, each new Director appointed by the Board during the year shall hold office until the next annual general meeting and thereafter the same Director, if re-elected, shall be subject to retirement by rotation. There exists no relationship among Board members and senior management, 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 are not restricted to, deliberation of business plans, risk management, internal controls, preliminary announcements of interim and final results, dividend policy, 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, specifying matters which require approval by the Board.

Four Board meetings at approximately quarterly intervals are scheduled for 2014/2015 with other meetings held as required. All Directors have access to the advice and services of the company secretary of the Company (the "Company Secretary") and independent professional advice may be sought by the Directors if required.

The attendance of individual Directors at Board Meetings (BM), Audit Committee Meetings (ACM), Nomination Committee Meeting (NCM), Remuneration Committee Meeting (RCM), Risk Management and Sustainability Committee Meetings (RMSCM) and Annual General Meeting (AGM) during the financial year is set out below:

	Meetings attended/Eligible to attend					
Directors	**BM**	**ACM**	**NCM**	**RCM**	**RMSCM**	**AGM**
Executive Directors						
Allan WONG Chi Yun	4/4	–	1/1	–	2/2	1/1
PANG King Fai	4/4	–	–	–	2/2	1/1
Andy LEUNG Hon Kwong	4/4	–	–	–	1/2	1/1
Independent Non-executive Directors						
William FUNG Kwok Lun	3/4	1/2	1/1	1/1	–	1/1
Denis Morgie HO Pak Cho *Note 1*	2/2	1/1	–	–	–	1/1
Michael TIEN Puk Sun	3/4	2/2	1/1	1/1	–	0/1
Patrick WANG Shui Chung	4/4	–	0/1	–	–	1/1
WONG Kai Man	4/4	2/2	1/1	1/1	2/2	1/1

Notes:

(1) Mr. Denis Morgie HO Pak Cho retired as an independent non-executive Director with effect from the conclusion of the annual general meeting of the Company held on 12 July 2013 (the "2013 AGM").

(2) Except for Mr. Michael TIEN Puk Sun who was unable to attend the 2013 AGM due to urgent legislative duties as a member of the Legislative Council, all independent non-executive Directors attended the 2013 AGM pursuant to the code provision A.6.7 of the Code.

In addition to the regular Board Meetings, the Chairman had meetings with the independent non-executive Directors without the presence of the executive Directors during the financial year.

The Company purchases annually the Directors and officers' liability insurance for members of the Board to provide protection against claims arising from the lawful discharge of duties by the Directors.

Directors' Training and Professional Development

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment.

During the financial year, the Company has organised a one-day training session conducted by qualified professionals on accounting, taxation and Listing Rules requirements for the Directors and relevant staff. In addition, the Directors also attended other external seminars or briefings and read relevant materials on regulatory updates.

All Directors have provided to the Company their records of training which they have received during the financial year.

Directors' Training and Professional Development (Continued)

A summary of their records of training during the financial year is as follows:

Directors	Attending briefings, trainings, seminars, conference or giving speech	Reading articles, researches, journals and updates
Executive Directors		
Allan WONG Chi Yun	✔	✔
PANG King Fai	✔	✔
Andy LEUNG Hon Kwong	✔	✔
Independent Non-executive Directors		
William FUNG Kwok Lun	✔	✔
Michael TIEN Puk Sun	✔	✔
Patrick WANG Shui Chung	✔	✔
WONG Kai Man	✔	✔

Notes:

(1) Mr. Denis Morgie HO Pak Cho retired from the Board with effect from the conclusion of the 2013 AGM. Accordingly, his training record has not been included above.

(2) Training areas include information related to the Company or electronic manufacturing industry, laws, rules and regulations, accounting standards and business management.

Board Committees

The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Management and Sustainability Committee with defined terms of reference which are no less exacting than those set out in the Code.

Mr. Denis Morgie HO Pak Cho retired as an independent non-executive Director with effect from the conclusion of the 2013 AGM. Following Mr. Denis Morgie HO Pak Cho's retirement, he also ceased to be the chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee, and Mr. WONG Kai Man was appointed as the chairman of the Audit Committee in place of Mr. Denis Morgie HO Pak Cho with effect from the conclusion of the 2013 AGM.

Audit Committee

The Audit Committee is chaired by Mr. WONG Kai Man, succeeding 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 overseeing responsibilities for financial reporting, risk management, corporate governance functions and evaluation of internal controls and auditing processes. It also ensures that the Group complies with all applicable laws and regulations.

Mr. WONG Kai Man, as the chairman of the Audit Committee, has the appropriate financial management expertise as required under the Listing Rules. The Audit Committee held two meetings during the financial year. The meetings were attended by the Chairman, the Chief Compliance Officer, the Chief Financial Officer and the external auditor. In addition, the chairman of the Audit Committee held periodic independent meetings with the Chief Compliance Officer, the Chief Financial Officer and the external auditor. Work performed by the Audit Committee during the financial year included, but not limited to, reviewing the following:

– audited Group financial statements and reports for the year ended 31 March 2013;
– report from the external auditor for the year ended 31 March 2013;
– unaudited Group Interim Financial Report for the six months ended 30 September 2013 in the 2013/2014 Interim Report;
– report from the external auditor based on limited agreed-upon procedures on the unaudited Group Interim Financial Report for the six months ended 30 September 2013 in the 2013/2014 Interim Report;
– accounting principles and practices adopted by the Group;
– implementation of applicable International Financial Reporting Standards;
– appointment of the external auditor and its remuneration;
– significant findings by the Internal Audit Department and recommendations for corrective actions;
– reports made under Whistleblowing Policy; and
– respective audit plans of the internal and external auditors.

During the financial year, the Audit Committee has organised a one-day training session conducted by qualified professionals on accounting, taxation and Listing Rules requirements for the Directors and relevant staff.

On 22 May 2014 (the date of this Annual Report), the Audit Committee met to review the audited Group financial statements and reports for the year ended 31 March 2014 in conjunction with the Company's external auditor and senior management before recommending them to the Board for consideration and approval. The financial results for the year ended 31 March 2014 have been reviewed with no disagreement by the Audit Committee. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed with the Company's external auditor to the amounts set out in the Group's consolidated financial statements for the financial year.

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control during the financial year. The Audit Committee reviews the process by which the Group evaluates its control environment and risk assessment procedures, and the way in which business and control risks are managed. Based on the information received from the management, the external auditor and the Internal Audit Department, the Audit Committee is satisfied that the overall financial and operational controls for the Group continue to be effective and adequate.

The Audit Committee has also been given the responsibility to oversee the effectiveness of formal procedures for employees to raise any matters of serious concerns and is required to review any reports made by the Internal Audit Department regarding this.

Board Committees (Continued)

Nomination Committee

The Nomination Committee is chaired by Dr. William FUNG Kwok Lun with Mr. Denis Morgie HO Pak Cho (retired with effect from the conclusion of the 2013 AGM), Mr. Michael TIEN Puk Sun, Dr. Patrick WANG Shui Chung, Mr. WONG Kai Man 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 structure, size and diversity of the Board, and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and professional experience. Candidates for appointment as Directors may be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest calibre in their areas of expertise and experience.

The Nomination Committee held one meeting during the financial year. The Nomination Committee reviewed the board diversity policy (the "Board Diversity Policy") and the revised Nomination Committee Charter before recommending them to the Board for consideration and approval. The Nomination Committee also reviewed the structure, size and diversity of the Board.

Board Diversity

The Company sees increasing diversity at the Board level as an essential element to complement the Company's corporate strategy. During the financial years, the Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board.

The Nomination Committee monitors the implementation of the Board Diversity Policy and has responsibility in leading the progress for Board appointments. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, skills, knowledge, industry and professional experience, business perspectives and the legitimate interests of the Company's principal shareholders.

Selection of candidates for Board appointments will be considered taking into account a range of aspects described above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Michael TIEN Puk Sun with Dr. William FUNG Kwok Lun, Mr. Denis Morgie HO Pak Cho (retired with effect from the conclusion of the 2013 AGM) and Mr. WONG Kai Man as members. All of the members are independent non-executive Directors. It is responsible for reviewing and recommending all elements of the executive Directors and senior management remunerations to the Board.

The emoluments of Directors are based on skills, knowledge and performance, together with reference to the profitability of the Company, and prevailing market conditions. In addition, the Company has established a share option scheme to provide incentives and rewards to eligible participants, and a share purchase scheme to motivate employees and attract suitable personnel for continuous development of the Group.

The Remuneration Committee held one meeting during the financial year. The Remuneration Committee discussed and reviewed the policy for the remuneration of executive Directors and senior management, and the annual salaries increment and remuneration packages for executive Directors and senior management before recommending them to the Board for consideration and approval. The Remuneration Committee also reviewed and approved the shares to be awarded under the share purchase scheme.

Risk Management and Sustainability Committee

The Risk Management Committee was renamed as the Risk Management and Sustainability Committee on 15 May 2013. The Risk Management and Sustainability Committee is now responsible for monitoring and reviewing the risk management and sustainability strategy of the Group.

The Risk Management and Sustainability Committee is chaired by Dr. Allan WONG Chi Yun with Dr. PANG King Fai, Mr. Andy LEUNG Hon Kwong and Mr. WONG Kai Man as members. The Risk Management and Sustainability Committee held two meetings during the financial year to review the Group's risk management, internal control systems, and sustainability strategy, policies and improvement activities.

The Risk Management and Sustainability Committee has developed a framework for the management and control of risks in the Group. Risks are being more formally identified and recorded in the Risk Register for key operations. This Risk Register is updated regularly and the major risks are being reviewed from time to time by the Risk Management and Sustainability Committee.

The Risk Management and Sustainability Committee ensures that any new and emerging risks are promptly identified, evaluated and appropriate actions are taken by the management. This requires the active and frequent participation by the process owner of each function in identifying risks affecting its business and implementing measures to reduce such risks, as well as the active monitoring on the progress of the improvement in internal control procedures.

The Risk Management and Sustainability Committee also determines the scope of the Sustainability Report, and monitors the sustainability targets and key performance indicators.

External Auditor

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

During the financial year, the fees in respect of audit services and tax services provided by KPMG, the external auditor, are shown in note 2 to the financial statements.

Responsibilities in respect of Financial Statements

The Directors are responsible for overseeing the preparation of the consolidated financial statements for the year ended 31 March 2014 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 the 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.

Responsibilities in respect of Financial Statements (Continued)

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 external auditor of the Company regarding its responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 39 of this Annual Report.

Company Secretary

The Company Secretary is an employee of the Company, reports to the Chairman and is responsible for providing advices to the Board for ensuring the Board procedures are followed. The Company Secretary has taken no less than 15 hours of relevant professional training.

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 the 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.

The Group has put in place an organisational structure with formal and 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 monitoring the Group's businesses and their performance.

Internal Audit Department

The Internal Audit Department reviews the effectiveness of the internal control system. The Internal Audit Department carries out an 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.

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 behaviour and ethics in our dealings with customers, business partners, shareholders, employees, and the business community. The policy is reinforced and monitored by an annual confirmation of compliance in writing.

Whistleblowing Policy

The Group maintains a Whistleblowing Policy to facilitate the raising of matters of serious concerns by employees in confidence. Procedures are established for employees to report complaints and suspected internal malpractices directly to the Chief Compliance Officer, who will review the complaints and determine the appropriate mode of investigation and subsequent corrective action. Recommendations on improvements are communicated to the respective department's senior management for implementation. The Chief Compliance Officer reports the results of his review of the complaints received to the Audit Committee twice a year.

Model Code of Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules regarding securities transactions by Directors and senior management. After specific enquiry, all Directors confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 31 March 2014.

Continuous Disclosure Policy

The Company has established a Continuous Disclosure Policy to set out the Company's procedures for monitoring developments in our businesses for inside information and communicating such information to our shareholders, analysts, the media and other stakeholders in accordance with the statutory inside information disclosure requirement under the Securities and Futures Ordinance and the Listing Rules.

Shareholders' Rights

Under the Company's Bye-laws, in addition to regular annual general meeting, the Board, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, may convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the registered office of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s).

Shareholders holding not less than one-twentieth of the total voting rights of all the shareholders or not less than 100 shareholders may propose any resolution at the annual general meeting and circulate to other shareholders written statement with respect to the matter to be dealt with at the annual general meeting.

Shareholders may send their enquiries requiring the Board's attention to the Company Secretary at the Company's principal office address at 23rd Floor, Tai Ping Industrial Centre, Block 1, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.

Shareholders Communication Policy

The Company has established a Shareholders Communication Policy to set out the procedures for providing shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company. This is in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Shareholders and the investment community may at any time make a request for publicly available Company information by email to investor_relations@vtech.com, by post addressed to the Company's principal office address, to the Investor Relations contact on the Company's website or through the Company's share registrar.

Biographical Details of Directors

Allan WONG Chi Yun, GBS, MBE, JP, aged 63, 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. 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-Hongkong Photo Products Holdings Limited and Li & Fung Limited.

PANG King Fai, aged 58, 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.

Andy LEUNG Hon Kwong, aged 55, 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 Chief Executive Officer 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 65, appointed as Independent Non-executive Director in 2001. 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 Honourary Doctorate degrees of Business Administration by The Hong Kong University of Science and Technology and by The Hong Kong Polytechnic University. Dr. FUNG is the Group Chairman of Li & Fung Limited. He is a non-executive director of Convenience Retail Asia Limited and Trinity Limited, an independent non-executive director of Shui On Land Limited, Sun Hung Kai Properties Limited and The Hongkong and Shanghai Hotels, Limited, and an independent director of Singapore Airlines Limited. He is a director of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong. He has held key positions in major trade associations. He is the past Chairman of the Hong Kong General Chamber of Commerce (1994-1996), the Hong Kong Committee for the Pacific Economic Cooperation Committee (1993-2002) and the Hong Kong Exporters' Association (1989-1991). He has been awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2008.

Michael TIEN Puk Sun, BBS, JP, aged 63, 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, People's Republic of China (Hong Kong Deputy) and Legislative Council of the Hong Kong Special Administrative Region of the People's Republic of China.

Patrick WANG Shui Chung, JP, aged 63, 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. Dr. WANG is also a non-executive director of Tristate Holdings Limited.

WONG Kai Man, BBS, JP, aged 63, appointed as Independent Non-executive Director in 2012. Mr. WONG holds a Bachelor of Science degree in Physics from The University of Hong Kong and an MBA degree from The Chinese University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants, United Kingdom and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. WONG is a retired audit partner of PricewaterhouseCoopers with 32 years of professional accounting experience. He was a member of the Growth Enterprise Market Listing Committee of The Stock Exchange of Hong Kong Limited from 1999 to 2003. He is currently a non-executive director of the Securities and Futures Commission and an independent non-executive director of SCMP Group Limited, Shangri-La Asia Limited and SUNeVision Holdings Limited. Mr. WONG is an honorary associate professor of the School of Business of The University of Hong Kong. He is a court and council member of The University of Hong Kong and a court member of the City University of Hong Kong. Mr. WONG also serves on the boards of a number of non-governmental organisations.

Biographical Details of Senior Management

Group

TONG Chi Hoi, aged 49, President of Telecommunication Products, is responsible for overseeing the Branded business and ODM 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 The Institution of Engineering and Technology.

CHU Chorng Yeong, aged 54, 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 specialising in integrated circuit and software developments for the Consumer Electronics Industry.

Shereen TONG Ka Hung, aged 45, 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 The 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 54, 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 62, President of VTech Communications, Inc., is responsible for the Telecommunication Products in the United States 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. He retired from the current position and was appointed as Chairman of VTech USA Holdings, L.L.C. with effect from 1 April 2014.

William TO, aged 57, 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, Puerto Rico and Mexico. He holds an MBA degree from the University of Chicago.

Gordon CHOW, aged 58, 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. 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, a director of the Canadian Toy Association and a member of the Board of Governors of Crofton House School in Vancouver.

Europe

Gilles SAUTIER, aged 58, 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 and some export markets such as Italy and Portugal. 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.

The Directors have the pleasure to present their report and the audited financial statements of the Group for the year ended 31 March 2014.

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 2014 are set out in the consolidated income statement on page 40.

An interim dividend of US16.0 cents (2013: US16.0 cents) per ordinary share was paid to shareholders on 19 December 2013. The Board has recommended the payment of a final dividend of US64.0 cents (2013: US64.0 cents) per ordinary share in respect of the year ended 31 March 2014, payable on 4 August 2014 to shareholders whose names appear on the register of members of the Company as at the close of business on 24 July 2014 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company (the "2014 AGM").

The final dividend will be payable in United States dollars save that those shareholders with a registered address in Hong Kong will receive an equivalent amount in Hong Kong dollars which will be calculated at the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 22 July 2014.

Commentary on Performance

A commentary on the performance of the Group is included in the Review of Operations set out on pages 11 to 13.

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 67.

Tangible Assets

Details of the movements in tangible assets of the Group during the financial year 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 financial year are set out in note 16 to the financial statements.

Reserves

Movements in the reserves of the Group and the Company during the financial year are set out in the consolidated statement of changes in equity on page 42 and in note 17 to the financial statements respectively.

Donations

During the financial year, the Group made charitable and other donations in an aggregate of US$182,000.

Directors

The Directors who held office during the financial year and up to 22 May 2014 (the date of this Annual 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 (retired with effect from the conclusion of the 2013 AGM)
Michael TIEN Puk Sun
Patrick WANG Shui Chung
WONG Kai Man

At the 2014 AGM, Dr. Allan WONG Chi Yun, Mr. Andy LEUNG Hon Kwong and Dr. Patrick WANG Shui Chung shall retire as Directors by rotation in accordance with Bye-law 112 of the Company's Bye-laws and, being eligible, offer themselves for re-election as Directors at the 2014 AGM.

Brief biographical details of Directors and senior management are set out on pages 33 to 34 of this Annual Report.

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 two 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 to which the Company, its subsidiaries, its holding companies, its controlling shareholder, or the subsidiaries of its controlling shareholder was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the financial year.

Directors' Rights to Acquire Shares or Debentures

Save for the share option scheme and the share purchase scheme disclosed below and in note 16 to the financial statements, at no time during the financial year was the Company, or any of its subsidiaries or its holding companies, a party to any arrangement which enables the Directors to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or any other body corporate.

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 employees and officers of any member of the Group. At the annual general meeting of the Company held on 22 July 2011, the shareholders of the Company approved the adoption of a new share option scheme of the Company (the "2011 Scheme") and the cancellation of the share option scheme adopted by the Company on 10 August 2001 (the "2001 Scheme") which originally would have expired on 9 August 2011, upon which no further options will be offered but in all other respects the provisions of the 2001 Scheme shall remain in force and the options granted prior to the cancellation of the 2001 Scheme shall continue to be valid and exercisable in accordance with the 2001 Scheme.

As at the date of adoption of the 2011 Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the 2011 Scheme or any other share option schemes adopted by the Company is 24,938,913 shares. Further details of the 2011 Scheme are set out in the circular of the Company dated 20 June 2011. Under the 2011 Scheme, the Directors may, at their discretion, at any time during 10 years from the date of adoption of the 2011 Scheme, invite employees and officers of any member of the Group to subscribe for shares of the Company in accordance with the terms of the 2011 Scheme.

Details of the 2001 Scheme and the 2011 Scheme are set out in note 16 to the financial statements.

Share Purchase Scheme

On 30 March 2011 (the "Adoption Date"), the Company adopted a share purchase scheme (the "Share Purchase Scheme"), which is a share incentive award scheme for the purpose of incentivising employees and attracting suitable personnel for the continuous development of the Group. Eligible participants of the Share Purchase Scheme include Directors, officers and employees of any member of the Group as the Remuneration Committee may determine or approve. The Share Purchase Scheme shall be valid and effective for a term of 20 years from the Adoption Date. The shares to be awarded pursuant to the Share Purchase Scheme (the "Awarded Shares") will be granted to the eligible participants subject to the applicable conditions and vesting period as determined by the Remuneration Committee.

On 26 March 2013, the Company further adopted an Addendum to the Share Purchase Scheme for the eligible French employees of the Group (the "French Subplan"). The Awarded Shares will be granted to the eligible French employees pursuant to the Share Purchase Scheme and the French Subplan. The vesting period applicable under the French Subplan shall not be less than 2 years following the date of the award and a further 2 years sales restriction period as calculated from the date of the Awarded Shares being transferred to the eligible French employees.

Details of the Share Purchase Scheme and the French Subplan are set out in note 16 to the financial statements.

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

As at 31 March 2014, 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 required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to 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

	Number of ordinary shares					
Name of Director	**Personal interest**	**Family interest**	**Other interest**	**Equity derivatives (share options)**	**Total**	**Approximate percentage of shareholding**
Allan WONG Chi Yun	9,654,393	3,968,683	74,101,153 *(Note 1)*	–	87,724,229	34.97%
PANG King Fai	–	–	–	210,000	210,000	0.08%
Andy LEUNG Hon Kwong	128,000	–	–	–	128,000	0.05%
William FUNG Kwok Lun	449,430	–	592,200 *(Note 2)*	–	1,041,630	0.42%
Michael TIEN Puk Sun	–	211,500 *(Note 3)*	211,500 *(Note 3)*	–	423,000	0.17%
Patrick WANG Shui Chung	162,000	–	–	–	162,000	0.06%

Notes:

(1) The shares were beneficially owned as to 1,416,325 shares by Honorex Limited ("Honorex"), as to 65,496,225 shares by Conquer Rex Limited ("Conquer Rex") and as to 7,188,603 shares by Twin Success Pacific Limited ("Twin Success"). Conquer Rex was wholly owned by Honorex. Each of Conquer Rex, Honorex and Twin Success was wholly owned by Surplus Assets Limited ("Surplus Assests"). Surplus Assets was wholly owned by Credit Suisse Trust Limited as the trustee of The Allan Wong 2011 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun, a Director, was the founder. Surplus Assets 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. Surplus Assets was wholly owned by Credit Suisse Trust Limited which was deemed to be interested in such shares by virtue of the SFO.

(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.

(5) The approximate percentage of shareholding is calculated based on 250,872,133 shares of the Company in issue as at 31 March 2014.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

(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 2013	Number of share options held as at 31 March 2014
PANG King Fai	17 April 2008	HK$41.07	23 April 2011 to 22 April 2013	128,000	– *(Note 1)*
	9 April 2010	HK$85.35	13 April 2012 to 12 April 2014	256,000	210,000 *(Note 2)*
Andy LEUNG Hon Kwong	9 April 2010	HK$85.35	13 April 2012 to 12 April 2014	128,000	– *(Note 2)*

Notes:

(1) The weighted average closing price per share of the Company immediately before the date on which options were exercised was HK$106.50.

(2) The weighted average closing price per share of the Company immediately before the date on which options were exercised was HK$116.90.

Save as disclosed above, as at 31 March 2014, none of the Directors and chief executives of the Company had any interest or short positions in the 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 recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholdings

As at 31 March 2014, other than the interests of the Directors and chief executives of the Company 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 required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Credit Suisse Trust Limited	Interest of controlled corporation *(Note 1)*	74,101,153	29.54%
Surplus Assets Limited	Interest of controlled corporation *(Note 1)*	74,101,153	29.54%
Honorex Limited	Interest of controlled corporation *(Note 1)*	65,496,225	26.11%
	Beneficial owner *(Note 1)*	1,416,325	0.56%
Conquer Rex Limited	Beneficial owner *(Note 1)*	65,496,225	26.11%
Templeton Asset Management Limited	Investment manager	35,046,900	13.97%
The Capital Group Companies, Inc.	Interest of controlled corporation	15,922,940	6.35%
Pyrford International Limited	Investment manager	12,584,861	5.02%

Notes:

(1) The shares were beneficially owned as to 1,416,325 shares by Honorex, as to 65,496,225 shares by Conquer Rex and as to 7,188,603 shares by Twin Success. Conquer Rex was wholly owned by Honorex. Each of Conquer Rex, Honorex and Twin Success was wholly owned by Surplus Assests. Surplus Assets was wholly owned by Credit Suisse Trust Limited as the trustee of The Allan Wong 2011 Trust, a discretionary trust of which Dr. Allan WONG Chi Yun, a Director, was the founder. Surplus Assets 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. Surplus Assets was wholly owned by Credit Suisse Trust Limited which was deemed to be interested in such shares by virtue of the SFO. Dr. Allan WONG Chi Yun'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" in this Annual Report.

(2) All the interests stated above represented long positions.

Save as disclosed above, as at 31 March 2014, 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 the Company pursuant to Section 336 of the SFO.

Public Float

Based on the information publicly available and within the knowledge of the Directors, 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 2014 and up to the date of this Annual 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 2014.

Securities Purchase Arrangements

At the 2013 AGM, shareholders renewed the approval of a general mandate authorising 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 and its subsidiaries have not redeemed any of its shares during the financial year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the financial year, except that the trustee of the Share Purchase Scheme, pursuant to the rules and trust deed of the Share Purchase Scheme, purchased on the Stock Exchange a total of 69,000 Company's shares at a consideration of US$1.0 million.

Major Customers and Suppliers

For the year ended 31 March 2014, 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 14.8% of the Group's revenue and the Group's five largest customers in aggregate accounted for approximately 34.0% of the Group's revenue during the financial 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 Bye-laws 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 shall retire and, being eligible, offer itself for re-appointment at the 2014 AGM.

On behalf of the Board

Allan WONG Chi Yun
Chairman

Hong Kong, 22 May 2014

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") and its subsidiaries (together the "Group") set out on pages 40 to 66, which comprise the consolidated and Company balance sheets as at 31 March 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2014 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

22 May 2014

Consolidated Income Statement

For the year ended 31 March 2014

	Note	2014 US$ million	2013 (Restated) US$ million
Revenue	1	**1,898.9**	1,858.0
Cost of sales		**(1,264.6)**	(1,260.2)
Gross profit		**634.3**	597.8
Selling and distribution costs		**(286.4)**	(260.0)
Administrative and other operating expenses		**(63.8)**	(56.8)
Research and development expenses		**(58.0)**	(57.1)
Operating profit	1&2	**226.1**	223.9
Net finance income		**1.4**	1.7
Profit before taxation		**227.5**	225.6
Taxation	4	**(24.2)**	(24.1)
Profit for the year and attributable to shareholders of the Company		**203.3**	201.5
Earnings per share (US cents)	6		
– Basic		**81.1**	80.6
– Diluted		**81.1**	80.5

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

	Note	2014 US$ million	2013 (Restated) US$ million
Profit for the year		**203.3**	201.5
Other comprehensive income (after tax and reclassification adjustments) for the year			
Items that will not be reclassified to profit or loss:			
Deficit arising on revaluation of properties, net of deferred tax	4(d)	**(1.3)**	(1.7)
Effect of remeasurement of net liability of defined benefit scheme, net of deferred tax		**4.7**	2.3
		3.4	0.6
Items that may be reclassified subsequently to profit or loss:			
Fair value (losses)/gains on hedging		**(4.3)**	2.5
Realisation of hedging reserve		**(2.3)**	(1.5)
Exchange translation differences		**6.7**	(3.6)
		0.1	(2.6)
Other comprehensive income for the year		**3.5**	(2.0)
Total comprehensive income for the year		**206.8**	199.5

Consolidated Balance Sheet

As at 31 March 2014

	Note	31 March 2014 US$ million	31 March 2013 (Restated) US$ million	1 April 2012 (Restated) US$ million
Non-current assets				
Tangible assets	7	**85.9**	88.4	91.0
Leasehold land payments	8	**5.1**	5.2	5.1
Investments		**0.1**	0.1	0.2
Deferred tax assets	9(b)	**2.5**	4.6	7.0
		93.6	98.3	103.3
Current assets				
Stocks	10	**265.9**	276.9	239.2
Debtors, deposits and prepayments	11	**235.8**	257.1	241.8
Taxation recoverable	9(a)	**0.9**	0.4	0.8
Deposits and cash	12	**322.9**	308.6	326.5
		825.5	843.0	808.3
Current liabilities				
Creditors and accruals	13	**(304.4)**	(330.6)	(314.9)
Provisions	14	**(27.9)**	(28.2)	(31.5)
Taxation payable	9(a)	**(5.1)**	(7.2)	(4.5)
		(337.4)	(366.0)	(350.9)
Net current assets		**488.1**	477.0	457.4
Total assets less current liabilities		**581.7**	575.3	560.7
Non-current liabilities				
Net obligations on defined benefit scheme	15	**(2.0)**	(6.5)	(8.2)
Deferred tax liabilities	9(b)	**(4.1)**	(4.5)	(5.8)
		(6.1)	(11.0)	(14.0)
Net assets		**575.6**	564.3	546.7
Capital and reserves				
Share capital	16(a)	**12.5**	12.5	12.5
Reserves		**563.1**	551.8	534.2
Total equity		**575.6**	564.3	546.7

Approved and authorised for issue by the Board of Directors on 22 May 2014.

Allan WONG Chi Yun
Director

PANG King Fai
Director

The notes and principal accounting policies on pages 43 to 66 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 2014

	Note	2014 US$ million	2013 US$ million
Non-current assets			
Investments in subsidiaries	21	**227.5**	227.5
Current assets			
Amounts due from subsidiaries	21(b)	**320.2**	293.5
Deposits and cash	12	**0.8**	0.8
		321.0	294.3
Current liabilities			
Amounts due to subsidiaries	21(b)	**(145.4)**	(139.9)
Creditors and accruals	13	**(0.5)**	(0.4)
		(145.9)	(140.3)
Net current assets		**175.1**	154.0
Net assets		**402.6**	381.5
Capital and reserves			
Share capital	16(a)	**12.5**	12.5
Reserves	17(b)	**390.1**	369.0
Total equity		**402.6**	381.5

Approved and authorised for issue by the Board of Directors on 22 May 2014.

Allan WONG Chi Yun
Director

PANG King Fai
Director

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Note	2014 US$ million	2013 (Restated) US$ million
Operating activities			
Operating profit		**226.1**	223.9
Depreciation of tangible assets	2	**31.2**	29.2
Amortisation of leasehold land payments	2	**0.1**	0.1
Gain on disposal of tangible assets	2	**(0.1)**	(0.1)
Decrease/(increase) in stocks		**11.0**	(37.7)
Decrease/(increase) in debtors, deposits and prepayments		**18.9**	(14.3)
(Decrease)/increase in creditors and accruals		**(30.4)**	15.7
Decrease in provisions		**(0.3)**	(3.3)
Increase in net obligations on defined benefit scheme		**0.7**	0.8
Cash generated from operations		**257.2**	214.3
Interest received		**1.4**	1.7
Taxes paid		**(25.1)**	(19.5)
Net cash generated from operating activities		**233.5**	196.5
Investing activities			
Purchase of tangible assets	7	**(30.1)**	(29.9)
Proceeds from disposal of tangible assets		**0.3**	1.0
Proceeds received from bank deposits with maturity greater than three months	12	**–**	15.0
Net cash used in investing activities		**(29.8)**	(13.9)
Financing activities			
Proceeds from shares issued upon exercise of share options	16(b) &17(b)	**4.7**	8.4
Payment for shares acquired for Share Purchase Scheme	16(c)	**(1.0)**	(0.9)
Dividends paid	5	**(200.6)**	(190.3)
Net cash used in financing activities		**(196.9)**	(182.8)
Effect of exchange rate changes		**7.5**	(2.7)
Increase/(decrease) in cash and cash equivalents		**14.3**	(2.9)
Cash and cash equivalents at 1 April		**173.6**	176.5
Cash and cash equivalents at 31 March	12	**187.9**	173.6

The notes and principal accounting policies on pages 43 to 66 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Note	Attributable to shareholders of the Company								
		Share capital US$ million	Share premium US$ million	Shares held for Share Purchase Scheme US$ million	Properties revaluation reserve US$ million	Exchange reserve US$ million	Capital reserve US$ million	Hedging reserve US$ million	Revenue reserve US$ million	Total equity US$ million
At 1 April 2012, as previously reported		12.5	128.2	(0.9)	21.3	9.4	4.2	1.4	380.1	556.2
Effect of adoption of IAS 19 (Revised 2011)	B	–	–	–	–	–	–	–	(9.5)	(9.5)
At 1 April 2012, as restated		12.5	128.2	(0.9)	21.3	9.4	4.2	1.4	370.6	546.7
Changes in equity for the year ended 31 March 2013										
Comprehensive income										
Profit for the year, as restated		–	–	–	–	–	–	–	201.5	201.5
Other comprehensive income (after tax and reclassification adjustments)										
Fair value gains on hedging		–	–	–	–	–	–	2.5	–	2.5
Realisation of hedging reserve		–	–	–	–	–	–	(1.5)	–	(1.5)
Exchange translation differences		–	–	–	–	(3.6)	–	–	–	(3.6)
Effect of remeasurement of net liability of defined benefit scheme, net of deferred tax	B	–	–	–	–	–	–	–	2.3	2.3
Deficit arising on revaluation of properties, net of deferred tax		–	–	–	(1.7)	–	–	–	–	(1.7)
Other comprehensive income for the year, as restated		–	–	–	(1.7)	(3.6)	–	1.0	2.3	(2.0)
Total comprehensive income for the year, as restated		–	–	–	(1.7)	(3.6)	–	1.0	203.8	199.5
Final dividend in respect of the previous year		–	–	–	–	–	–	–	(150.2)	(150.2)
Interim dividend in respect of the current year	5	–	–	–	–	–	–	–	(40.1)	(40.1)
Shares issued under share option scheme	16(a)&17(b)	–	8.4	–	–	–	–	–	–	8.4
Equity-settled share based payments		–	2.0	–	–	–	(2.0)	–	–	–
Shares purchased for Share Purchase Scheme	16(c)&17(b)	–	–	(0.9)	–	–	–	–	–	(0.9)
Vesting of shares of Share Purchase Scheme	16(c)&17(b)	–	–	0.9	–	–	–	–	–	0.9
At 31 March 2013, as restated		12.5	138.6	(0.9)	19.6	5.8	2.2	2.4	384.1	564.3
At 1 April 2013, as previously reported		12.5	138.6	(0.9)	19.6	5.8	2.2	2.4	392.1	572.3
Effect of adoption of IAS 19 (Revised 2011)	B	–	–	–	–	–	–	–	(8.0)	(8.0)
At 1 April 2013, as restated		12.5	138.6	(0.9)	19.6	5.8	2.2	2.4	384.1	564.3
Changes in equity for the year ended 31 March 2014										
Comprehensive income										
Profit for the year		–	–	–	–	–	–	–	203.3	203.3
Other comprehensive income (after tax and reclassification adjustments)										
Fair value losses on hedging		–	–	–	–	–	–	(4.3)	–	(4.3)
Realisation of hedging reserve		–	–	–	–	–	–	(2.3)	–	(2.3)
Exchange translation differences		–	–	–	–	6.7	–	–	–	6.7
Effect of remeasurement of net liability of defined benefit scheme, net of deferred tax		–	–	–	–	–	–	–	4.7	4.7
Deficit arising on revaluation of properties, net of deferred tax		–	–	–	(1.3)	–	–	–	–	(1.3)
Other comprehensive income for the year		–	–	–	(1.3)	6.7	–	(6.6)	4.7	3.5
Total comprehensive income for the year		–	–	–	(1.3)	6.7	–	(6.6)	208.0	206.8
Final dividend in respect of the previous year	5	–	–	–	–	–	–	–	(160.5)	(160.5)
Interim dividend in respect of the current year	5	–	–	–	–	–	–	–	(40.1)	(40.1)
Shares issued under share option scheme	16(a)&17(b)	–	4.7	–	–	–	–	–	–	4.7
Equity-settled share based payments		–	1.2	–	–	–	(1.2)	–	–	–
Shares purchased for Share Purchase Scheme	16(c)&17(b)	–	–	(1.0)	–	–	–	–	–	(1.0)
Vesting of shares of Share Purchase Scheme	16(c)&17(b)	–	–	1.4	–	–	–	–	–	1.4
At 31 March 2014		**12.5**	**144.5**	**(0.5)**	**18.3**	**12.5**	**1.0**	**(4.2)**	**391.5**	**575.6**

The notes and principal accounting policies on pages 43 to 66 form part of these 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

These 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 comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), " Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with 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 a number of new IFRSs and amendments to IFRSs 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:

- IAS 1 (Amendment), *Presentation of financial statements – Presentation of items of other comprehensive income*
- IAS 19 (Revised 2011), *Employee benefits*
- IFRSs (Amendment), *Annual improvements to IFRSs 2009-2011 cycle*
- IFRS 7 (Amendment), *Financial instruments: Disclosures – Offsetting financial assets and financial liabilities*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*

IAS 1 (Amendment), *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IAS 19 (Revised 2011), *Employee benefits*

IAS 19 (Revised 2011) introduces a number of amendments to the accounting for defined benefit scheme. Among them, IAS 19 (Revised 2011) eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit scheme could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. IAS 19 (Revised 2011) also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of IAS 19 (Revised 2011), the Group has changed its accounting policy with respect to defined benefit scheme, for which the "corridor method" was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 1 April 2012 and 31 March 2013, and with consequential adjustments to comparatives for the year ended 31 March 2013 as follows:

	As previously reported US$ million	Effect of adoption of IAS 19 (Revised 2011) US$ million	As restated US$ million
Consolidated income statement for the year ended 31 March 2013			
Administrative and other operating expenses	(56.0)	(0.8)	(56.8)
Profit for the year	202.3	(0.8)	201.5
Basic earnings per share (US cents)	80.9	(0.3)	80.6
Diluted earnings per share (US cents)	80.8	(0.3)	80.5
Consolidated statement of comprehensive income for the year ended 31 March 2013			
Effect of remeasurement of net liability of defined benefit scheme, net of deferred tax	–	2.3	2.3
Total comprehensive income for the year	198.0	1.5	199.5
Consolidated balance sheet as at 31 March 2013			
Deferred tax assets	3.7	0.9	4.6
Debtors, deposits and prepayments	259.5	(2.4)	257.1
Net obligations on defined benefit scheme	–	(6.5)	(6.5)
Revenue reserve	392.1	(8.0)	384.1
Consolidated balance sheet as at 1 April 2012			
Deferred tax assets	5.9	1.1	7.0
Debtors, deposits and prepayments	244.2	(2.4)	241.8
Net obligations on defined benefit scheme	–	(8.2)	(8.2)
Revenue reserve	380.1	(9.5)	370.6

IFRSs (Amendment), *Annual improvements to IFRSs 2009-2011 cycle*

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them,

(i) IAS 1 has been amended to clarify that an opening balance sheet is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening balance sheet. The amendments also remove the requirement to present related notes to the opening balance sheet when such balance sheet is presented. Since the Group considers that the restatement resulting from the adoption of IAS 19 (Revised 2011) has a material impact on the opening financial position, an additional balance sheet as at 1 April 2012 has been presented in these financial statements.

Principal Accounting Policies (Continued)

B Statement of Compliance (Continued)

IFRSs (Amendment), *Annual improvements to IFRSs 2009-2011 cycle*
(Continued)

(ii) IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in note 1.

IFRS 7 (Amendment), *Financial instruments: Disclosures – offsetting financial assets and financial liabilities*

The amendments to IFRS 7 require companies to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The Group has outstanding derivative financial instruments presented as financial assets/ liabilities in the consolidated balance sheet which are under master netting agreements. The amendments to IFRS 7 require retrospective application. The application of the amendments has had no impact on the results or financial position of the Group but results in additional disclosures in the Group's consolidated financial statements.

IFRS 10, *Consolidated financial statements*

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the group in respect of its involvement with other entities as at 1 April 2013.

IFRS 12, *Disclosure of interests in other entities*

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 21.

IFRS 13, *Fair value measurement*

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 7 and 18.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period (note 23).

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 and derivative financial instruments stated at their fair value as explained in the accounting policies set out below.

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 24.

D Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and structure entities. All significant inter-company balances and transactions and any unrealised gains arising from inter-company transactions are eliminated on consolidation.

Subsidiaries and structure entities are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary and a structured entity consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. The assets and liabilities of the structured entity, VTech Share Purchase Scheme Trust, are included in the Group's balance sheet and the shares held by the VTech Share Purchase Scheme Trust are presented as a deduction in equity as Shares held for Share Purchase Scheme.

Principal Accounting Policies (Continued)

D Basis of Consolidation (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a jointly venture.

Investments in subsidiaries in the Company's balance sheet are stated at cost less impairment losses (see note (K)).

E 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, returns, rebates 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.

F 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 (K)). 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.

G Translation of 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.

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.

H Tangible Assets and Depreciation

The following properties held for own use are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation:

– freehold land and buildings; and

– medium-term leasehold land and buildings.

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.

The following items of tangible assets are stated at cost less accumulated depreciation and impairment losses (see note (K)):

– short-term leasehold buildings held for own use which are situated on leasehold land classified as held under operating leases; and

– other items of tangible assets.

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)

H Tangible Assets and Depreciation (Continued)

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:

Freehold land is not depreciated.

Leasehold land	Over the unexpired term of lease
Freehold buildings, medium-term and short-term leasehold buildings and leasehold improvements	10 to 50 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 revenue reserve and is not reclassified to profit or loss.

I Construction in Progress

Construction in progress represents land and buildings under development and are stated at cost less impairment losses (see note (K)). 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 (see note (H)).

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

J Leases

Leases of tangible assets in terms of which that the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Tangible assets 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 (K)). Finance charges are recognised in profit or loss in proportion of the capital balances outstanding.

Leases of assets under which substantially 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 recognised in profit or loss 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.

K 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 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 tangible assets, construction in progress, interest in subsidiaries and other investments, 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.

– Calculation of recoverable amount

  The recoverable amount is the greater of the asset's fair value less costs of disposal 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 the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

  An impairment loss is recognised as an expense in profit or loss 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. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

– Interim financial reporting and impairment

  Under the Listing Rules, 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.

L Other Investments

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 (K)).

M 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 incurred in bringing the inventories to their present location and condition. 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.

N 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 (K)).

O 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 statement of cash flows.

P 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.

Q 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.

(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.

R 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 profit or loss 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 the 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).

Principal Accounting Policies (Continued)

R Income Tax (Continued)

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.

S 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 schemes

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 profit or loss as incurred.

(ii) Defined benefit scheme

The Group's net obligation in respect of defined benefit retirement scheme is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any scheme assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocates by function as part of "cost of sales", "selling and distribution costs" or "administrative and other operating expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a scheme are changed, or when a scheme is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the scheme amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement scheme are recognised in other comprehensive income and reflected immediately in revenue reserve. Remeasurements comprise actuarial gains and losses, the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iii) Equity and equity related compensation benefits

For share options granted under the 2001 Scheme and 2011 Scheme, 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 reserve).

At the end of the reporting period, the Group revises its estimates of the number of shares of the Company granted under the Share Purchase Scheme ("Awarded Shares") that are expected to ultimately vest. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to employee share-based compensation expense in the current year, with a corresponding adjustment to capital reserve.

T Share held for Share Purchase Scheme

Where the VTech Share Purchase Scheme Trust purchases shares of the Company from the market, the consideration paid, including any directly attributable incremental costs, is presented as Shares held for Share Purchase Scheme and deducted from total equity.

Upon vesting, the related costs of the vested Awarded Shares recognised as employee share-based compensation expenses are credited to Shares held for Share Purchase Scheme and decrease in revenue reserve for shares purchased through reinvesting dividends received on the vested Awarded Shares.

For vesting of forfeited or unallocated shares regranted, the related costs of the forfeited or unallocated shares regranted are credited to Shares held for Share Purchase Scheme, and the related fair value of the shares regranted are debited to capital reserve. The difference between the cost and the fair value of the shares regranted is credited to share premium if the fair value is higher than the cost or debited against revenue reserve if the fair value is less than the cost.

Principal Accounting Policies (Continued)

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.

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

(a) A person, or a close member of that person's family, is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions apply:

   (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

   (vi) The entity is controlled or jointly controlled by a person identified in (a).

   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

1 Segment Information

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

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 ("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 and investments.

Segment liabilities include creditors and accruals and provisions with the exception of deferred tax liabilities and taxation payable.

Year ended 31 March 2014	**North America US$ million**	**Europe US$ million**	**Asia Pacific US$ million**	**Others US$ million**	**Total US$ million**
Reportable segment revenue	**950.7**	**791.8**	**108.9**	**47.5**	**1,898.9**
Reportable segment profit	**94.8**	**110.6**	**13.5**	**7.2**	**226.1**
Depreciation and amortisation	**0.6**	**1.7**	**29.0**	**–**	**31.3**
Reportable segment assets	**154.6**	**101.3**	**659.3**	**0.4**	**915.6**
Reportable segment liabilities	**(52.8)**	**(27.3)**	**(253.8)**	**(0.4)**	**(334.3)**

Year ended 31 March 2013, as restated	North America US$ million	Europe US$ million	Asia Pacific US$ million	Others US$ million	Total US$ million
Reportable segment revenue	933.4	769.9	99.8	54.9	1,858.0
Reportable segment profit	111.5	93.3	12.5	6.6	223.9
Depreciation and amortisation	0.7	1.7	26.9	–	29.3
Reportable segment assets	168.0	109.7	658.0	0.5	936.2
Reportable segment liabilities	(45.4)	(27.0)	(292.0)	(0.9)	(365.3)

(c) Reconciliations of reportable segment assets and liabilities

	Note	**2014 US$ million**	2013 (Restated) US$ million
Assets			
Reportable segment assets		**915.6**	936.2
Investments		**0.1**	0.1
Taxation recoverable	9(a)	**0.9**	0.4
Deferred tax assets	9(b)	**2.5**	4.6
Consolidated total assets		**919.1**	941.3
Liabilities			
Reportable segment liabilities		**(334.3)**	(365.3)
Taxation payable	9(a)	**(5.1)**	(7.2)
Deferred tax liabilities	9(b)	**(4.1)**	(4.5)
Consolidated total liabilities		**(343.5)**	(377.0)

For the year ended 31 March 2014, approximately 15% (2013: 13%) of the Group's revenue is derived from a single external customer. This revenue is attributable to the North America segment.

Details of concentrations of credit risk of the Group are set out in note 18(a).

2 Operating Profit

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

	Note	2014 US$ million	2013 (Restated) US$ million
Staff related costs			
– salaries and wages		**272.9**	267.3
– pension costs: defined contribution schemes	15(a)	**14.5**	11.4
– pension costs: defined benefit scheme	15(b)	**2.0**	2.2
– severance payments		**2.5**	1.0
– share-based payment expenses		**1.4**	0.9
		293.3	282.8
Cost of inventories	10(b)	**1,264.6**	1,260.2
Depreciation of tangible assets	7	**31.2**	29.2
Amortisation of leasehold land payments	8	**0.1**	0.1
Gain on disposal of tangible assets		**(0.1)**	(0.1)
Auditors' remuneration			
– audit services		**0.8**	0.8
– audit related services		**0.1**	0.1
– tax services		**0.5**	0.4

	Note	2014 US$ million	2013 (Restated) US$ million
Operating leases charges: minimum lease payments			
– land and buildings		**16.0**	15.0
– others		**3.0**	2.2
Impairment loss of trade debtors	11(b)	**0.6**	1.7
Impairment loss of trade debtors written back	11(b)	**(0.7)**	–
Royalties		**22.2**	21.1
Provision for defective goods returns	14	**26.4**	25.4
Net foreign exchange loss/(gain)		**0.4**	(0.4)
Net loss/(gain) on forward foreign exchange contracts			
– Net gain on cash flow hedging instruments reclassified from equity		**(2.3)**	(1.5)
– Net loss/(gain) on forward foreign exchange contracts		**0.5**	(0.8)

3 Directors' Emoluments and Individuals with Highest Emoluments

Directors' remunerations disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) is as follows:

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**	**2014 Total US$ million**
Executive Directors *(i)*						
Allan WONG Chi Yun *(iii)*	**–**	**0.9**	**2.0**	**0.1**	**–**	**3.0**
PANG King Fai	**–**	**0.5**	**1.5**	**–**	**–**	**2.0**
Andy LEUNG Hon Kwong	**–**	**0.5**	**1.7**	**–**	**–**	**2.2**
Independent Non-executive Directors *(ii)*						
William FUNG Kwok Lun	**–**	**–**	**–**	**–**	**–**	**–**
Denis Morgie HO Pak Cho *(iv)*	**–**	**–**	**–**	**–**	**–**	**–**
Michael TIEN Puk Sun	**–**	**–**	**–**	**–**	**–**	**–**
Patrick WANG Shui Chung	**–**	**–**	**–**	**–**	**–**	**–**
WONG Kai Man *(v)*	**–**	**–**	**–**	**–**	**–**	**–**
	–	**1.9**	**5.2**	**0.1**	**–**	**7.2**

	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	2013 Total US$ million
Executive Directors *(i)*						
Allan WONG Chi Yun *(iii)*	–	0.9	2.1	0.1	–	3.1
PANG King Fai	–	0.5	0.7	–	–	1.2
Andy LEUNG Hon Kwong	–	0.5	0.8	–	–	1.3
Independent Non-executive Directors *(ii)*						
William FUNG Kwok Lun	–	–	–	–	–	–
Denis Morgie HO Pak Cho	–	–	–	–	–	–
David SUN Tak Kei *(vi)*	–	–	–	–	–	–
Michael TIEN Puk Sun	–	–	–	–	–	–
Patrick WANG Shui Chung	–	–	–	–	–	–
WONG Kai Man *(v)*	–	–	–	–	–	–
	–	1.9	3.6	0.1	–	5.6

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

Directors' emoluments (Continued)

Notes:

(i) The directors' fee paid to each executive Director was US$30,000 (2013: US$30,000) per annum.

(ii) The emoluments paid to each independent non-executive Director was US$30,000 (2013: US$30,000) per annum, pro-rata to their length of service during the year.

(iii) The emoluments paid to Dr. Allan WONG Chi Yun included housing benefit of HK$3,600,000 for the year ended 31 March 2014 (2013: HK$3,600,000), 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 discretionary trust of which Dr. Allan WONG Chi Yun, a Director, was the founder.

(iv) Mr. Denis Morgie HO Pak Cho retired as an independent non-executive Director with effect from the conclusion of the 2013 AGM.

(v) Mr. WONG Kai Man was appointed as an independent non-executive Director on 19 September 2012.

(vi) Dr. David SUN Tak Kei resigned as an independent non-executive Director with effect from 30 June 2012.

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

Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2013: three) are Directors whose emoluments are set out above. The aggregate of the emoluments in respect of the other two (2013: two) individuals are as follows:

	2014 US$ million	2013 US$ million
Salaries, allowances and benefits in kind	**1.0**	1.0
Discretionary bonuses	**2.2**	1.1
Contribution to retirement benefit schemes	**–**	–
Share-based payments	**–**	–
	3.2	2.1

The emoluments fell within the following bands:

	2014 Individuals	2013 Individuals
US$		
897,001 – 961,000	**–**	1
961,001 – 1,025,000	**1**	–
1,153,001 – 1,217,000	**–**	1
2,241,001 – 2,305,000	**1**	–
	2	2

During the years ended 31 March 2013 and 31 March 2014, there were no amounts paid to Directors and individuals for compensation for loss of office and inducement for joining the Group.

Emoluments of senior management

Other than the Directors' remuneration and emoluments of five highest individuals disclosed in note 3, the emoluments of the senior management whose profiles are included in Directors and Senior Management section of this Annual Report fell within the following bands:

	2014 Individuals	2013 Individuals
US$		
257,001 – 321,000	**–**	1
321,001 – 385,000	**1**	–
385,001 – 449,000	**1**	1
449,001 – 513,000	**1**	2
513,001 – 577,000	**2**	–
577,001 – 641,000	**–**	2
833,001 – 897,000	**1**	–
	6	6

4 Taxation

	Note	**2014 US$ million**	2013 US$ million
Current tax			
– Hong Kong		**15.3**	16.4
– Overseas		**7.3**	6.3
Over-provision in respect of prior years			
– Hong Kong		**(0.1)**	(0.1)
Deferred tax			
– Origination and reversal of temporary differences	9(b)	**1.7**	1.5
		24.2	24.1

(a) Hong Kong Profits Tax has been calculated at the rate of 16.5% (2013: 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 2014 was 10.6% (2013: 10.7%, as restated). The effective income tax rate is reconciled to the statutory domestic income tax rate as follows:

	2014 %	2013 (Restated) %
Statutory domestic income tax rate	**16.5**	16.5
Difference in overseas income tax rates	**1.4**	1.2
Tax effect of non-temporary differences	**(6.8)**	(6.6)
Others	**(0.5)**	(0.4)
Effective income tax rate	**10.6**	10.7

(d) Included in the consolidated statement of comprehensive income for the year ended 31 March 2014 was US$1.3 million (2013: US$1.7 million) related to the deficit on revaluation of properties which was derived at after the related tax credit of US$0.4 million (2013: US$0.6 million).

5 Dividends

	Note	**2014 US$ million**	2013 US$ million
Interim dividend of US16.0 cents (2013: US16.0 cents) per share declared and paid	17	**40.1**	40.1
Final dividend of US64.0 cents (2013: US64.0 cents) per share proposed after the balance sheet date	17	**160.6**	160.2

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 May 2013, the Directors proposed a final dividend of US64.0 cents per ordinary share for the year ended 31 March 2013, which was estimated to be US$160.2 million at the time calculated on the basis of the ordinary shares in issue as at 31 March 2013. The final dividend was approved by shareholders at the annual general meeting on 12 July 2013. As a result of shares issuance upon exercise of share options during the period between 1 April 2013 and 12 July 2013, the final dividend paid in respect of the year ended 31 March 2013 totaled US$160.5 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$203.3 million (2013: US$201.5 million, as restated).

The calculation of basic earnings per share is based on the weighted average of 250.7 million (2013: 250.1 million) ordinary shares in issue during the year after adjusting for shares held for Share Purchase Scheme.

The calculation of diluted earnings per share is based on 250.8 million (2013: 250.3 million) ordinary shares which is the weighted average number of ordinary shares in issue during the year after adjusting for shares held for Share Purchase Scheme and the number of dilutive potential ordinary shares under the Company's share option scheme.

	2014	2013 (Restated)
Profit attributable to shareholders (US$ million)	**203.3**	201.5
Weighted average number of ordinary shares in issue less shares held for Share Purchase Scheme (in million)	**250.7**	250.1
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (in million)	**0.1**	0.2
Weighted average number of ordinary shares (diluted) (in million)	**250.8**	250.3
Diluted earnings per share (US cents)	**81.1**	80.5

7 Tangible Assets

	Land and buildings US$ million	**Leasehold improvements US$ million**	**Moulds, machinery and equipment US$ million**	**Computers, motor vehicles, furniture and fixtures US$ million**	**Construction in progress US$ million**	**Total US$ million**
Cost or valuation						
At 1 April 2012	70.6	13.0	278.0	119.4	6.9	487.9
Additions	–	0.3	19.6	10.0	–	29.9
Disposals	(0.4)	(0.4)	(19.2)	(10.2)	–	(30.2)
Revaluation *(note (a))*	(2.5)	–	–	–	–	(2.5)
Effect of changes in exchange rates	(0.2)	0.1	0.2	0.2	–	0.3
At 31 March 2013 and 1 April 2013	67.5	13.0	278.6	119.4	6.9	485.4
Additions	–	2.8	17.4	9.9	–	30.1
Disposals	–	–	(10.9)	(2.1)	–	(13.0)
Revaluation *(note (a))*	(2.0)	–	–	–	–	(2.0)
Effect of changes in exchange rates	0.8	(0.1)	0.3	0.6	–	1.6
At 31 March 2014	**66.3**	**15.7**	**285.4**	**127.8**	**6.9**	**502.1**
Accumulated depreciation and impairment						
At 1 April 2012	26.8	7.8	252.6	102.8	6.9	396.9
Charge for the year	2.0	1.0	17.5	8.7	–	29.2
Written back on disposals	(0.4)	(0.4)	(19.2)	(9.3)	–	(29.3)
Revaluation *(note (a))*	(0.2)	–	–	–	–	(0.2)
Effect of changes in exchange rates	0.1	0.1	0.1	0.1	–	0.4
At 31 March 2013 and 1 April 2013	28.3	8.5	251.0	102.3	6.9	397.0
Charge for the year	2.2	1.0	17.3	10.7	–	31.2
Written back on disposals	–	–	(10.8)	(2.0)	–	(12.8)
Revaluation *(note (a))*	(0.3)	–	–	–	–	(0.3)
Effect of changes in exchange rates	0.1	(0.1)	0.3	0.8	–	1.1
At 31 March 2014	**30.3**	**9.4**	**257.8**	**111.8**	**6.9**	**416.2**
Net book value at 31 March 2014	**36.0**	**6.3**	**27.6**	**16.0**	**–**	**85.9**
Net book value at 31 March 2013	39.2	4.5	27.6	17.1	–	88.4
Cost or valuation of tangible assets is analysed as follows:						
At cost	42.3	15.7	285.4	127.8	6.9	478.1
At professional valuation *(note (a))*	24.0	–	–	–	–	24.0
	66.3	**15.7**	**285.4**	**127.8**	**6.9**	**502.1**

Note:

(a) Revaluation of properties

The medium-term leasehold land and buildings held by the Group for own use was revalued as at 31 March 2012 on a market value basis by reference to recent market transactions in comparable properties. The valuations were carried out by independent qualified firms of surveyors, Vigers Appraisal & Consulting Limited who is an associate member of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

The freehold land and buildings held by the Group for own use was revalued as at 31 March 2014 on a market value basis by reference to market rental of comparable properties. The valuations were carried out by independent qualified firms of surveyors Habets & Straten Makelaars/Taxateurs o.g. with recent experience in the location and category of property being valued.

The deficit arising from the revaluation of properties of US$1.3 million (2013: US$1.7 million), net of deferred tax of US$0.4 million (2013: US$0.6 million) (note 9(b)) have been recognised in other comprehensive income for the year ended 31 March 2014 and accumulated in the property revaluation reserve of the Group (note 17(c)).

7 Tangible Assets (Continued)

Land and buildings comprise:

	Freehold land and buildings and medium-term leasehold land and buildings US$ million	Short-term leasehold buildings US$ million	Total US$ million
Cost or valuation			
At 1 April 2012	28.1	42.5	70.6
Disposals	–	(0.4)	(0.4)
Revaluation *(note (a))*	(2.5)	–	(2.5)
Effect of changes in exchange rates	(0.4)	0.2	(0.2)
At 31 March 2013 and 1 April 2013	25.2	42.3	67.5
Revaluation *(note (a))*	(2.0)	–	(2.0)
Effect of changes in exchange rates	0.8	–	0.8
At 31 March 2014	**24.0**	**42.3**	**66.3**
Accumulated depreciation			
At 1 April 2012	–	26.8	26.8
Charge for the year	0.7	1.3	2.0
Written back on disposals	–	(0.4)	(0.4)
Revaluation *(note (a))*	(0.2)	–	(0.2)
Effect of changes in exchange rates	–	0.1	0.1
At 31 March 2013 and 1 April 2013	0.5	27.8	28.3
Charge for the year	1.0	1.2	2.2
Revaluation *(note (a))*	(0.3)	–	(0.3)
Effect of changes in exchange rates	–	0.1	0.1
At 31 March 2014	**1.2**	**29.1**	**30.3**
Net book value at 31 March 2014	**22.8**	**13.2**	**36.0**
Net book value at 31 March 2013	24.7	14.5	39.2
Cost or valuation of tangible assets is analysed as follows:			
At cost	–	42.3	42.3
At professional valuation *(note (a))*	24.0	–	24.0
	24.0	**42.3**	**66.3**
Net book value of land and buildings comprises:			
Hong Kong			
Medium-term leasehold land and buildings (less than 50 years but not less than 10 years)	14.4	–	14.4
Overseas			
Freehold land and buildings	8.4	–	8.4
Short-term leasehold buildings	–	13.2	13.2
	8.4	13.2	21.6
Net book value of revalued land and buildings had the assets been carried at cost less accumulated depreciation	5.5	–	5.5

Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the balance sheet date on a non-recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair values measured using significant unobservable inputs

The fair value of the freehold land and buildings and the medium-term leasehold land and buildings of the Group held for own use as at 31 March 2014 are classified as Level 2 valuations.

During the year ended 31 March 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of properties held for own use is determined using market comparison approach by reference to recent sales price and rental of comparable properties on a price per square foot basis using market data which is publicly available.

8 Leasehold Land Payments

	Note	2014 US$ million	2013 US$ million
Net book value at 1 April		**5.2**	5.1
Amortisation	2	**(0.1)**	(0.1)
Effect of changes in exchange rates		**–**	0.2
Net book value at 31 March *(note (i))*		**5.1**	5.2
Leasehold land payments in respect of: Owner-occupied properties		**5.1**	5.2

Note:

(i) Included in leasehold land payments is the amount of US$3.0 million (2013: US$3.0 million) paid for the acquisition of certain sites in the PRC.

9 Income Tax in the Consolidated Balance Sheet

(a) Current taxation in the consolidated balance sheet represents:

	2014 US$ million	2013 US$ million
Provision for profits tax for the year	**(22.6)**	(22.7)
Provisional profits tax paid	**18.3**	16.2
	(4.3)	(6.5)
Balance of profits tax provision relating to prior years	**0.1**	(0.3)
	(4.2)	(6.8)
Taxation recoverable	**0.9**	0.4
Taxation payable	**(5.1)**	(7.2)
	(4.2)	(6.8)

(b) The components of deferred tax assets and liabilities and the movements for the years ended 31 March 2013 and 31 March 2014 are as follows:

	Depreciation allowances in excess of the related depreciation US$ million	Revaluation of properties US$ million	Unutilised tax losses US$ million	Other temporary differences US$ million	Total US$ million
Deferred tax arising from:					
At 1 April 2012, as previously reported	(0.1)	(5.1)	4.3	1.0	0.1
Effect of adoption of IAS 19 (Revised 2011)	–	–	–	1.1	1.1
At 1 April 2012, as restated	(0.1)	(5.1)	4.3	2.1	1.2
Credited/(charged) to consolidated income statement	0.1	–	(2.2)	0.6	(1.5)
Credited/(charged) to reserves	–	0.6	–	(0.2)	0.4
At 31 March 2013, as restated	–	(4.5)	2.1	2.5	0.1
At 1 April 2013, as previously reported	–	(4.5)	2.1	1.6	(0.8)
Effect of adoption of IAS 19 (Revised 2011)	–	–	–	0.9	0.9
At 1 April 2013, as restated	–	(4.5)	2.1	2.5	0.1
Credited/(charged) to consolidated income statement	–	–	(2.0)	0.3	(1.7)
Credited/(charged) to reserves	–	0.4	–	(0.4)	–
At 31 March 2014	**–**	**(4.1)**	**0.1**	**2.4**	**(1.6)**

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:

	2014 US$ million	2013 (Restated) US$ million
Deferred tax assets	**2.5**	4.6
Deferred tax liabilities	**(4.1)**	(4.5)
	(1.6)	0.1

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$5.0 million (2013: US$5.1 million) arising from unused tax losses sustained in the operations of certain subsidiaries of US$30.1 million (2013: US$30.4 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 2014.

The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in the PRC expire 5 years after the relevant accounting year end date. 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 jurisdictions.

10 Stocks

(a) Inventories in the consolidated balance sheet comprise:

	2014 US$ million	2013 US$ million
Raw materials	**83.1**	89.9
Work in progress	**25.0**	29.2
Finished goods	**157.8**	157.8
	265.9	276.9

Stocks carried at net realisable value at 31 March 2014 amounted to US$8.2 million (2013: US$5.8 million).

10 Stocks (Continued)

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

	2014 US$ million	2013 US$ million
Carrying amount of inventories sold	**1,258.5**	1,255.1
Write-down of inventories	**9.1**	5.4
Reversal of write-down of inventories	**(3.0)**	(0.3)
	1,264.6	1,260.2

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

11 Debtors, Deposits and Prepayments

	Note	2014 US$ million	2013 (Restated) US$ million
Trade debtors (Net of allowance for doubtful debts of US$6.4 million (2013: US$7.2 million))	11(a)&(b)	**208.6**	224.9
Other debtors, deposits and prepayments		**27.2**	28.9
Forward foreign exchange contracts			
– held as cash flow hedging instruments	18(b)&(d)	**–**	2.5
– held as fair value through profit or loss	18(d)	**–**	0.8
		235.8	257.1

All of other debtors, deposits and prepayments apart from the amounts of US$5.2 million (comprised largely of royalty prepayments) (2013: US$7.1 million) are expected to be recovered or recognised as an expense within one year.

(a) Ageing Analysis

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

	2014 US$ million	2013 US$ million
0 – 30 days	**120.6**	114.9
31 – 60 days	**67.9**	77.3
61 – 90 days	**18.4**	24.3
>90 days	**1.7**	8.4
Total	**208.6**	224.9

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.

(b) 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.

At 31 March 2014, the Group's trade debtors of US$6.4 million (2013: US$7.2 million) were individually determined to be impaired as management considered that these receivables cannot be recovered. Consequently, full provisions for these doubtful debts were recognised.

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

	Note	2014 US$ million	2013 US$ million
At 1 April		**7.2**	6.9
Impairment loss recognised	2	**0.6**	1.7
Impairment loss written back	2	**(0.7)**	–
Uncollectible amounts written off		**(0.8)**	(1.3)
Effect of changes in exchange rates		**0.1**	(0.1)
At 31 March		**6.4**	7.2

(c) Trade debtors that are not impaired

As at 31 March 2014, 97% (2013: 97%) of the Group's trade debtors were not impaired, of which 100% (2013: 100%) 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 balances are considered to be fully recoverable. The Group does not hold any collateral over these balances.

12 Deposits and Cash

	The Group		The Company	
	2014 US$ million	2013 US$ million	2014 US$ million	2013 US$ million
Short term bank deposits	**165.0**	135.0	**–**	–
Cash at bank and in hand	**157.9**	173.6	**0.8**	0.8
Deposits and cash	**322.9**	308.6	**0.8**	0.8
Less: bank deposits with maturity greater than three months	**(135.0)**	(135.0)	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**187.9**	173.6	**0.8**	0.8

Deposits and cash as at 31 March 2014 include US$31.6 million equivalent (2013: US$28.9 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.

13 Creditors and Accruals

		The Group		The Company	
	Note	2014 US$ million	2013 US$ million	2014 US$ million	2013 US$ million
Trade creditors	13(a)	**140.8**	176.2	**–**	–
Other creditors and accruals	13(b)	**159.3**	154.4	**0.5**	0.4
Forward foreign exchange contracts held as cash flow hedging instruments	18(b) &(d)	**4.3**	–	**–**	–
		304.4	330.6	**0.5**	0.4

13 Creditors and Accruals (Continued)

(a) Ageing Analysis

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

	2014 US$ million	2013 US$ million
0 – 30 days	**56.5**	68.3
31 – 60 days	**33.4**	35.1
61 – 90 days	**34.8**	47.5
>90 days	**16.1**	25.3
Total	**140.8**	176.2

(b) Other creditors and accruals

Other creditors and accruals comprised largely of accruals in staff costs, advertising and promotion expenses, rebates and allowances to customers, and miscellaneous operating expenses.

Other creditors and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

14 Provisions

At 31 March 2014, provisions of US$27.9 million (2013: US$28.2 million) include provisions for defective goods returns of US$22.7 million (2013: US$23.0 million).

	Defective goods returns	
	2014 US$ million	2013 US$ million
At 1 April	**23.0**	26.4
Effect of changes in exchange rates	**0.1**	(0.1)
Additional provisions charged to consolidated income statement	**26.4**	25.4
Utilised during the year	**(26.8)**	(28.7)
At 31 March	**22.7**	23.0

The Group undertakes to repair or replace items that fail to perform satisfactorily in accordance with the terms of the sales. A 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.

15 Pension Schemes

The Group operated a defined benefit scheme and defined contribution schemes in Hong Kong and overseas. The defined contribution scheme operated in Hong Kong complied with the requirements under the Mandatory Provident Fund ("MPF") Ordinance.

(a) Defined contribution schemes

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$13.8 million (2013: US$10.8 million) and US$0.7 million (2013: US$0.6 million) respectively.

(b) Defined benefit scheme

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 Towers Watson Hong Kong Limited ("Towers Watson"), independent actuaries and consultants. The Scheme is valued annually. The latest actuarial valuation was completed by Towers Watson as at 31 March 2014 using the projected unit credit method.

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

	2014 US$ million	2013 US$ million
Fair value of Scheme assets	**26.8**	24.3
Present value of funded defined benefit obligations	**(28.8)**	(30.8)
Net obligations on defined benefit scheme recognised in the consolidated balance sheet	**(2.0)**	(6.5)

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay US$1.7 million in contributions to defined benefit retirement scheme in the year ending 31 March 2015.

(ii) Movement in fair value of Scheme assets:

	2014 US$ million	2013 US$ million
At 1 April	**24.3**	22.9
Interest income on Scheme assets	**0.3**	0.3
Return on Scheme assets excluding interest income	**1.9**	1.3
Actual Group's contributions	**1.3**	1.4
Actual benefit paid	**(0.9)**	(1.5)
Administrative expenses paid from Scheme assets	**(0.1)**	(0.1)
At 31 March	**26.8**	24.3

(iii) Movement in present value of defined benefit obligations:

	2014 US$ million	2013 US$ million
At 1 April	**30.8**	31.1
Remeasurement:		
Actuarial gains arising from changes in liability experience	**(0.5)**	(0.5)
Actuarial gains arising from changes in financial assumptions	**(2.8)**	–
Actuarial gains arising from changes in demographic assumptions	**–**	(0.7)
Interest cost	**0.4**	0.4
Current service cost	**1.8**	2.0
Actual benefits paid	**(0.9)**	(1.5)
At 31 March	**28.8**	30.8

The weighted average duration of the defined benefit obligations is 9.2 years (2013: 10.3 years).

15 Pension Schemes (Continued)

(b) Defined benefit scheme (Continued)

(iv) The amounts recognised in the consolidated income statement and other comprehensive income are as follows:

	Note	**2014 US$ million**	2013 US$ million
Current service cost		**1.8**	2.0
Net interest cost on net defined benefit liability		**0.1**	0.1
Administrative expenses paid from Scheme assets		**0.1**	0.1
Amounts recognised in the consolidated income statement	2	**2.0**	2.2
Actuarial gains		**(3.3)**	(1.2)
Return on Scheme assets excluding interest income		**(1.9)**	(1.3)
Amounts recognised in other comprehensive income		**(5.2)**	(2.5)
Total defined benefit credit		**(3.2)**	(0.3)

(v) Scheme assets consist of the following:

	2014 US$ million	2013 US$ million
Equity securities:		
– Financial institutions	**5.3**	5.6
– Non-financial institutions	**12.6**	11.7
	17.9	17.3
Bonds:		
– Government	**3.9**	3.0
– Non-government	**3.9**	3.7
	7.8	6.7
Cash and others	**1.1**	0.3
	26.8	24.3

(vi) The significant actuarial assumptions used as at 31 March 2014 (expressed as weighted average) and sensitivity analysis are as follows:

	2014	2013
Discount rate	**2.3%**	1.3%
Future salary increases	**5.0%**	5.0%

The below analysis shows how the defined benefit obligation as at 31 March 2014 would have increased/(decreased) as a result of 0.25% change in the significant actuarial assumptions:

	Increase in 0.25% US$ million	Decrease in 0.25% US$ million
Discount rate	**(0.6)**	0.6
Future salary increases	**0.6**	(0.6)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

16 Share Capital, Share Options and Share Purchase Scheme

(a) Share Capital

	2014 US$ million	2013 US$ million
Authorised		
Ordinary shares: 400,000,000 (2013: 400,000,000) of US$0.05 each	**20.0**	20.0

	2014		2013	
	No. of shares	**US$ million**	No. of shares	US$ million
Issued and fully paid				
Ordinary shares of US$0.05 each:				
At 1 April	**250,378,133**	**12.5**	249,489,133	12.5
Shares issued upon exercise of share options	**494,000**	**–**	889,000	–
At 31 March	**250,872,133**	**12.5**	250,378,133	12.5

Note: Subsequent to the balance sheet date and up to the date of this Annual Report, the issued and fully paid share capital of the Company was increased to 251,182,133 ordinary shares upon the exercise of 310,000 share options.

The Company's issued and fully paid shares as at 31 March 2014 include 39,000 shares (2013: 82,800 shares) held in trust by the trustee under the Share Purchase Scheme and 12,400 shares (2013: Nil) held in trust by the trustee under the French Subplan which were granted to the eligible French employees and remain unvested, details of which are set out in note 16(c).

(b) Share Options

At the annual general meeting of the Company held on 22 July 2011, the shareholders of the Company approved the adoption of the 2011 Scheme and the cancellation of the 2001 Scheme which originally would have expired on 9 August 2011, upon which no further options will be offered but in all other respects the provisions of the 2001 Scheme shall remain in force and the options granted prior to the cancellation of the 2001 Scheme shall continue to be valid and exercisable in accordance with the 2001 Scheme.

Pursuant to the 2011 Scheme, the Directors are authorised, at any time during the 10 years from the date of adoption of the 2011 Scheme, to grant options to employees and officers of any member of the Group to subscribe for shares of 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 Stock Exchange's daily quotations 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 Stock Exchange's daily quotations sheets for five business days immediately preceding the date of grant.

16 Share Capital, Share Options and Share Purchase Scheme (Continued)

(b) Share Options (Continued)

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 2011 scheme and any other schemes does not in aggregate exceed 10% of the relevant class of shares in issue as at the date of adoption of the 2011 Scheme. 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 total number of shares issued and to be issued upon exercise of options granted and to be granted to any one eligible employee in any 12-month period must 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 by the grantee. The period within which the options must be exercised will be specified by the Company at the time of grant, and must expire no later than 10 years from the date of grant. The Company may specify any minimum period(s) for which an option must be held before it can be exercised. The 2011 Scheme does not contain any such minimum period. The 2011 Scheme has a life of 10 years and will expire on 21 July 2021. As at the date of this Annual Report, the number of shares which may be issued upon exercise of options to be granted under the 2011 Scheme was 23,095,913 shares, which represented approximately 9.19% of the issued share capital of the Company. During the financial year and since the adoption of the 2011 Scheme, no options were granted, exercised, lapsed or cancelled under the 2011 Scheme.

As at the date of this Annual Report, there was no share available for issue under the 2001 Scheme. The movements in the number of share options under the 2001 Scheme during the financial year were as follows:

			Number of share options		
Date of grant	**Exercise price**	**Exercisable period** *(Note 1)*	**Balance in issue at 1 April 2013**	**Exercised during the year**	**Balance in issue at 31 March 2014**
Directors					
17 April 2008	HK$41.07	23 April 2011 to 22 April 2013	128,000	(128,000) *(Note 2)*	–
9 April 2010	HK$85.35	13 April 2012 to 12 April 2014	384,000	(174,000) *(Note 3)*	**210,000**
Employees					
9 April 2010	HK$85.35	12 April 2012 to 18 April 2014	342,000	(192,000) *(Note 4)*	**150,000**
			854,000	(494,000)	**360,000**

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 128,000 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 date on which the options were exercised and at the date of exercise were HK$106.50 per share and HK$102.40 per share respectively.

(3) An aggregate of 174,000 share options were exercised at the exercise price of HK$85.35 per share during the financial year. The weighted average closing prices of the shares of the Company immediately before the date on which the options were exercised and at the date of exercise were HK$116.90 per share and HK$113.10 per share respectively.

(4) An aggregate of 192,000 share options were exercised at the exercise price of HK$85.35 per share during the financial year. The weighted average closing prices of the shares of the Company immediately before the date on which the options were exercised and at the date of exercise were HK$114.10 per share and HK$115.54 per share respectively.

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

(6) Subsequent to the financial year and up to the date of this Annual Report, an aggregate of 310,000 share options were exercised at the exercise price of HK$85.35 per share.

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)*	**9 April 2010** *(Note 2)*
Fair value of each share option as of the date of grant	HK$5.95	HK$22.12
Closing price at the date of grant	HK$40.1	HK$85.1
Exercise price	HK$41.07	HK$85.35
Expected volatility	43.33%	54.24%
Annual risk-free interest rate	1.88%	0.99%
Expected average life of options	3.5 years	2.5 years
Expected dividend yield *(Note 3)*	10.3%	5.22%
Exercisable period	23 April 2011 to 22 April 2013	12 April 2012 to 18 April 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 the grant date.

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

16 Share Capital, Share Options and Share Purchase Scheme (Continued)

(c) Share Purchase Scheme

On the Adoption Date, the Company adopted the Share Purchase Scheme, which is a share incentive award scheme for the purpose of incentivising employees and attracting suitable personnel for the continuous development of the Group. Eligible participants of the Share Purchase Scheme include Directors, officers and employees of any member of the Group as the Remuneration Committee may determine or approve. The Awarded Shares will be the existing shares, which will be purchased on the Stock Exchange by the independent trustee with funds provided by the Company, and will be awarded in such manner as the Remuneration Committee may determine or approve. The maximum number of shares that can be held by the trustee under the Share Purchase Scheme is limited to 3% of the issued share capital of the Company from time to time (excluding shares which have already been transferred to employees on vesting). The Share Purchase Scheme shall be valid and effective for a term of 20 years from the Adoption Date. The Awarded Shares will be granted to the eligible participants subject to the applicable conditions and vesting period as determined by the Remuneration Committee.

On 26 March 2013, the Company further adopted an Addendum to the Share Purchase Scheme for the French Subplan. The Awarded Shares will be granted to the eligible French employees pursuant to the Share Purchase Scheme and the French Subplan. The vesting period applicable under the French Subplan shall not be less than 2 years following the date of the award and a further 2 years sales restriction period as calculated from the date of the Awarded Shares being transferred to the eligible French employees.

During the year ended 31 March 2014, 69,000 shares (2013: 79,400 shares) were acquired on the Stock Exchange pursuant to the Share Purchase Scheme. The total amount paid to acquire the shares during the financial year was US$1.0 million (2013: US$0.9 million).

Details of the Awarded Shares (including those awarded pursuant to the French Subplan) which have been granted during the years ended 31 March 2013 and 31 March 2014 are as follows:

	2014	2013
Date of award *(Note 1)*	**7 June 2013**	15 June 2012
Average purchase cost per Awarded Share	**HK$95.17**	HK$74.16
Number of Awarded Shares granted *(Note 4)*	**112,800**	95,900
Cost of related Awarded Shares	**US$1.4 million**	US$0.9 million
Vesting Period	**7 June 2013 to 13 June 2013**	15 June 2012 to 14 July 2012
Vesting Period for the Awarded Shares granted under the French Subplan	**7 June 2015 to 13 June 2015**	–

Notes:

(1) The date of award refers to the date on which the Company issued the letter of award to the eligible participants for the entitlement of the Awarded Shares.

(2) No Awarded Shares were granted to executive Directors or non-executive Directors during the financial year.

(3) No Awarded Shares were lapsed or cancelled during the financial year.

(4) These Awarded Shares include 12,400 Awarded Shares granted under the French Subplan during the financial year.

As at 31 March 2014, a total of 39,000 shares (2013: 82,800 shares) were held in trust by the trustee under the Share Purchase Scheme and 12,400 shares (2013: Nil) were held in trust by the trustee under the French Subplan which were granted to the eligible French employees and remain unvested. The trustee can exercise the voting rights of the shares held in trust in any general meetings as shareholder as it sees fit (and the Company has no power to influence how the trustee should exercise this discretion). Dividends derived from the shares held under the trust will be reinvested to acquire further shares.

During the year ended 31 March 2014, share-based payment expenses of US$1.4 million (2013: US$0.9 million) in respect of the Awarded Shares were charged to the consolidated income statement.

(d) 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 2014 (2013: $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 2013 and 31 March 2014 is as follows:

	The Group		**The Company**	
	2014	2013 (Restated)	**2014**	2013
	US$ million	US$ million	**US$ million**	US$ million
Total equity	**575.6**	564.3	**402.6**	381.5
Less: Proposed dividends	**(160.6)**	(160.2)	**(160.6)**	(160.2)
	415.0	404.1	**242.0**	221.3

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

17 Reserves

(a) The Group

Details of the movements in reserves of the Group during the years ended 31 March 2013 and 31 March 2014 are set out in the consolidated statement of changes in equity.

(b) The Company

	Note	Share capital US$ million	Share premium US$ million	Shares held for Share Purchase Scheme US$ million	Exchange reserve US$ million	Capital reserve US$ million	Revenue reserve US$ million	Total equity US$ million
At 1 April 2012		12.5	128.2	(0.9)	(1.2)	4.2	232.4	375.2
Changes in equity for the year ended 31 March 2013								
Comprehensive income								
Profit for the year		–	–	–	–	–	188.2	188.2
Total comprehensive income for the year		–	–	–	–	–	188.2	188.2
Final dividend in respect of the previous year		–	–	–	–	–	(150.2)	(150.2)
Interim dividend in respect of the current year	5	–	–	–	–	–	(40.1)	(40.1)
Shares issued under share option scheme	16(a)	–	8.4	–	–	–	–	8.4
Equity-settled share based payments		–	2.0	–	–	(2.0)	–	–
Shares purchased for Share Purchase Scheme	16(c)	–	–	(0.9)	–	–	–	(0.9)
Vesting of shares of Share Purchase Scheme	16(c)	–	–	0.9	–	–	–	0.9
At 31 March 2013 and 1 April 2013		12.5	138.6	(0.9)	(1.2)	2.2	230.3	381.5
Changes in equity for the year ended 31 March 2014								
Comprehensive income								
Profit for the year		–	–	–	–	–	216.4	216.4
Other comprehensive income (after tax and reclassification adjustments)								
Exchange translation differences		–	–	–	0.2	–	–	0.2
Other comprehensive income for the year		–	–	–	0.2	–	–	0.2
Total comprehensive income for the year		–	–	–	0.2	–	216.4	216.6
Final dividend in respect of the previous year	5	–	–	–	–	–	(160.5)	(160.5)
Interim dividend in respect of the current year	5	–	–	–	–	–	(40.1)	(40.1)
Shares issued under share option scheme	16(a)	–	4.7	–	–	–	–	4.7
Equity-settled share based payments		–	1.2	–	–	(1.2)	–	–
Shares purchased for Share Purchase Scheme	16(c)	–	–	(1.0)	–	–	–	(1.0)
Vesting of shares of Share Purchase Scheme	16(c)	–	–	1.4	–	–	–	1.4
At 31 March 2014		**12.5**	**144.5**	**(0.5)**	**(1.0)**	**1.0**	**246.1**	**402.6**

The consolidated profit attributable to shareholders includes a profit of US$216.4 million (2013: US$188.2 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$246.1 million (2013: US$230.3 million).

(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 (H).

The exchange reserve 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 (S).

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 flows.

18 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. The Group's five largest customers, in aggregate accounted for approximately 34.0% of the Group's revenue during the year.

The Group manages these risks by monitoring credit ratings and limiting the aggregate risk to any individual counterparty. In addition, credit risk is mitigated by the use of credit insurance plans.

(b) Currency 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 Euro ("EUR"), Pounds Sterling ("GBP"), Canadian dollars ("CAD"), Japanese Yen ("JPY"), Australian dollars ("AUD") and Renminbi ("RMB").

(i) Exposure to currency risk

The Group enters into forward foreign exchange contracts in order to manage its exposure to fluctuations in foreign currency exchange rates on recognised assets and liabilities and hedge the currency risk in respect of highly probable forecast sales transactions. Forward foreign exchange contracts are matched with anticipated future cash flows. As at 31 March 2014, the notional principal amounts of these outstanding forward foreign exchange contracts were US$120.9 million (2013: US$14.1 million) with net negative fair value of US$1.5 million (2013: positive US$0.1 million) recognised as derivative financial instruments.

In addition, the Group uses forward foreign exchange contracts to hedge the exchange rate fluctuation for the purchase of RMB in respect of highly probable forecast transactions for the Group's PRC operations. Forward foreign exchange contracts are matched with anticipated future cash flows. As at 31 March 2014, the notional principal amounts of the outstanding forward foreign exchange contracts for hedging highly probable forecast transactions were US$294.8 million (2013: US$197.7 million) with net negative fair value of US$2.8 million (2013: positive US$2.4 million) recognised as derivative financial instruments.

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.

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements providing offsetting mechanism under certain circumstances. At 31 March 2014, the Group has not offset any of the financial instruments as no parties have exercised their rights to offset the recognised amounts in the financial statements.

(ii) Sensitivity analysis

A sensitivity analysis was performed at 31 March 2014 to measure 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.

Management estimated that a 5% appreciation/depreciation of EUR, GBP, CAD, JPY, AUD and RMB against USD would not have a material effect on the Group's profit after taxation and equity attributable to shareholders for the years ended 31 March 2013 and 31 March 2014.

The sensitivity analysis performed represents an aggregation of the instantaneous effects on each of the Group entities' profit after tax and total equity measured in the respective functional currencies.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those recognised assets or liabilities 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 2013.

(c) Interest rate risk

At 31 March 2013 and 31 March 2014, 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

	2014		2013	
	Effective interest rate	**Within one year US$ million**	Effective interest rate	Within one year US$ million
Variable rate	**0.27%**	**157.9**	0.25%	173.6
Fixed rate	**1.16%**	**165.0**	1.90%	135.0

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$0.4 million and US$0.4 million for the years ended 31 March 2013 and 31 March 2014, respectively. This is mainly attributable to the Group's exposure to interest rate changes on its variable rate income-earning financial assets including floating rate deposits and cash.

18 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**
The Group						
At 31 March 2014						
Trade creditors	**140.8**	**140.8**	**140.8**	**–**	**–**	**–**
Other creditors and accruals	**159.3**	**159.3**	**159.3**	**–**	**–**	**–**
Derivatives settled gross:						
Forward foreign exchange contracts						
– cash flow hedge						
– outflow		**417.1**	**390.3**	**26.8**	**–**	**–**
– inflow		**(412.8)**	**(385.6)**	**(27.2)**	**–**	**–**
The Company						
At 31 March 2014						
Other creditors and accruals	**0.5**	**0.5**	**0.5**	**–**	**–**	**–**
The Group						
At 31 March 2013						
Trade creditors	176.2	176.2	176.2	–	–	–
Other creditors and accruals	154.4	154.4	154.4	–	–	–
Derivatives settled gross:						
Forward foreign exchange contracts						
– at fair value through profit or loss						
– outflow		20.8	20.8	–	–	–
– inflow		(21.6)	(21.6)	–	–	–
Derivatives settled gross:						
Forward foreign exchange contracts						
– cash flow hedge						
– outflow		211.6	211.6	–	–	–
– inflow		(214.1)	(214.1)	–	–	–
The Company						
At 31 March 2013						
Other creditors and accruals	0.4	0.4	0.4	–	–	–

Derivative financial instruments

Forward foreign exchange contracts were recognised initially at fair value. At each balance sheet date the fair value is remeasured. The negative fair value of derivative financial instruments designated as fair value through profit or loss and cash flow hedges at 31 March 2014 were US$Nil (2013: positive US$0.8 million) and US$4.3 million (2013: positive US$2.5 million) respectively.

(e) Fair values measurement

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 2013 and 31 March 2014.

Financial instruments carried at fair value

The Group's financial instruments are measured at fair value at the balance sheet date on a recurring basis, categorised into three-level fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair values measured using significant unobservable inputs

18 Financial Risk Management and Fair Values (Continued)

(e) Fair values measurement (Continued)

Financial instruments carried at fair value (Continued)

At 31 March 2014, the fair values of the forward foreign exchange contracts included in financial liabilities were US$4.3 million (31 March 2013: US$3.3 million (financial assets)). At 31 March 2014 and 31 March 2013, the fair values of all forward foreign exchange contracts were categorised as Level 2.

During the year ended 31 March 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 fair value hierarchy classifications.

The fair value of forward foreign exchange contracts in Level 2 is determined by using the forward exchange rates at the balance sheet date and comparing them to the contractual rates.

19 Commitments

		2014 US$ million	2013 US$ million
(i)	Capital commitments for property, plant and equipment		
	Authorised but not contracted for	**27.3**	25.7
	Contracted but not provided for	**7.4**	7.1
		34.7	32.8
(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	**15.6**	15.8
	Between one and two years	**14.2**	13.8
	Between two and five years	**36.6**	30.6
	In more than five years	**24.4**	28.2
		90.8	88.4

In November 2010, 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 2016, 2022, 2030 and 2031 respectively. The lease expiring in 2016 is not cancellable. The lease expiring in 2022 can be cancelled on six months' notice without penalty. The lease expiring in 2030 and 2031 have a non-cancellable period of first ten years. The operating lease commitments above include total commitments over the non-cancellable period of the lease terms.

In November 2010 and September 2013, 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. There are a number of leases which expire in 2020, 2030, 2031 and 2034 respectively. The lease expiring in 2030 and 2034 have a non-cancellable period of first ten years. The leases expiring in 2020 and 2031 are not cancellable. 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 2020, 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).

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 2014 amount to US$2.2 million (2013: US$2.5 million), of which US$1.4 million and US$0.8 million are payable in the financial years ended 31 March 2015 and 2016 respectively.

20 Contingent Liabilities

The Directors have been advised that certain accusations of infringements of patents 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 the outstanding claims and taking into account of 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 2014, 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$353.4 million (2013: US$267.7 million). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was US$Nil.

As at 31 March 2014, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

21 Investment in Subsidiaries and Amounts due from/(to) Subsidiaries

(a) Details of the Company's interest in those subsidiaries which materially affect the results or assets of the Group as at 31 March 2014 are set out below:

Name of subsidiary	Particulars of issued and paid up capital	Percentage of interest held by the Group	Principal activity
Incorporated/established and operating in Hong Kong:			
VTech Communications Limited	1,000 ordinary shares 5,000,000 deferred shares	*100	Design, manufacture and sale of electronic products
VTech Electronics Limited	5,000,000 ordinary shares	*100	Design, manufacture and distribution of electronic products
VTech Telecommunications Limited	1,000 ordinary shares 5,000,000 deferred shares	*100	Design, manufacture and distribution of telecommunication products
Perseus Investments Limited	1,000 ordinary shares 1,000 deferred shares	100	Property holding
Valentia Investment Limited	1,000 ordinary shares 1,000 deferred shares	100	Property holding
VTech Finance Limited	1,000,000 ordinary shares	*100	Provision of group financing services
Incorporated/established and operating in Australia:			
VTech Telecommunications (Australia) Pty Limited	AUD1	*100	Sale of telecommunication products
Incorporated/established and operating in Canada:			
VTech Technologies Canada Ltd.	Class A CAD5,000 Class B CAD195,000	*100 *100	Sale of telecommunication and electronic products
Incorporated/established and operating in France:			
VTech Electronics Europe S.A.S.	EUR450,000	*100	Sale of electronic products
Incorporated/established and operating in Germany:			
VTech Electronics Europe GmbH	EUR500,000	*100	Sale of electronic products
VTech IAD GmbH	EUR25,000	*100	Development of broadband connectivity software
Incorporated/established and operating in the Netherlands:			
VTech Electronics Europe B.V.	EUR18,100	*100	Sale of electronic products
Incorporated/established and operating in the People's Republic of China:			
VTech (Dongguan) Telecommunications Limited**	HK$52,500,000	*100	Manufacturing of telecommunication products
VTech (Dongguan) Electronics Limited**	HK$64,800,000	*100	Manufacturing of electronic products
VTech (Dongguan) Communications Limited**	HK$49,186,165	*100	Manufacturing of electronic products
VTech (Dongguan) Plastic Products Co., Ltd.**	HK$20,000,000	*100	Manufacturing of plastics products
VTech (Dongguan) Electronics Industrial Co., Ltd.**	HK$18,725,011	*100	Manufacturing and sale of electronic products
VTech (Qingyuan) Plastic & Electronics Co., Ltd**	HK$293,000,000	*100	Manufacturing of plastics products
VTech Electronics Industrial (Shenzhen) Co., Ltd**	HK$10,000,000	*100	Sale of telecommunication and electronic products
Incorporated/established and operating in Spain:			
VTech Electronics Europe, S.L.	EUR500,000	*100	Sale of electronic products
Incorporated/established and operating in the United Kingdom:			
VTech Electronics Europe Plc	GBP500,000	*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*
** *Wholly-owned foreign enterprise*

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

21 Investment in Subsidiaries and Amounts due from/(to) Subsidiaries (Continued)

(c) Controlled structured entity

VTech controls a structured entity which operates in Hong Kong, particulars of which are as follows:

Structured entity	Principal activities
VTech Share Purchase Scheme Trust	Purchase, administering and holding shares of the Company for the Share Purchase Scheme for the benefit of eligible VTech employees *(note 16(c))*

As the VTech Share Purchase Scheme Trust (the "Trust") is set up solely for the purpose of purchasing, administrating and holding shares of the Company for the Share Purchase Scheme (note 16(c)), the Company controls the Trust pursuant to the trust deed and rules related to the Trust to direct the relevant activities of the Trust and it has the ability to use its power over the Trust to affect its exposure for returns.

22 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.

23 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Annual Accounting Period ended 31 March 2014

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and new interpretations which are not yet effective for the accounting period ended 31 March 2014 and which have not been adopted in these financial statements.

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

	Effective for accounting periods beginning on or after
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
Amendments IAS 36, *Recoverable amounts disclosure for non-financial assets*	1 January 2014
Amendments IAS 39, *Novation of derivatives and continuation of hedging accounting*	1 January 2014
Amendments to IFRS 10, *Consolidated financial statements*, IFRS 12, *Disclosure of interests in other entities and* IAS 27, *Separate financial statements "Investment entities"*	1 January 2014
IFRIC 21, *Levies*	1 January 2014

The Group is in the process of making an assessment of what the impact of these amendments 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 consolidated financial statements.

24 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 15, 16 and 18 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 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 discount rate that reflects current market assessments of time value of money and these 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.

	Consolidated balance sheet as at 31 March				
	2010 US$ million	2011 US$ million	2012 US$ million	2013 (Restated) US$ million	**2014** **US$ million**
Non-current assets					
Tangible assets	81.4	78.4	91.0	88.4	**85.9**
Leasehold land payments	4.9	5.0	5.1	5.2	**5.1**
Other non-current assets	5.8	5.6	6.1	4.7	**2.6**
	92.1	89.0	102.2	98.3	**93.6**
Current assets					
Stocks	159.3	229.8	239.2	276.9	**265.9**
Debtors, deposits and prepayments	211.4	225.0	244.2	257.1	**235.8**
Deposits and cash	382.6	333.1	326.5	308.6	**322.9**
Other current assets	0.7	0.3	0.8	0.4	**0.9**
	754.0	788.2	810.7	843.0	**825.5**
Current liabilities	(324.9)	(329.4)	(350.9)	(366.0)	**(337.4)**
Net current assets	429.1	458.8	459.8	477.0	**488.1**
Total assets less current liabilities	521.2	547.8	562.0	575.3	**581.7**
Non-current liabilities					
Net obligation on defined benefit scheme	–	–	–	(6.5)	**(2.0)**
Deferred tax liabilities	(3.7)	(3.9)	(5.8)	(4.5)	**(4.1)**
	(3.7)	(3.9)	(5.8)	(11.0)	**(6.1)**
Net assets/Total equity	517.5	543.9	556.2	564.3	**575.6**

	Consolidated income statement for the years ended 31 March				
	2010 US$ million	2011 US$ million	2012 US$ million	2013 (Restated) US$ million	**2014** **US$ million**
Revenue	1,532.3	1,712.8	1,784.5	1,858.0	**1,898.9**
Profit before taxation	225.5	220.3	211.6	225.6	**227.5**
Taxation	(20.2)	(19.1)	(19.7)	(24.1)	**(24.2)**
Profit for the year	205.3	201.2	191.9	201.5	**203.3**
Attributable to:					
Shareholders of the Company	206.5	202.0	191.9	201.5	**203.3**
Non-controlling interests	(1.2)	(0.8)	–	–	**–**
Profit for the year	205.3	201.2	191.9	201.5	**203.3**
Basic earnings per share (US cents)	83.7	81.5	77.0	80.6	**81.1**

Note:

In order to comply with IAS 19 (Revised 2011), Employees benefits, the Group changed its accounting policy with respect to defined benefit scheme in the financial year ended 31 March 2014. The change in accounting policy has been applied retrospectively. As a result, profit and net assets for the year ended 31 March 2013 has been restated. Details of the change in accounting policy are disclosed in note B to the financial statements. Figures for the year ended 31 March 2012 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefits of shareholders.

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
Michael TIEN Puk Sun
Patrick WANG Shui Chung
WONG Kai Man

Audit Committee

WONG Kai Man *(Chairman)*
William FUNG Kwok Lun
Michael TIEN Puk Sun

Nomination Committee

William FUNG Kwok Lun *(Chairman)*
Michael TIEN Puk Sun
Patrick WANG Shui Chung
WONG Kai Man
Allan WONG Chi Yun

Remuneration Committee

Michael TIEN Puk Sun *(Chairman)*
William FUNG Kwok Lun
WONG Kai Man

Risk Management and Sustainability Committee

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

Company Secretary

CHANG Yu Wai

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
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
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited

Auditor

KPMG
Certified Public Accountants

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

China
VTech Electronics Industrial (Shenzhen) Co., Ltd
District B-1, 7th Floor, VTech Research & Development Building
Junction between Keji South 12th Road and Gaoxin South 4th Avenue
Nanshan District, Shenzhen
Guangdong Province
Postcode: 518057
Tel: (86) 400 188 8628
Fax: (86) 755 8632 2069
Website: www.vtechchina.com.cn
Email: vtechchina@vtech.com

France
VTech Electronics Europe S.A.S.
24, allée des Sablières
78290 Croissy-sur-Seine
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
Website: www.vtechjapan.com

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: vtechcms@vtech.com

Netherlands
VTech Electronics Europe B.V.
Copernicusstraat 7
6003 DE Weert
Industrial Estate Kampershoek
Tel: (31) 495 459 111
Fax: (31) 495 459 112
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 Limited
9, Manor Courtyard
Hughenden Avenue
High Wycombe
Buckinghamshire
HP13 5RE
Tel: (44) 1494 522 510

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.
1156 W Shure Drive, Suite 200
Arlington Heights, IL 60004
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: vtechcms@vtech.com

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本年報備有中文譯本，請向位於香港灣仔皇后大道東183號合和中心17樓1712-16號舖香港中央證券登記有限公司索取。
本年報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。

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VTech Holdings Limited
(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