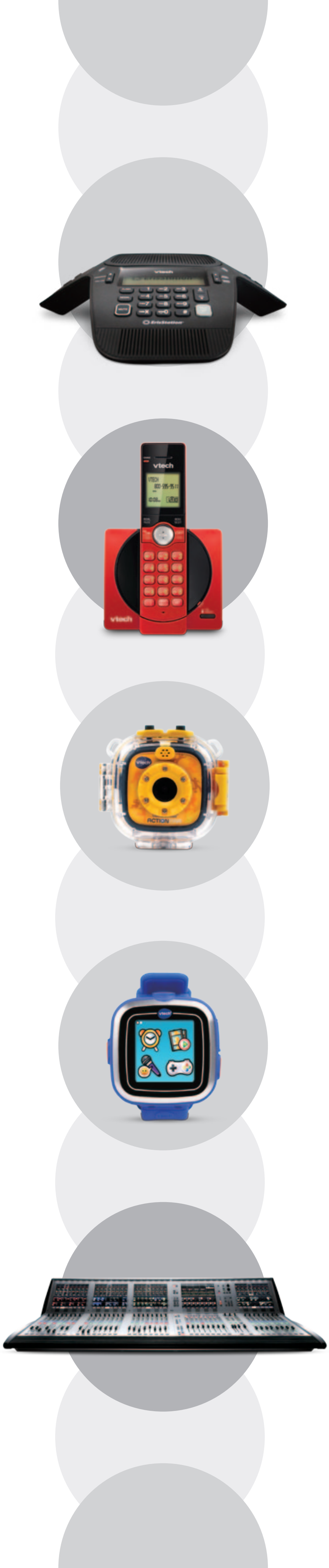


Annual Report 2015

VTech Holdings Limited

HKSE : 303

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 communities.

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.

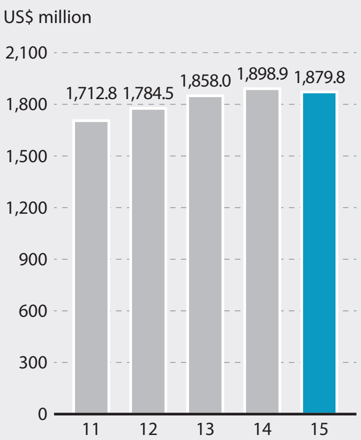
Shares of VTech Holdings Limited are listed on The Stock Exchange of Hong Kong Limited (HKSE: 303).

Financial Highlights

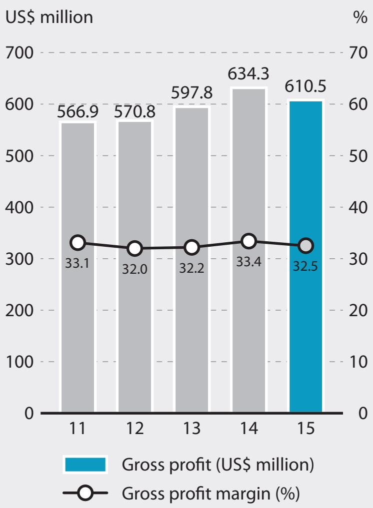
For the year ended 31 March	2015	2014 (Restated)	Change
Operating results (US$ million)			
Revenue	**1,879.8**	1,898.9	-1.0%
Gross profit	**610.5**	634.3	-3.8%
Operating profit	**220.1**	226.6	-2.9%
Profit before taxation	**221.7**	228.0	-2.8%
Profit attributable to shareholders of the Company	**198.1**	203.8	-2.8%
Financial position (US$ million)			
Cash generated from operations	**250.4**	257.2	-2.6%
Deposits and cash	**294.2**	322.9	-8.9%
Shareholders' funds	**540.8**	562.4	-3.8%
Per share data (US cents)			
Earnings per share – basic	**78.9**	81.3	-3.0%
Earnings per share – diluted	**78.9**	81.3	-3.0%
Dividend per share – interim and final	**78.0**	80.0	-2.5%
Other data (US$ million)			
Capital expenditure	**30.9**	30.1	2.7%
R&D expenditure	**56.1**	58.0	-3.3%
Key ratios (%)			
Gross profit margin	**32.5**	33.4	-0.9% pts
Operating profit margin	**11.7**	11.9	-0.2% pts
Net profit margin*	**10.5**	10.7	-0.2% pts
EBITDA/Revenue	**13.4**	13.6	-0.2% pts
Return on shareholders' funds	**36.6**	36.2	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

In the financial year 2015, VTech continued its drive for product innovation and expanded its presence in existing and new markets, while continuing to raise levels of productivity.

Dear Shareholders,

In the financial year 2015, VTech continued its drive for product innovation and expanded its presence in existing and new markets, while continuing to raise levels of productivity. Telecommunication (TEL) products returned to growth and contract manufacturing services (CMS) again performed well. However, electronic learning products (ELPs) faced challenges in the children's tablet market, affecting the Group's revenue and profitability.

Results and Dividend

Group revenue for the year ended 31 March 2015 declined by 1.0% to US$1,879.8 million. The decrease was mainly due to lower revenue in North America, which offset higher revenue in Europe, Asia Pacific and Other Regions.

Profit attributable to shareholders of the Company decreased by 2.8% to US$198.1 million, as gross profit declined because of a change in product mix and the weaker-than-expected performance of children's educational tablets. Basic earnings per share fell by 3.0% to US78.9 cents, compared to US81.3 cents in the previous financial year.

The Board of Directors has proposed a final dividend of US61.0 cents per ordinary share, providing a full-year dividend of US78.0 cents per ordinary share, a 2.5% decrease over the US80.0 cents per ordinary share declared in the financial year 2014.

Costs and Operations

Cost of materials remained largely unchanged in the financial year 2015 and a weakening of the Renminbi against the US dollar helped reduce costs. Despite wage inflation in China, labour costs and manufacturing overheads were also slightly lower as the Group continued to improve productivity through automation, process improvement and product optimisation. As a result, in the financial year 2015, the number of workers fell by a further 4.7% over the previous financial year. Despite these positive factors, the Group's gross margin declined year-on-year due to a change in product mix and the weaker-than-expected performance of children's educational tablets, which resulted in higher-than-anticipated trade allowances and increased stock provision.

Our Business

In the financial year 2015, ELPs remained the largest product line of the Group, followed by TEL products and CMS.

Overall sales of the Group via e-tailers have continued to grow, although sales of content downloaded from VTech's app store, Learning Lodge™, were affected by the lower sales of children's educational tablets and posted a decline.

The financial year 2015 was a challenging one for ELPs. In North America and Europe, holiday sales of children's educational tablets were lower than anticipated. This was due to higher-than-expected channel inventory, intensified competition and the overall contraction of the market. In addition, the strength of the US dollar against other currencies negatively impacted the reported revenue of ELPs.

Despite the difficult environment, there were a number of notable successes. In the calendar year 2014, InnoTab®/Storio® regained the number one position among all toys in the top five European markets, while retaining its position as the best-selling children's educational tablet in Europe[1]. The Group launched Kidizoom® Smartwatch, the world's first children's smartwatch with a built-in camera, which turned in a strong performance globally.

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

In contrast to children's educational tablets, standalone products recorded growth in sales, with the Go! Go! Smart family of infant vehicles and playsets performing particularly well. In the calendar year 2014, VTech strengthened its position as the number one infant toy manufacturer in France, the UK and Germany, while becoming the largest infant toy manufacturer in Spain[2]. In the US, VTech became the number one manufacturer in Infant and Preschool Electronic Learning toys[3]. In the financial year 2015, standalone products accounted for approximately 77% of total ELPs revenue, while platform products accounted for about 23%, as compared to approximately 68% and 32% respectively in the financial year 2014. This decline in the share of revenue from platform products was mainly due to lower sales of children's educational tablets.

TEL products revenue returned to a growth path in the financial year 2015. All regions recorded increased sales, which were driven by market share gains in residential phones and higher sales of commercial phones and other telecommunication products. In residential phones, VTech strengthened its position as the number one cordless phone manufacturer globally, gaining market share in North America, Asia Pacific and Other Regions, while market share in Europe held steady[4].

In commercial phones and other telecommunication products, baby monitors saw a particularly strong performance. This came as the Group expanded its distribution channels to increase market presence, while major retailers in the US moved to replace the older analogue models on the market with VTech digital baby monitors. Within this category, video baby monitors sold especially well. In commercial phones, shipment of ErisStation™, the Group's first conference phone with wireless microphones, and ErisTerminal™, its SIP (Session Initiation Protocol) phone systems, generated incremental sales. In the financial year 2015, commercial phones and other telecommunication products grew to approximately 19% of total TEL products revenue, compared to around 14% in the previous financial year.

CMS marked its 13th consecutive year of growth in the financial year 2015, once again outperforming the global EMS market[5]. Growth in wireless products was robust, while there were good sales increases in switching mode power supplies, home appliances and solid-state lighting. A strong reputation, expertise in certain product categories and excellent customer service have enabled VTech consistently to grow with existing customers while adding new ones. This in turn has allowed the Group to expand into new product categories such as wearable and smart hearable devices. In the financial year 2015, professional audio equipment, wireless products, switching mode power supplies and solid-state lighting remained the top four product categories for CMS.

Our Strategy

The Group's proven strategy focuses on four main areas: product innovation, market share gains, geographic expansion and operational excellence.

Product Innovation

Product innovation is the key to VTech staying ahead of the competition in fast-changing markets.

With regard to ELPs, the Group has a strong pipeline of products. In standalone products, the successful Go! Go! Smart family is being expanded through the introduction of different themes, more vehicles and more playsets. In the US, Go! Go! Smart Friends®, which was launched exclusively with Toys"R"Us last year, will be introduced nationwide in the calendar year 2015. VTech will also enter new aisles by launching new categories of product. The global launch of Flipsies™, a range of transformable dolls and playsets, will enable the Group to penetrate into the girl aisle. VTech is also successfully breaking into the dolls aisle with a range of interactive dolls, branded Little Love® in Europe and Baby Amaze™ in the US, which was first launched in the European markets in June 2014. Kidizoom Action Cam, the latest addition to VTech's range of cameras for children, will also be launched globally in the calendar year 2015. For core learning products, VTech will continue to broaden and refresh its product portfolio, adding over 100 new models worldwide.

The Group's proven strategy focuses on four main areas: product innovation, market share gains, geographic expansion and operational excellence.

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

[3] *Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales in the combined toy categories of infant electronic learning, other infant toys and preschool electronic learning for the 12 months ending December 2014*

[4] *Source: MZA Ltd, 2015*

[5] *Source: Manufacturing Market Insider, March 2015*

The portfolio of platform products will become more diversified. The Group will build on the success of Kidizoom Smartwatch to roll out a new generation of this popular product. The calendar year 2015 will also see the launch of new innovative platform products. Despite recent challenges, VTech intends to stay in the children's tablet market as it remains a sizeable business around the world. Market research shows that parents are still looking for VTech tablets, as they are specifically designed for children, with content that is both educational and engaging. The Group will focus on bringing out tablet products that are even more compelling for both children and their parents.

In TEL products, commercial phones and other telecommunication products will continue to be the growth drivers. New models will be introduced for ErisTerminal and ErisStation to complete a full product range for VTech SIP phone systems and conference phones. The highly successful baby monitor range will be expanded with new video models boasting a bigger screen, as well as Wi-Fi enabled devices. The Group is also planning to enter the "Smart Home" arena by launching a range of wireless monitoring devices based on the ULE (Ultra Low Energy) standard. These products include specially designed, ULE enabled cordless phones, IP hubs, baby monitors and a high-definition Wi-Fi camera, which wirelessly connect to a range of ULE controls and sensors. In residential phones, the Group will continue to launch feature-rich products with superior design to strengthen its global leadership in cordless phones.

VTech CMS enjoys an enviable reputation for service and expertise in certain product categories. Supported by a stringent quality control system and an experienced management team, the Group will continue to innovate in the area of Design for Manufacture (DFM), delivering flexible service and high quality products. Competence in handling low to medium volumes and a high mix of different products enables VTech to grow with new customers from a small base, which is an important factor in the continuous growth of CMS.

Gains in Market Share

In addition to developing a steady stream of innovative products and breaking into new product categories, VTech strives to increase market share through improving services and increasing its efforts in sales and marketing.

In the calendar year 2014, VTech gained market share and reaffirmed its position as the number one cordless phone manufacturer worldwide[6]. The Group also strengthened its position as the global leader in ELPs from infancy to preschool[7]. VTech CMS continued to be one of the world's top 50 EMS providers[8].

Geographic Expansion

As markets outside North America and Europe currently account for less than 10% of Group revenue, VTech will put more emphasis on expanding in Asia Pacific and Other Regions. In Asia Pacific, the Group will focus on increasing its presence in China and Australia, where its products have been well received. Recently, VTech has established its own sales office for ELPs in Australia, aiming to drive growth by providing better support to its retailer customers and increasing sales and marketing efforts. The Group has also started selling residential phones under the VTech brand in Australia, following the expiry of the licensing agreement with Telstra in December 2014. The Group will step up its efforts to extend its reach into Japan and Korea. In Other Regions, selected markets in Latin America and the Middle East will continue to be developed.

Operational Excellence

Operational excellence is crucial for raising competitiveness and driving profitable growth. As wages in China continue to rise and recruitment becomes more difficult, VTech will increase automation by deploying more standard and in-house custom-made machines. Together with continuous process improvement and the optimisation of products for manufacturing, this will allow the Group to reduce the number of workers further while increasing output.

Outlook

The US economy continues its moderate recovery. However, the prospects for Europe are uncertain and quantitative easing by the European Central Bank has already led to a significant depreciation of the Euro, which will have a negative impact on our European revenue.

Despite a mixed picture, the Group is planning for a modest revenue increase in the financial year 2016.

The business of ELPs is expected to be stable. Sales of platform products are forecast to decline, as the children's tablet market remains challenging. The sales contribution of children's

6 *Source: MZA Ltd, 2015*

7 *Source: MarketWise Consumer Insights, LLC and NPD Group Retail Tracking Service. Ranking based on 2014 total estimated annual retail sales in the combined toy categories of infant electronic learning and preschool electronic learning*

8 *Source: Manufacturing Market Insider, March 2015*

VTech has a culture rooted in innovation and technology. Our market leadership, R&D capability, strong balance sheet and operational efficiency differentiate us from our competitors. We will continue to bring out innovative products, increase market share, expand geographically and strive for operational excellence to generate sustainable returns for shareholders.

educational tablets will become smaller year-on-year, while Kidizoom Smartwatch will continue to grow. Furthermore, new innovative platform products will contribute additional revenue streams. Standalone products are forecast to grow, bolstered by the expansion of the Go! Go! Smart family, nationwide distribution of Go! Go! Smart Friends in the US and the launch of Kidizoom Action Cam and Flipsies worldwide. Extension of the Little Love/Baby Amaze line will enable VTech to increase its presence in the dolls category in Europe, while winning shelf space in the US. The new core infant and preschool learning products will strengthen the Group's leadership position in these categories.

TEL products are expected to maintain their positive sales trend, led by commercial phones and other telecommunication products. In commercial phones, the Group will benefit from the full deployment of CAT-iq (Cordless Advanced Technology - internet and quality) handsets in major European countries such as France, Germany and Switzerland. The introduction of the new conference phones and SIP phone models will further stimulate growth. VTech is also stepping up its efforts on the interoperability of its SIP based products with Network Operators, which will boost market presence further. Higher sales of other telecommunication products will come from the strong momentum of baby monitors, as sales channels are expanded and further new products introduced. The global launch of the wireless monitoring system will add incremental sales. Despite the continued decline of the overall fixed-line telephone market, sales of VTech residential phones are forecast to be stable as the Group is maintaining its leading position in North America and Europe, while growing its market share in Asia Pacific and Other Regions.

Sales of CMS are expected to increase. Professional audio equipment is on track to return to a growth path. The customer who faced excess inventory has worked through the issue and intends to increase orders. Business with other professional audio customers will grow, as VTech secures more projects owing to its service excellence. The Group also added new clients in professional audio equipment in the last financial year, who will ramp up orders gradually in this financial year. Wireless headsets will achieve further growth as existing customers launch new products. VTech's strong reputation in the wireless product area enables the Group to enter new product categories, such as smart hearable and wearable devices. Business from solid-state lighting will remain stable. In contrast, the change of ownership of a customer in switching mode power supplies creates uncertainty. To cope with the growth, a new factory building has been built for CMS. It will commence operations in July 2015, increasing manufacturing capacity by 25%.

On gross margin, the Group does not anticipate any improvement year-on-year against the backdrop of the strong US dollar. Cost of materials is expected to be stable and the Renminbi to remain in a narrow range. Labour costs and manufacturing overheads in China will rise further. The Group will continue to offset these cost increases through automation, process improvement and product optimisation.

In closing, I would like to thank all my colleagues for their dedication and hard work over the past year, my fellow directors for their counsel and all shareholders, customers and suppliers for their support. VTech has a culture rooted in innovation and technology. Our market leadership, R&D capability, strong balance sheet and operational efficiency differentiate us from our competitors. We will continue to bring out innovative products, increase market share, expand geographically and strive for operational excellence to generate sustainable returns for shareholders.

Allan Wong Chi Yun
Chairman

Hong Kong, 19 May 2015

PRODUCT INNOVATION

The key to VTech staying ahead of competition

ELPs

Standalone Products

- Expansion of Go! Go! Smart family
- Nationwide distribution of Go! Go! Smart Friends in the US
- 100+ new core learning products
- Global launch of Kidizoom Action Cam and Flipsies
- Launch of Baby Amaze in the US
- Line extension of Little Love in Europe

Platform Products

- Roll out a new generation of Kidizoom Smartwatch
- Launch of new innovative platform products
- Stay in the children's tablet market

TEL Products

Residential Phones

- Continue to launch feature-rich products with superior design

Commercial Phones

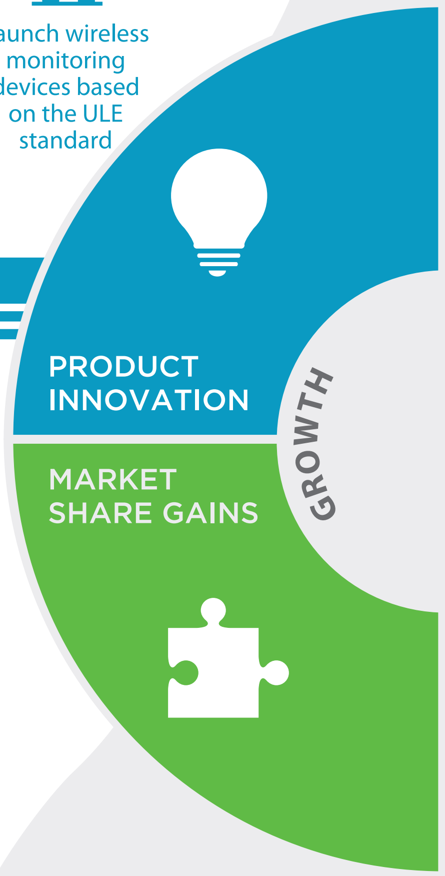
- Introduce new models of ErisTerminal and ErisStation

Other Telecommunication Products

- Expansion of baby monitor range
- Launch wireless monitoring devices based on the ULE standard

CMS

- Enviable reputation for service
- Expertise in certain product categories
- Continue to innovate in DFM
- Deliver flexible service and high quality products
- Competence in handling low to medium volumes and a high mix of products



MARKET SHARE GAINS

Through improving services and increasing sales and marketing effort

- Global no. 1 player in ELPs
- Global no. 1 cordless phone manufacturer
- World's top 50 EMS provider

GEOGRAPHIC EXPANSION

Emphasise on expanding in Asia Pacific and Other Regions

OPERATIONAL EXCELLENCE

Crucial for raising competitiveness and driving profitable growth

Financial Overview

For the year ended 31 March 2015	**2015** **US$ million**	2014 (Restated) US$ million	Change US$ million
Revenue	**1,879.8**	1,898.9	(19.1)
Gross profit	**610.5**	634.3	(23.8)
Gross profit margin	**32.5%**	33.4%	
Total operating expenses	**(390.4)**	(407.7)*	17.3
Total operating expenses as a percentage of revenue	**20.8%**	21.5%	
Operating profit	**220.1**	226.6*	(6.5)
Operating profit margin	**11.7%**	11.9%	
Net finance income	**1.6**	1.4	0.2
Profit before taxation	**221.7**	228.0*	(6.3)
Taxation	**(23.6)**	(24.2)	0.6
Effective tax rate	**10.6%**	10.6%	
Profit for the year and attributable to shareholders of the Company	**198.1**	203.8*	(5.7)
Net profit margin	**10.5%**	10.7%	

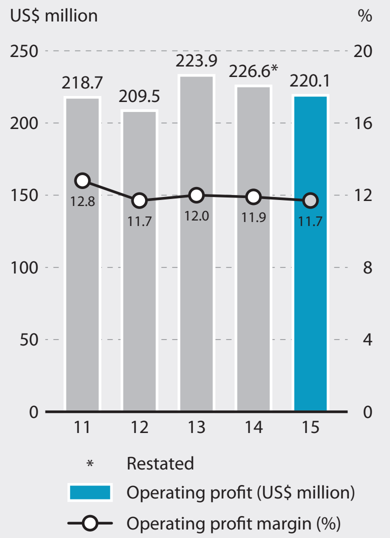
* Restated upon the change of accounting policy as described in note B to the financial statements

Revenue

Group revenue for the year ended 31 March 2015 reduced by 1.0% to US$1,879.8 million compared with the previous financial year. The decrease in revenue was largely driven by lower sales in North America, which offset the increase in revenue in Europe, Asia Pacific and other regions.

	2015		2014		Increase/(decrease)	
	US$ million	**%**	US$ million	%	US$ million	%
North America	**899.5**	**47.8%**	950.7	50.1%	(51.2)	(5.4%)
Europe	**812.3**	**43.2%**	791.8	41.7%	20.5	2.6%
Asia Pacific	**117.6**	**6.3%**	108.9	5.7%	8.7	8.0%
Other regions	**50.4**	**2.7%**	47.5	2.5%	2.9	6.1%
	1,879.8	**100.0%**	1,898.9	100.0%	(19.1)	(1.0%)

Operating Profit and Operating Profit Margin in Last 5 years



Gross Profit/Margin

Gross profit for the financial year 2015 was US$610.5 million, a decrease of US$23.8 million or 3.8% compared to the US$634.3 million recorded in the previous financial year. Gross profit margin for the year also reduced from 33.4% to 32.5%. It was mainly attributable to the change in product mix and the weaker-than-expected performance of children's educational tablets, which resulted in the higher-than-anticipated trade allowances and increase in stock provisions. The labour costs and manufacturing overheads, however, were slightly lower as the Group continued to improve productivity through automation, process improvements and product optimisation to offset the higher wages in China. Cost of materials also remained largely stable in the financial year 2015.

Operating Profit/Margin

Operating profit for the year ended 31 March 2015 was US$220.1 million, a decrease of US$6.5 million or 2.9% compared with the previous financial year. It was mainly due to the decrease in gross profit and gross profit margin, which offset the decrease in total operating expenses.

Operating profit margin reduced from 11.9% to 11.7%. It was mainly due to the decrease in gross profit margin, which offset the decrease in total operating expenses as a percentage of Group revenue. The ratio of EBITDA to revenue declined from 13.6% to 13.4%.

Total operating expenses were US$390.4 million, a decrease of 4.2% over the last financial year. Correspondingly, total operating expenses as a percentage of Group revenue declined from 21.5% to 20.8%.

Selling and distribution costs declined from US$286.4 million to US$268.2 million, a decrease of 6.4% compared with the last financial year. It was mainly attributable to the decreased spending on advertising and promotional activities by the Group during the financial year 2015. As a percentage of Group revenue, selling and distribution costs reduced from 15.1% to 14.3%.

Administrative and other operating expenses increased from US$63.3 million to US$66.1 million over the same period last year. It was mainly due to the increase in employee related costs, which was partially offset by a lower exchange loss of US$0.3 million arising from the Group's global operations in the ordinary course of business, as compared with an exchange loss of US$0.4 million in the last financial year. Administrative and other operating expenses as a percentage of Group revenue increased from 3.3% to 3.5%.

During the financial year 2015, the research and development expenses were US$56.1 million, a decrease of 3.3% compared with the previous financial year. Research and development expenses as a percentage of Group revenue decreased from 3.1% to 3.0%.

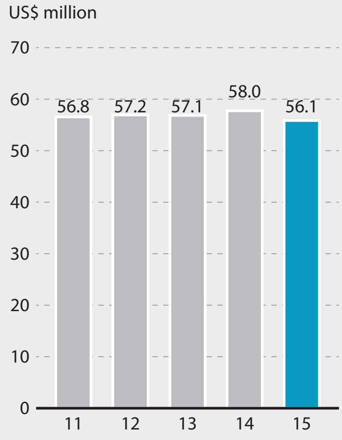
Profit Attributable to Shareholders and Earnings per Share

Profit attributable to shareholders of the Company for the year ended 31 March 2015 was US$198.1 million, a decrease of US$5.7 million or 2.8% as compared to the last financial year. Net profit margin also reduced from 10.7% to 10.5%.

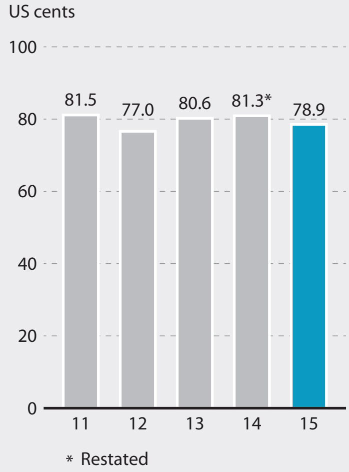
Taxation charges declined from US$24.2 million in the last financial year to US$23.6 million in the financial year 2015. The effective tax rate remained at 10.6%.

Basic earnings per share for the year ended 31 March 2015 were US78.9 cents as compared to US81.3 cents in the previous financial year.

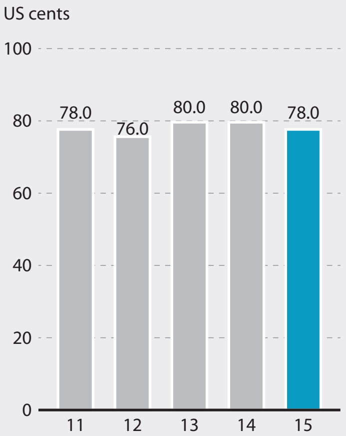
Group R&D Expenditure in Last 5 Years



Basic Earnings per Share in Last 5 Years



Dividend per Share in Last 5 Years



Dividends

During the financial year 2015, the Group declared and paid an interim dividend of US17.0 cents per share, which aggregated to US$42.7 million. The Directors have proposed a Final Dividend of US61.0 cents per share, which is estimated to be US$153.2 million.

	2015 US cents	2014 US cents
Dividend per share		
Interim	**17.0**	16.0
Final*	**61.0**	64.0
Total	**78.0**	80.0

* Final dividend proposed after the balance sheet date

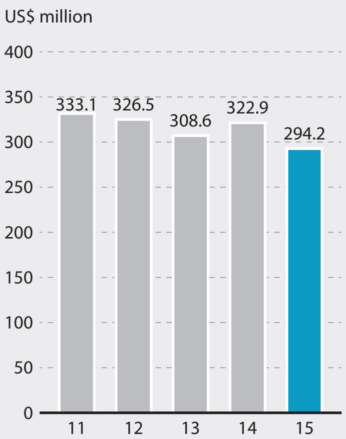
Liquidity and Financial Resources

Shareholders' funds as at 31 March 2015 were US$540.8 million, a decrease of 3.8% from US$562.4 million in the last financial year. Shareholders' funds per share decreased by 4.0% from US$2.24 to US$2.15.

The Group had no borrowings as at 31 March 2014 and 31 March 2015.

The Group's financial resources remain strong. As at 31 March 2015, deposits and cash decreased from US$322.9 million to US$294.2 million, a decrease of 8.9% compared with the last financial year-end-date. It was mainly due to the unfavourable foreign currency exchange movements on the Group's net assets as a result of the depreciation in foreign currencies against United States Dollar during the year.

Deposits and Cash in Last 5 Years
(As at 31 March)



Analysis of Cash Flow from Operations

	2015	2014 (Restated)	Change
	US$ million	US$ million	US$ million
Operating profit	**220.1**	226.6	(6.5)
Depreciation and amortisation	**31.6**	30.8	0.8
EBITDA	**251.7**	257.4	(5.7)
Gain on disposal of tangible assets	**(0.2)**	(0.1)	(0.1)
Working capital change	**(1.1)**	(0.1)	(1.0)
Cash generated from operations	**250.4**	257.2	(6.8)

The Group's cash generated from operations for the year ended 31 March 2015 was US$250.4 million, a decrease of 2.6% as compared to US$257.2 million in the previous financial year. The reduction was mainly attributable to the decrease in EBITDA in the financial year 2015 and the higher working capital investment compared with the previous financial year.

Working Capital Change

	Balance as at 31 March 2014 (Restated) US$ million	Hedging and others US$ million	Working capital change per cash flow US$ million	**Balance as at 31 March 2015 US$ million**
Stocks	265.9	–	24.3	**290.2**
Trade debtors	208.6	–	13.3	**221.9**
Other debtors, deposits and prepayments	27.2	6.0	4.8	**38.0**
Trade creditors	(140.8)	–	(45.3)	**(186.1)**
Other creditors and accruals	(163.6)	3.4	3.7	**(156.5)**
Provisions	(27.9)	–	0.6	**(27.3)**
Net obligations on defined benefit scheme	(2.0)	(0.7)	(0.3)	**(3.0)**
Total working capital	167.4	8.7	1.1	**177.2**

Stocks as of 31 March 2015 were US$290.2 million, increased from US$265.9 million as of 31 March 2014. The turnover days also increased from 87 days to 96 days. The higher stock level was primarily to cater for increased demand for the Group's product in the first quarter of the financial year 2016. Furthermore, we had arranged early production of the Group's products in order to better utilise the Group's production capacities.

As at 31 March 2015 and 2014 All figures are in US$ million unless stated otherwise	**2015**	2014
Stocks	**290.2**	265.9
Average stocks as a percentage of Group revenue	**14.8%**	14.3%
Turnover days	**96 days**	87 days

Trade debtors as of 31 March 2015 were US$221.9 million, increased from US$208.6 million as of 31 March 2014. Debtor turnover days also increased from 54 days to 57 days. The higher trade debtor balance as at 31 March 2015 was mainly due to an increase in revenue in the fourth quarter of the financial year 2015 compared with the corresponding period of the previous financial year. The Group has tight management on credit exposure. The overdue balances greater than 30 days accounted for 1.4% of the gross trade debtors as of 31 March 2015.

As at 31 March 2015 and 2014 All figures are in US$ million unless stated otherwise	2015	2014
Trade debtors	**221.9**	208.6
Average trade debtors as a percentage of Group revenue	**11.5%**	11.4%
Turnover days	**57 days**	54 days

Other debtors, deposits and prepayments as of 31 March 2015 were US$38.0 million, increased from US$27.2 million as of 31 March 2014. It was mainly attributable to the increase in fair value gain on forward foreign exchange contracts in the financial year 2015.

Trade creditors as of 31 March 2015 were US$186.1 million, as compared to US$140.8 million as of 31 March 2014. Creditor turnover days also increased from 78 days to 85 days.

As at 31 March 2015 and 2014 All figures are in US$ million unless stated otherwise	2015	2014
Trade creditors	**186.1**	140.8
Turnover days	**85 days**	78 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 currency 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 2015, the Group invested US$30.9 million in the purchase of tangible assets including machinery and equipment, leasehold improvements, 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 2016, the Group will incur capital expenditure of US$34.9 million for ongoing business operations.

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

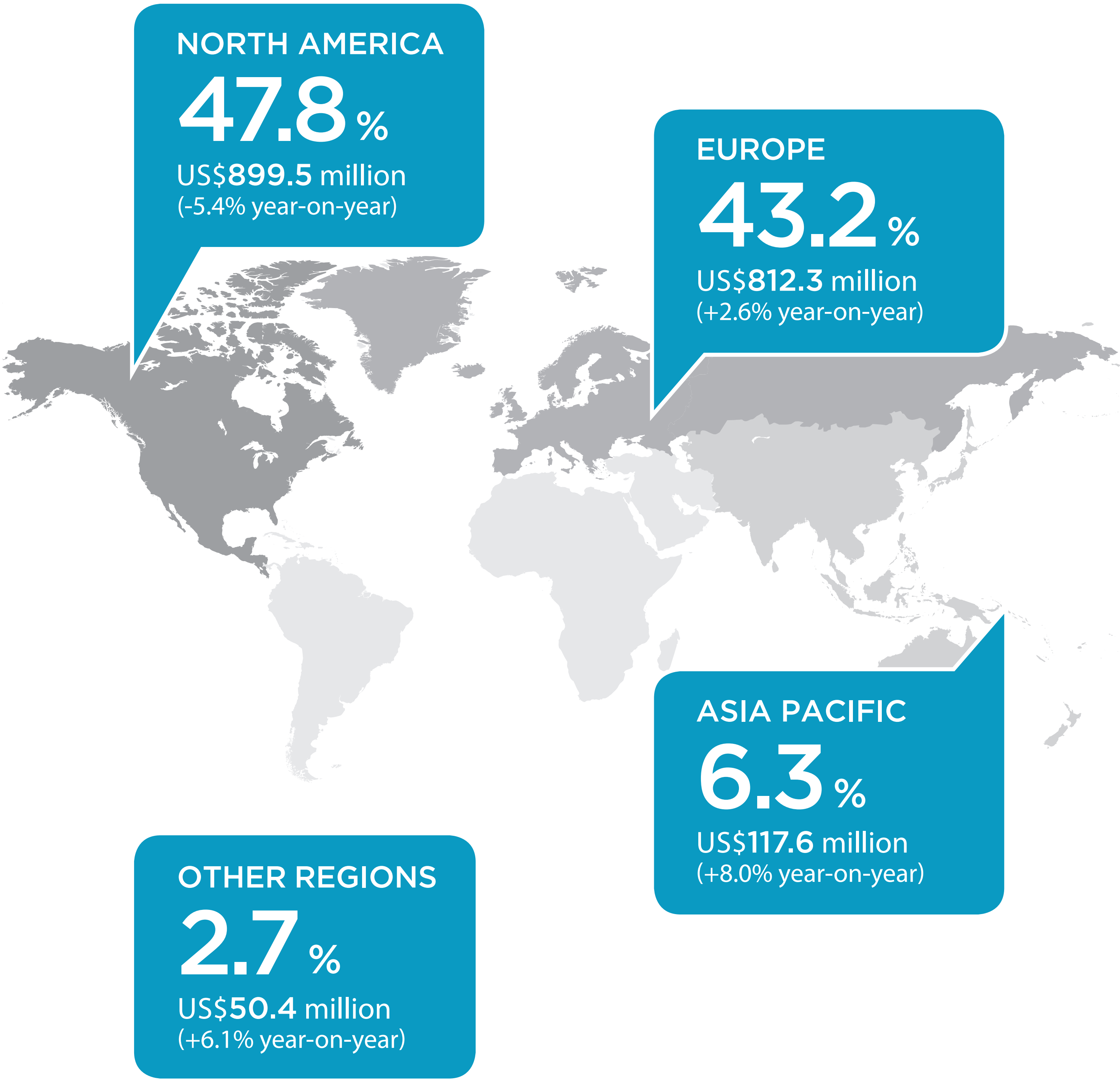
As of the financial year end date, the Group had no material contingencies.

Other creditors and accruals as of 31 March 2015 were US$156.5 million, reduced from US$163.6 million as of 31 March 2014. It was largely attributable to the decrease of fair value losses on forward foreign exchange contracts upon settlement and the reduction in accruals of advertising expenses and other allowances to customers.

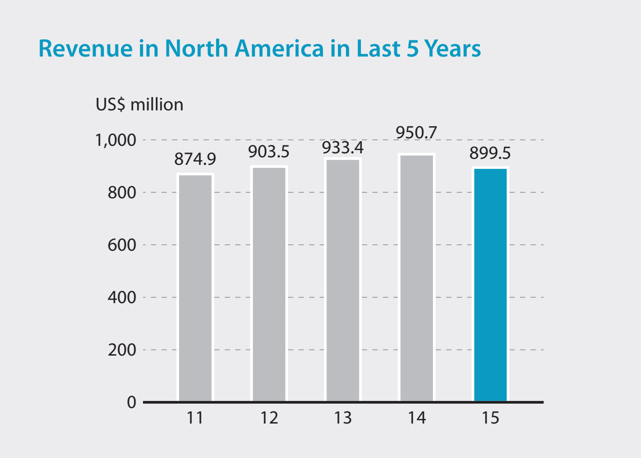
Provisions as of 31 March 2015 were US$27.3 million, as compared to US$27.9 million as of 31 March 2014.

Net obligations on defined benefit scheme as of 31 March 2015 were US$3.0 million, as compared to US$2.0 million as of 31 March 2014. The increase was mainly due to the re-measurement of net liability of defined benefit scheme.

GROUP REVENUE BY REGION



NORTH AMERICA



Group revenue in North America decreased by 5.4% to US$899.5 million in the financial year 2015. Lower revenues from ELPs and CMS offset higher revenue from TEL products. North America remained VTech's largest market, accounting for 47.8% of Group revenue.

ELPs revenue in North America decreased by 16.2% to US$300.0 million, as sales of both platform and standalone products declined. Nevertheless, in the calendar year 2014, VTech became the number one manufacturer in Infant and Preschool Electronic Learning toys in the US market[9].

In platform products, sales of VTech's InnoTab range of educational tablets suffered from higher-than-expected channel inventory and severe competition, heightened by the contraction of the children's tablet market[10]. In July 2014, VTech launched Kidizoom Smartwatch, the world's first smartwatch for children with a built-in camera, in the US. It achieved strong sales and was recognised in numerous top toy lists.

Standalone products showed a slight sales decline, as retailers tightened inventory management. Strong growth of the Go! Go! Smart family of products was offset by lower sales of the core infant and preschool learning products. Switch & Go Dinos® also recorded a sales decrease as the product line matured. During the financial year 2015, Go! Go! Smart Wheels® was extended with the introduction of new models. The launch of Go! Go! Smart Animals™ nationwide, coupled with the exclusive launch of Go! Go! Smart Friends in partnership with Toys"R"Us, added incremental sales. The Go! Go! Smart Animals Zoo Explorers Playset won the prestigious "2015 Infant/Toddler Toy of the Year (TOTY) Award" from the American Toy Industry Association.

TEL products revenue in North America rose by 4.4% to US$416.0 million. The increase was driven by higher sales of commercial phones and other telecommunication products, offsetting a slight sales decline in residential phones.

Commercial phone sales continued to grow, as a result of higher sales of VTech's small-to-medium sized business (SMB) phones and cordless headsets. This was augmented by the launch of ErisStation, the Group's first conference phone with wireless microphones, and ErisTerminal, its SIP phone systems. Hotel phones also reported higher sales, as VTech continued to win new installations from global hotel brands. In other telecommunication products, baby monitors recorded a strong sales increase. The Group expanded its distribution channels and gained more placements, as major retailers began to replace older analogue models with VTech's more advanced digital baby monitors.

Sales of residential phones, however, recorded a slight decline owing to the further contraction of the fixed-line telephone market. Despite this, VTech maintained its number one position in the US residential phones market[11]. The Group continued to gain retail shelf space and expand sales channels.

The revenue from CMS in North America decreased by 5.4% to US$183.5 million, as sales declines in professional audio equipment and communication products were only partially offset by higher sales of solid-state lighting, industrial products, home appliances and medical and health products.

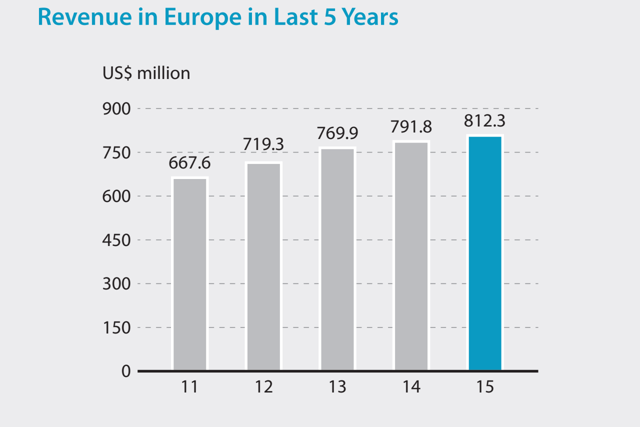
Sales of professional audio equipment declined as an existing customer placed fewer orders in response to over-inventory and completed transferring the manufacture of one product family to its own facility, where there was excess capacity. Sales of communication products also decreased, as a client's product line reached the end of its life cycle. In contrast, sales of solid-state lighting and industrial products grew, as a customer ramped up orders in solid-state lighting. VTech has also started to become the sole supplier to an existing industrial products customer. Home appliances posted good growth as a customer expanded its sales channels. Medical and health products recorded higher sales owing to new product launches by customers.

[9] *Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales in the combined toy categories of infant electronic learning, other infant toys and preschool electronic learning for the 12 months ending December 2014*

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

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

EUROPE



Group revenue in Europe increased by 2.6% to US$812.3 million in the financial year 2015. Higher sales of TEL products and CMS offset a sales decline in ELPs. Europe was VTech's second largest market, accounting for 43.2% of Group revenue.

ELPs revenue in Europe decreased by 6.0% to US$362.6 million, as higher sales of standalone products failed to offset a decrease in sales of platform products. The depreciation of the Euro and Pound Sterling against the US dollar during the financial year 2015 also negatively impacted the reported revenue. Among the Group's key Western European markets, sales in Germany increased, while those in the UK, France and Spain declined.

For platform products, VTech's educational tablet InnoTab/Storio faced similar challenges as in North America, namely, high channel inventory and market contraction. Despite this, InnoTab/Storio remained the best-selling children's tablet in Europe, and regained the number one position among all toys in the top five European markets in the calendar year 2014[12]. Kidizoom Smartwatch was introduced to the Group's major European markets in June 2014 and performed well, becoming one of the top 10 best-selling new toys in the UK in 2014[13]. It was also selected as one of the "Top 12 Dream Toys 2014" by the British Toy Retailers Association.

For standalone products, growth was driven by the Toot-Toot family of products. New models were added to the popular Toot-Toot Drivers® range, while Toot-Toot Animals® was launched in VTech's key European markets. In the calendar year 2014, VTech again increased its market share and strengthened its position as the number one infant toy manufacturer in France, the UK and Germany, while becoming the largest infant toy manufacturer in Spain[14].

Among new products, the Group launched Kidizoom Action Cam in its major European markets in March 2015. This latest addition to the popular Kidizoom range of cameras has been well received by customers. In the fourth quarter of the financial year 2015, new models of Little Love, a range of interactive baby dolls, hit the shelves. They met with an especially positive reception in France, where the new Peek-a-Boo doll became the best-selling nurturing doll of Spring 2015[15].

Revenue from TEL products in Europe increased by 2.0% to US$157.4 million, as higher sales of commercial phones and other telecommunication products offset a sales decline in residential phones.

For commercial phones, sales of SIP phones increased as VTech continued to expand its distribution channels. Sales of CAT-iq handsets enjoyed strong growth as Network Operators continue to encourage the replacement of traditional PSTN (Public Switched Telephone Network) services with VoIP (Voice over Internet Protocol) services. Sales of baby monitors increased as the Group introduced new video models, completing a full range of products for the market.

Sales of residential phones were lower, mainly due to the decline of the fixed-line telephone market. Despite this, VTech maintained its market share as one of the leading cordless phone manufacturers in the region[16].

CMS revenue in Europe increased by 16.1% to US$292.3 million, driven by higher sales in most product categories. Sales of wireless headsets saw growth as VTech secured more orders from existing customers. One client placed additional orders in recognition of good customer service while another launched new products that were well-received by the market. Sales of switching mode power supplies were higher as an existing customer increased orders in a new business area for data centres, and in response to the region's general upgrade from 3G to 4G technology. Sales of home appliances rose owing to more orders from an existing customer in Italy. Sales of professional audio equipment, however, registered a decline, as a client transferred products requiring custom configuration to in-house production.

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

13 *Source: NPD Group, Retail Tracking Service*

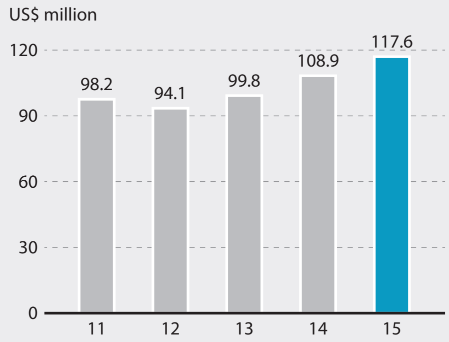
14 *Source: NPD Group, Retail Tracking Service*

15 *Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales of all nurturing dolls in France by unit from January to April 2015*

16 *Source: MZA Ltd, 2015*

ASIA PACIFIC

Revenue in Asia Pacific in Last 5 Years



Group revenue in Asia Pacific increased by 8.0% to US$117.6 million in the financial year 2015, with higher sales in all three product lines. Asia Pacific accounted for 6.3% of Group revenue.

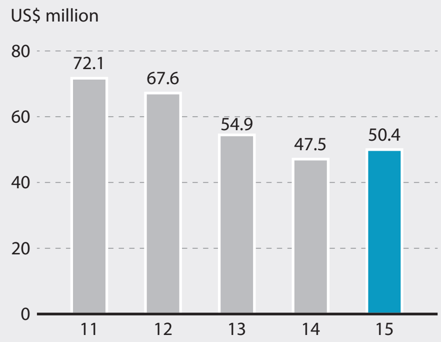
Revenue from ELPs in the Asia Pacific increased by 21.6% to US$25.9 million, on the back of growth in China, Hong Kong and Korea. The growth in China was driven by the continued good performance of Switch & Go Dinos, together with the introduction of Go! Go! Smart Wheels and Kidizoom Smartwatch. In Hong Kong, growth was seen in all product categories as the Group increased its sales and marketing efforts. Further inroads were made in Korea, following the expansion of the distribution network. Sales in Australia recorded a decline as VTech completed the transition from the previous distribution arrangement for ELPs to its own sales office, positioning itself for future growth.

TEL products revenue increased by 4.6% to US$43.0 million. Sales growth was recorded in Australia and Japan, the Group's major markets in Asia Pacific. Sales in Australia rose as residential phones and baby monitors recorded higher sales. For residential phones, VTech increased market share as a result of gaining more retail shelf space, while baby monitors were supported by the expansion of distribution channels in the country. Higher sales were achieved in Japan as a customer launched new models. The Group also made inroads in Thailand, Malaysia and Korea.

CMS revenue in Asia Pacific increased by 4.7% to US$48.7 million, driven by higher sales of wireless products, medical and health products and solid-state lighting. Sales of wireless products posted good growth, driven by increased orders of wireless headsets and the sales contribution from a new customer. Sales of medical and health products increased, as a customer in Japan benefited from the weaker Japanese Yen and achieved higher sales. Growth in solid-state lighting was supported by additional orders arising from the Youth Olympic Games in Nanjing, China in the first half of the financial year 2015.

OTHER REGIONS

Revenue in Other Regions in Last 5 Years



Group revenue in Other Regions, namely Latin America, the Middle East and Africa, rose by 6.1% to US$50.4 million in the financial year 2015. Other Regions accounted for 2.7% of Group revenue.

ELPs revenue in Other Regions increased by 10.4% to US$14.8 million, as a sales decline in the Middle East was offset by higher sales in Latin America and Africa.

TEL products revenue in Other Regions increased by 6.7% to US$35.1 million, with higher sales in Latin America, the Middle East and Africa.

CMS revenue in Other Regions was US$0.5 million in the financial year 2015, as compared to US$1.2 million in the previous financial year.

ELECTRONIC LEARNING PRODUCTS

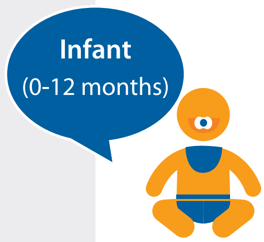
NO.1 manufacturer of ELPs globally

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

46 million products shipped in FY2015

85 countries selling VTech ELPs in 25 languages

VTech educational toys are age-appropriate and developmental stage-based.



Sit-to-Stand Learning Walker

A very popular infant electronic learning toy in the US, Europe and China

My First Tablet

A magic light-up learning tablet with virtual camera for little ones

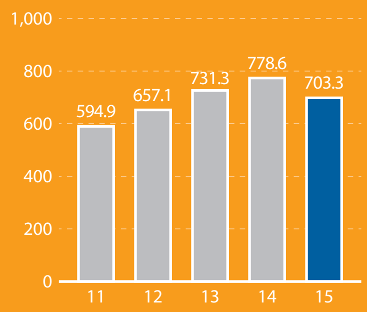
Kidizoom Action Cam

A new product in 2015 for kids to play with and capture their adventures

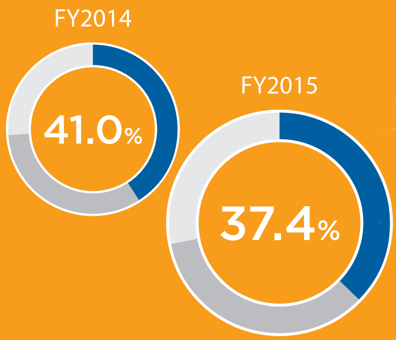
In FY2015, ELPs were the Group's largest product line. The sales decrease was mainly due to the weak performance of children's educational tablets. However, VTech continued to expand its market share in the US and Europe.

ELPs Revenue in Last 5 Years

US$ million



As % of Group Revenue



ELPs Revenue by Region

All figures are in US$ unless stated otherwise

North America
300.0 million
(-16.2% year-on-year)

Europe
362.6 million
(-6.0% year-on-year)

Other Regions
14.8 million
(+10.4% year-on-year)

Asia Pacific
25.9 million
(+21.6% year-on-year)

They are further classified into two main categories, according to their product nature.

STANDALONE PRODUCTS

There are various ranges of standalone products.

One of the best-selling dolls in the UK and France

Core Learning for Infants and Preschoolers

Fun and educational toys to enrich children's development

Go! Go! Smart Family

Infusing technological innovation into established play patterns for imaginative role-play

Flipsies

A new line in 2015 that combines interactive role-play with transformable dolls and playsets for an innovative play experience

Little Love/ Baby Amaze

A line of interactive dolls that help children learn through role-play

PLATFORM PRODUCTS

Platform products consist of various devices for children, with cartridges and/or downloadable content to enrich play experience.

World's first children's smartwatch with a built-in camera

Kidizoom SMARTWATCH

VTech's fastest tablet and its first to feature Android learning content

InnoTab MAX

TELECOMMUNICATION PRODUCTS

NO.1
cordless phones manufacturer globally

40 million
handsets shipped in FY2015

80 countries
selling VTech TEL products

With superior design and functionality, VTech telecommunication products are tailored to fit the needs of both residential and commercial users.

RESIDENTIAL PHONES

VTech residential phones are a perfect blend of design and functionality.

DS6291 Connect to Cell Answering System

"Connect to Cell" function lets users enjoy cellular calls with all the convenience of a home phone

CS6919 Cordless Phone System

LS6195 Retro Phone

Inspired by the classic corded rotary telephone design

OTHER TELECOMMUNICATION PRODUCTS

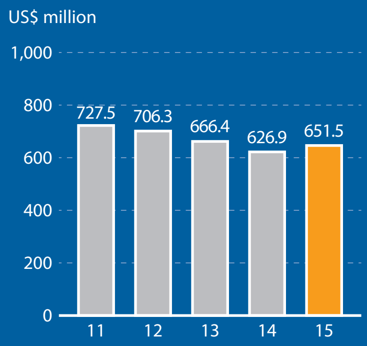
Other telecommunication products cover a wide range of products that cater to various needs of home users, making life more comfortable.

Wireless Monitoring System

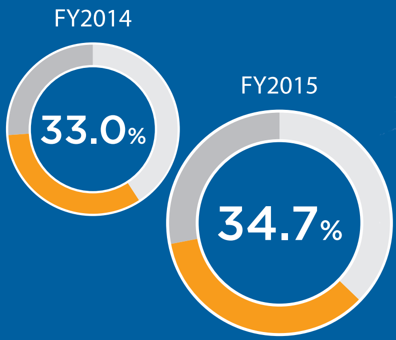
Smart home devices to hit the US market in the second half of the calendar year 2015

TEL products were the Group's second largest product line. In FY2015, the business returned to a growth path, driven by market share gains for residential phones globally and higher sales of commercial phones and other telecommunication 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

North America
416.0 million
(+4.4% year-on-year)

Europe
157.4 million
(+2.0% year-on-year)

Other Regions
35.1 million
(+6.7% year-on-year)

Asia Pacific
43.0 million
(+4.6% year-on-year)

COMMERCIAL PHONES

Easy to install and set up, VTech commercial phones are designed for small-to-medium sized businesses and the hospitality industry.

ErisStation

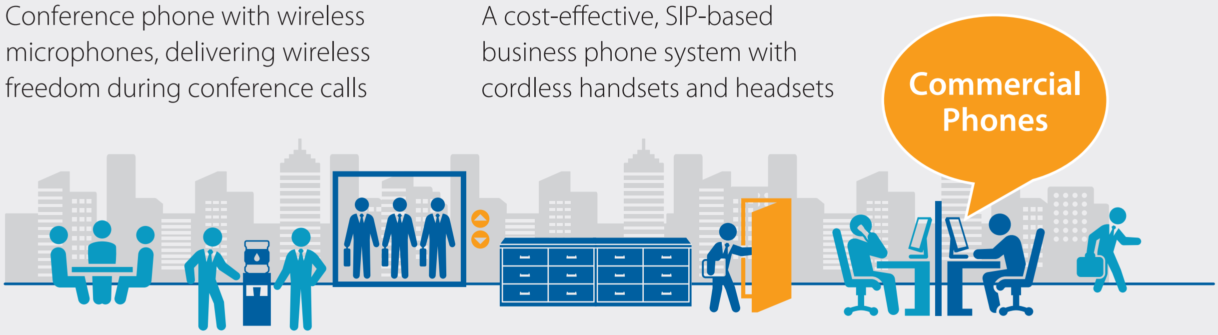
Conference phone with wireless microphones, delivering wireless freedom during conference calls

ErisTerminal

A cost-effective, SIP-based business phone system with cordless handsets and headsets

Other Product Categories

- SMB Phone
- Hotel Phone
- Cordless Headset



Safe&Sound Baby Monitor

Strong sales growth globally

CareLine

A telephone system to help seniors stay connected

Other Product Categories

- Connected Home Device
- Integrated Access Device

CONTRACT MANUFACTURING SERVICES

29TH among the world's top 50 EMS providers

13TH consecutive year of sales growth

6.4% sales growth in FY2015, outpacing the global EMS market

VTech CMS provides full turnkey manufacturing services, including comprehensive electronics design and product management services.

The Group focuses on selected product segments. Below are the top four product categories for CMS:

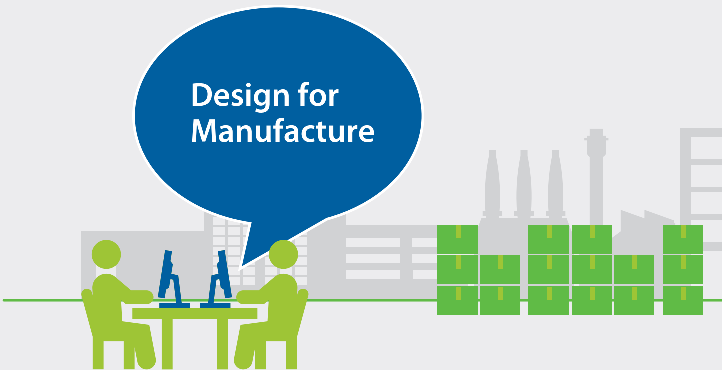
Professional Audio Equipment

Strong reputation and know-how

Wireless Products

Leveraging VTech's expertise in radio frequency technology

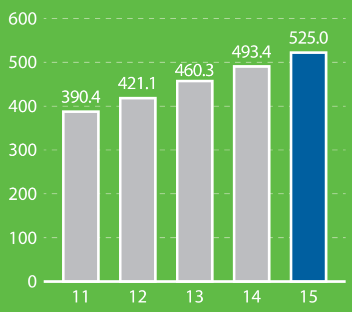
VTech CMS's ability to offer DFM (Design for Manufacture), flexible services and manufacturing know-how in a number of product categories are the key to its continued growth and success.



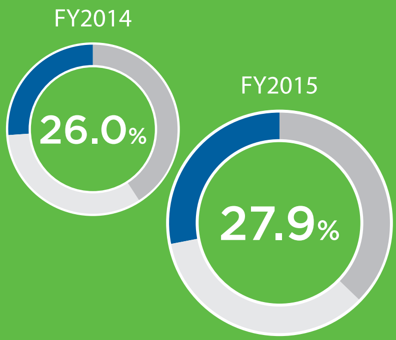
CMS delivered the strongest sales increase among the Group's product lines in FY2015. VTech's strong reputation in the EMS industry continued to attract new customers.

CMS Revenue in Last 5 Years

US$ million



As % of Group Revenue



CMS Revenue by Region

All figures are in US$ unless stated otherwise

North America
183.5 million
(-5.4% year-on-year)

Europe
292.3 million
(+16.1% year-on-year)

Other Regions
0.5 million
(-58.3% year-on-year)

Asia Pacific
48.7 million
(+4.7% year-on-year)

Switching Mode Power Supplies

Highly efficient power supplies for telecommunication products

Solid-state Lighting

LED lighting for commercial and industrial use

CORPORATE

PARTICIPATION IN SPORTS EVENTS

The Group actively participates in local marathons and sports events such as dragon boat race, Oxfam Trailwalker, Hong Kong Marathon and Streetathon, to promote wellness through community involvement. In the 2015 Hong Kong Marathon and Streetathon, VTech was awarded the "Most Supportive Group Award" and the "Most Committed Organisation" respectively.

RECOGNITION FOR SUSTAINABILITY

VTech Sustainability Report 2014 received the "Sustainability Excellence Award" from the Chamber of Hong Kong Listed Companies, and the "Best Corporate Governance Disclosure Award 2014" in the category of Sustainability and Social Responsibility Reporting presented by the Hong Kong Institute of Certified Public Accountants.

"CARING COMPANY" RECOGNITION

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

ELPs

NO. 1 IN INFANT TOYS CATEGORY

VTech further strengthened its number one position in the Infant Toys category in the calendar year 2014. The Group not only increased its market share in France, the UK and Germany, but also became the number one infant toys manufacturer in Spain[17]. In the US, VTech became the largest manufacturer in Infant and Preschool Electronic Learning toys[18].

KIDIZOOM SMARTWATCH – WORLD'S FIRST SMARTWATCH FOR CHILDREN WITH BUILT-IN CAMERA

Kidizoom Smartwatch has garnered many awards and appeared on numerous retailers' top toy lists since its launch. It was ranked among the top 10 best-selling new toys by retail value in the UK in the calendar year 2014[19]. It was also selected as one of the "Top 12 Dream Toys 2014" by the British Toy Retailers Association.

EXPANSION OF SUCCESSFUL GO! GO! SMART FAMILY

In the financial year 2015, VTech expanded the Go! Go! Smart family with the introduction of Go! Go! Smart Animals and Go! Go! Smart Friends. The Go! Go! Smart Animals Zoo Explorers Playset was given the "2015 Infant/Toddler Toy of the Year (TOTY) Award" by the American Toy Industry Association.

"2014 GRAND PRIX DU JOUET" AWARDS

In the financial year 2015, VTech won five "2014 Grand Prix du Jouet" awards presented by *La Revue du Jouet* magazine in France, the highest among all toy manufacturers.

17 *Source: NPD Group, Retail Tracking Service*
18 *Source: NPD Group, Retail Tracking Service. Ranking based on total retail sales in the combined toy categories of infant electronic learning, other infant toys and preschool electronic learning for the 12 months ending December 2014*
19 *Source: NPD Group, Retail Tracking Service*

LITTLE LOVE BABY DOLL

Little Love was introduced in the Group's major European markets in June 2014, with an especially positive reception in France and the UK. This range of interactive dolls enabled VTech to break into the dolls aisle within the toys section.

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 fourth year in a row. VTech Electronics Industrial (Shenzhen) Co., Ltd. received the same recognition from Toys"R"Us in China.

TEL PRODUCTS

THE WORLD NO. 1

In the calendar year 2014, VTech strengthened its number one position as manufacturer in the global consumer cordless telephony market[20].

CHANGING THE GAME FOR THE CONNECTED HOME

VTech unveiled its new line of wireless monitoring solutions for the connected home at the 2015 International Consumer Electronics Show (CES). The product line received the "2015 CES Best of Innovation Award" in the category of Smart Home Tech from *Tech Times* magazine.

NEW SMB PHONES

New VTech-branded SMB phones, including ErisStation, ErisTerminal and ErisBusinessSystem™, were shipped to the US market in April 2014. The expanded product offerings provide even more cost-efficient solutions to meet the needs of commercial users.

PRODUCT OF THE YEAR

The ErisTerminal SIP Entry-Level Deskset VSP725 won the "2015 Product of the Year Award" given by *INTERNET TELEPHONY* magazine.

AWARD-WINNING BABY MONITOR

The Safe&Sound® Pan & Tilt Full Colour Video Baby Monitor VM333 was named "2014 Product of the Year winner" by *Creative Child* magazine and won the "Top Choice Award 2014" given by *Baby Maternity* magazine.

CMS

A GLOBAL TOP 50 EMS PROVIDER

VTech Communications Limited was ranked 29th among the world's "Top 50 EMS Providers in 2014" in *Manufacturing Market Insider* magazine.

SERVICE EXCELLENCE

VTech Communications Limited received an "SCM Appreciation Award for Execution and Collaboration" from a wireless products customer, as well as the "Best Supplier" award from a professional audio equipment customer.

NEW FACTORY BUILDING

To cope with business growth, a new factory building has been built for CMS. The facility will commence operations in July 2015, increasing manufacturing capacity by 25%.

[20] *Source: MZA Ltd, 2015*

SUSTAINABILITY

Our sustainability vision 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 our stakeholders and communities.

Since its inception in 1976, VTech has grown from a local technology company in Hong Kong into a global leader in electronic learning toys from infancy to preschool[21], the world's largest manufacturer of cordless telephones[22], and a leading electronic manufacturing services provider. During this incredible journey, VTech has successfully developed sustainability strategies for the long-term development of the company, 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 in which we operate.

VTech published its second Sustainability Report for the financial year 2014 (FY2014). The purpose of the report was not only to communicate our sustainability strategies, management approaches and performances with our stakeholders, but also comprehensively introduce our ongoing activities for our sustainable development toward the societies and environment in which we operate. VTech has also made a remarkable progress on sustainability reporting. Our Sustainability Report 2014 received the "Sustainability Excellence Award" from the Chamber of Hong Kong Listed Companies, and the "Best Corporate Governance Disclosure Award 2014" in the category of Sustainability and Social Responsibility Reporting presented by the Hong Kong Institute of Certified Public Accountants. These prestigious awards are a great recognition of our efforts and achievements on sustainability.

In our Sustainability Report 2015, we not only continued to follow the Core option of the Global Reporting Initiative (GRI) Sustainability Reporting G4 Guideline (G4 Guideline) and its principles, but also made reference to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") Environmental, Social and Governance Reporting Guide (ESG Guide)[23] to define our report content.

VTech's sustainability strategies and efforts continue to focus on five key areas – product responsibility and innovation, environmental protection, workplace quality, sustainable operating practices and community investment. We are pleased to report that our sustainability approaches and activities have generated meaningful benefits for our stakeholders in the financial year 2015 (FY2015). Some of our major achievements are also highlighted in our Sustainability Report 2015.

Moving forward, in order to ensure that our continuous improvement programmes and approaches on sustainability could be carried out effectively and consistently throughout the company and in a sustainable manner, we have established a Sustainability Plan 2020 for the financial years from 2016 to 2020. It has not only identified our short-term goals with activities to be achieved in the financial year 2016, but also defined the actions and programmes to be implemented toward the achievement of our long-term targets in the financial year 2020.

Full details of the VTech Sustainability Report 2015 are available on www.vtech.com/en/about-vtech/sustainability.

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 combination of both executive and independent non-executive directors. On 12 May 2015, Ms Shereen TONG Ka Hung, Group Chief Financial Officer, and Mr. CHANG Yu Wai, Company Secretary and Group Chief Compliance Officer, were appointed as the members of the RMSC. 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

[21] *Source: MarketWise Consumer Insights, LLC and NPD Group Retail Tracking Service. Ranking based on 2014 total estimated annual retail sales in the combined toy categories of infant electronic learning and preschool electronic learning*

[22] *Source: MZA Ltd, 2015*

[23] *Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange*

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 level of the company.

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 the following five key areas across the company.

RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

SUSTAINABILITY SUB-COMMITTEES

Product Responsibility & Innovation

- Design products for the well-being of people and for the benefits of society
- Design products to ensure that they are of good quality and compliant with the highest safety standards
- Incorporate sustainability concepts into our product design

Environmental Protection

- High Performance Production Chain – maximise our resources efficiency and improve productivity
- Green Manufacturing Practice – minimise the environmental impacts from our operations
- Sustainable Logistic Chain – improve operational efficiency and reduce carbon emissions throughout the transportation process

Workplace Quality

- Enhance our good staff relations through various communication channels and staff activities
- Foster a continuous learning environment and encourage employees to develop and advance their careers in VTech
- Respect the labour and human rights of all our employees with clearly defined human resources management policies
- Provide a supportive, pleasant and healthy environment for our employees

Sustainable Operating Practices

- Business Continuity Management – identify and mitigate our potential operational risks and increase our resilience capability
- Sustainable Supply Chain Management – manage our supply chain in a socially and environmentally responsible manner and source from approved suppliers who meet VTech's Corporate Social Responsibility requirements
- Climate Change Strategy – minimise the carbon emissions from our operations, and work closely with our suppliers and customers through enhancing our environmentally friendly product designs and sustainable operating practice

Community Investment

- Use our expertise and resources to develop community investment programmes focusing on:
  - Supporting people in need
  - Collaborating with local charities
  - Providing training opportunities for young people
  - Nourishing an innovative environment
  - Developing a healthy and green community

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

VTech strives not only to provide high quality products and comply with the highest international and local quality and safety standards, but also incorporate sustainability concepts into the product design in order to enhance the well-being of our customers and benefit the society.

VTech always considers addressing our customers' needs as our primary responsibility at the early stage of our product design. We continuously use our technological expertise to help improve the health and safety of our customers. Our well-received baby monitor series and the newly launched wireless monitoring system, which is a VTech Smart Home device to connect users' home with ULE and Wi-Fi technologies, are the principal examples. In addition, we also use our global leadership position in electronic learning products to design many ELPs to inspire children's creativity and develop the valuable skills at each stage of their educational development. In order to stay in harmony with the environment, we also incorporate eco-design principles into our products and launch many eco-friendly products such as our Digital European Cordless Telecommunication (DECT) cordless phones with Blue Angel and Energy Star eco-labels, and our wireless monitoring system with ULE standard.

VTech is also committed to designing and manufacturing products that meet the highest international and local health and safety standards. All our manufacturing facilities are certified with Quality Management System: ISO 9001. We have implemented a stringent quality control system, from incoming materials inspection, in-process quality audit, finished products quality assessment, to after-sales quality management in order to ensure that all VTech products meet the required specifications and are free from defects in both materials and workmanship at the time of delivery.

Our products are also designed to minimise the environmental impact throughout the whole product life cycle from cradle to grave. We continue to use the most eco-friendly materials in our products and minimise the usage of resources and materials in the manufacturing process.

Environmental Protection

VTech aims to operate its manufacturing processes and facilities in a manner that minimises the impacts to the environment, and ensures that our operations are compliant with all the relevant environmental, legal and statutory requirements. We have developed a high performance production chain to maximise our resources efficiency and improve the productivity while maintaining a green manufacturing practice. We also adopt a green logistic management approach and use the most environmentally friendly transportation modes for the delivery of our incoming materials from suppliers and outgoing products to our customers.

VTech's continuous improvement in the manufacturing process is driven by two key principles – "produce for quality" and "produce for efficiency". Without compromising quality in our production, we have implemented the process of low cost automation and adopted new manufacturing management methods, such as lean manufacturing and small cell production, to maximise our resources efficiency and improve the productivity, while minimising the wastes and improving product quality throughout the manufacturing process.

High performance production chain

We have also continuously worked with different government bodies to minimise the environmental impact of our production facilities. Our TEL products manufacturing site was awarded the "Hong Kong – Guangdong Clean Production Partners" under the scheme jointly launched by the Hong Kong Productivity Council and the Guangdong Provincial Government in 2012. It was also recognised as the "Clean Production Enterprise in Guangdong Province" by the Guangdong Provincial Government and "Dongguan Environmentally Friendly Enterprise" by the Dongguan, Guangdong Province Environmental Protection Bureau in China. In addition, the manufacturing sites of our TEL products and CMS are certified with the ISO 14001 standard for environmental management, demonstrating that we are committed to continuous improvement on environmental protection.

We have also incorporated the 3Rs (Reduce, Reuse, and Recycle) principle into our manufacturing process, and established energy and resources management system to better utilise the resources in our manufacturing process, aiming to reduce the energy and water consumption, minimise the waste production and improve the reuse rate of resources.

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 ISO 14001
- 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 different product lines and departments across the organisation. Our environmental policy is reviewed annually to ensure that it is relevant and up to date.

Workplace Quality

VTech strives to provide a supportive, pleasant and healthy workplace for our staff, and 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. To ensure that our facilities operate in accordance with the highest international standards on social responsibility, health and safety, all VTech manufacturing facilities are certified with the international Occupational Health and Safety Management System (OHSAS 18001), with TEL Products and CMS also certified with international standards of Social Accountability (SA 8000), and ELPs with the International Council of Toy Industries (ICTI) CARE (Caring, Awareness, Responsible, Ethical) Process certification. All of these certifications demonstrate the external verification of our compliance with the local laws and high quality working conditions.

Our human resources management policy builds on our four key values – "Communication and Staff Relations", "Advancement in Careers", "Respect of Labour and Human Rights", and "Environment for Our People" (CARE). To ensure the effectiveness of our workplace management system, we have cross functional teams and committees at different manufacturing sites, involving staff representatives from staff association, human resources managers, corporate social responsibility (CSR) managers and other committee members from each product line to meet regularly and determine goals and targets, discuss new projects, and review project progress on workplace and employees related issues based on the feedbacks from our people.

VTech promotes open communications at all levels of the company and we encourage employees to voice their opinions through various communication channels. All the information, opinions and suggestions gathered from the employees are handled and followed up by our employee relations team. VTech also believes that our relationship with the staff could be further strengthened through their participations in the leisure and sports activities. We have established VTech Staff Association, including members from our volunteering teams of the company's different product lines, to create a social gathering platform and organise various staff activities for our staff.

VTech dragon boat team

VTech 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. We are also committed to respecting the labour and human rights of all our employees with clearly defined human resources management policies. We have procedures in place to ensure that our policies are properly implemented throughout the company. Any issues or enquiries raised by our employees through different communication channels will be handled and investigated by the company with care and in a confidential manner.

As for the working environment, workplace safety is our number one priority. We are dedicated to providing our employees with a healthy and safe working environment. Our goal is to instil 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. All VTech manufacturing facilities comply with national and international health and safety standards as evidenced by our certification to OHSAS 18001. Our continuous activities and programmes on occupational health and safety also resulted in a reduction on loss of working hours due to occupational injuries in manufacturing operations by 45.3% between FY2014 and FY2015, and we did not have any work related fatality case in FY2015.

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. As part of our continuous improvement programme for the living environment, we continuously upgraded the dormitories, canteens and recreational facilities in FY2015.

Living environment and recreational facilities

Sustainable Operating Practices

VTech has three core policies and systems to ensure that we have a sustainable operating practice throughout the company. We have "Business Continuity Management" programme in place to identify and mitigate our potential operational risks, and increase our resilience capability to resume our operations in an effective and timely manner. For the supply chain management which is crucial for our sustainable operations, we have a well-established "Supply Chain Management System" and a good procurement practice to monitor the quality of our suppliers as well as their environmental and ethical performance in accordance with VTech's CSR requirements.

As an environmentally conscious and sustainable company, VTech recognises that climate change could create uncertainties in our business development. We have developed our "Climate Change Strategy" to assess how climate change could affect our business operations, and minimise the potential impacts on our sustainable growth. As part of our environmental management approach, we are dedicated to managing our greenhouse gas emissions and minimising the energy consumption arising from our daily operations. We also work closely with our suppliers and customers to reduce the carbon emissions through enhancing our environmentally friendly product designs and sustainable operating practices.

Community Investment

As a responsible corporate citizen, VTech uses its expertise and resources to support the communities in which it operates in a variety of ways, focusing on helping people in need, collaborating with local charities to support the local charitable events, providing training and job opportunities for young people, nourishing an innovative environment and developing a healthy and green community.

Since the establishment of VTech's voluntary team in different manufacturing sites and global offices, the team regularly participates in various voluntary events, creating a strong social network and providing assistance and supports for the people in need. Currently we have over 1,200 regular volunteers globally. We encourage our employees to participate in volunteering events, which could provide an opportunity for them to connect outside the workplace, and inspire team-building experiences while contributing to the local communities.

In FY2015, VTech's volunteers contributed over 16,738 hours in voluntary activities. We have been awarded the "Caring Company" by The Hong Kong Council of Social Service for the seventh consecutive year in recognition of our continuous contribution to the Hong Kong community. Our Chinese voluntary team was also awarded the best voluntary team in Liaobu, Dongguan, China in 2014.

VTech also collaborates with local charities to support various charitable activities around the world. We have made charitable donations of about US$227,000 in FY2015. In addition to supporting volunteering events, VTech also encourages and sponsors our staff to participate in different sport activities organised by local charities. In FY2015, our Oxfam Trailwalker team was the champion in the category of manufacturing team and our Sowers Action team also won the 2nd runner-up in the category of 42 km Corporation Team. VTech was also ranked the 8th in the most supportive group award of the Standard Chartered Hong Kong Marathon 2015, and the 3rd most committed organisation of the Hong Kong Streetathon 2015.

Standard Chartered Hong Kong Marathon reunion dinner 2014

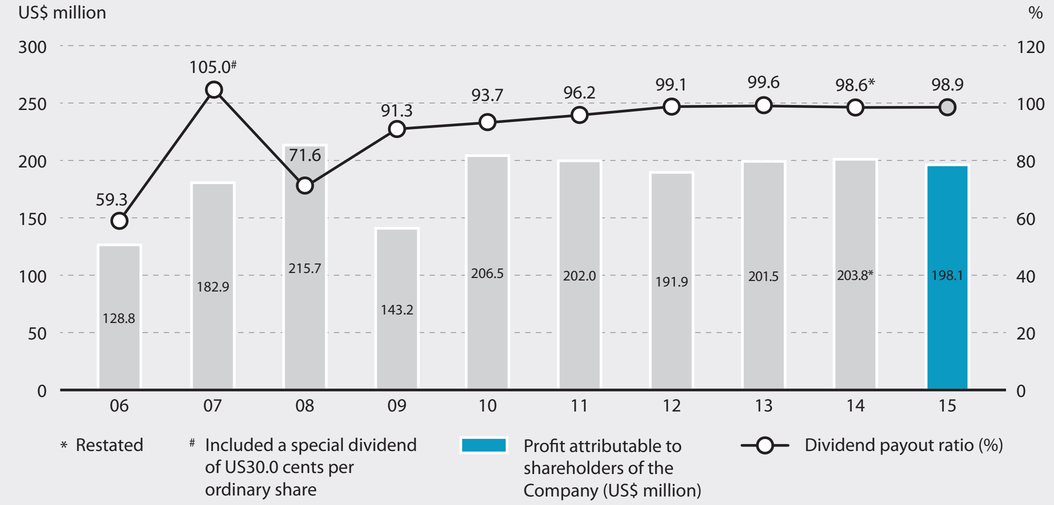
VTech is a keen supporter for developing a healthy and green community. We not only dedicate our efforts to minimise the environmental impacts from our operations, but also participate in different community events to encourage and promote a healthy and green lifestyle. In FY2015, VTech joined the "Greening for the Chest" programme organised by Community Chest of Hong Kong, which is an educational fund-raising programme to encourage schools and organisations to clean and plant at designated locations. In promoting green living at VTech, we have also developed a VTech organic farm at our TEL manufacturing site, and we have plans to introduce urban farming in the living areas of our factories.

Toys donation for China remote areas

INVESTOR RELATIONS

VTech is committed to building long-term relationships with shareholders and investors. The Group frequently communicates with institutional and retail investors to ensure their thorough understanding of VTech's business strategies, operations and outlook.

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



Shareholder Value

VTech's goal is to create long-term sustainable value for shareholders. This commitment is demonstrated in its share price performance, dividend payments and index recognition.

Share Price Performance

In the financial year 2015, the highest closing price of VTech shares was HK$116.00 (23 December 2014) and the lowest closing price was HK$90.75 (12 September 2014). Over the past ten years, VTech share price has shown significant appreciation.

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 2015 amounted to 98.9% of the profit attributable to shareholders of the Company, against 98.6% in the financial year 2014.

During the past ten years, VTech has provided a sustainable return to shareholders. The Company has maintained a high dividend payout ratio of over 90% since the financial year 2009.

VTech Share Price in Last 10 Years (1 April 2005 – 31 March 2015)

Source: Bloomberg Finance L.P.

Index Recognition

VTech has been a constituent stock of the Hang Seng High Dividend Yield Index since its launch in December 2012. The index comprises the 50 stocks and/or real estate investment trusts listed on The Stock Exchange of Hong Kong Limited with the highest net dividend 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, each with defined terms of reference. All directors, managers 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 concern by employees in confidence. VTech has also established a Continuous Disclosure Policy to ensure full compliance with the inside information disclosure requirement under the Securities and Futures Ordinance and the Listing Rules. A Shareholders Communication Policy sets out the procedures for providing shareholders and investors with ready, equal and timely access to Company information.

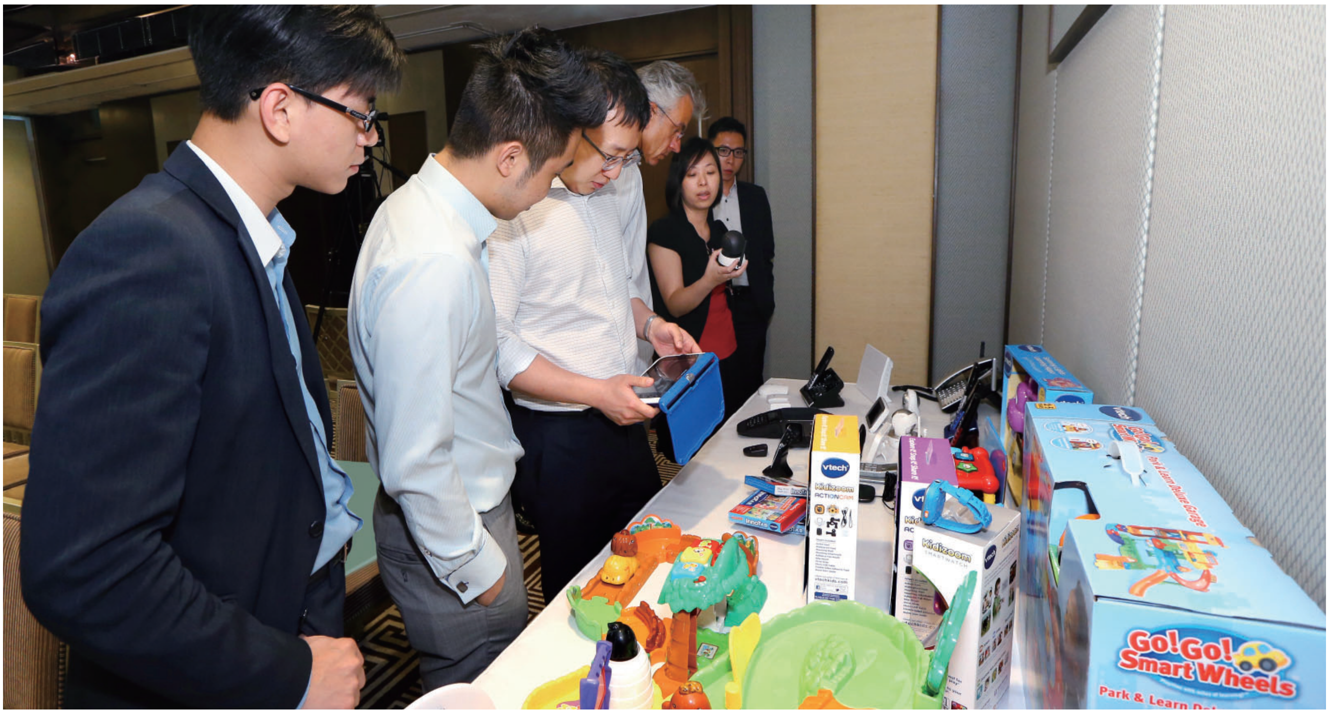
The full corporate governance report is set out on pages 33 to 37 of this Annual Report.

Investor Communications

All of the Group's investor communications activities are governed by a Shareholders Communication Policy, which is available on the Group's website.

The Group makes every effort to maintain open, two-way communication with shareholders and potential investors. VTech listens carefully to their views and keeps them fully informed about VTech's latest developments through various channels.

- Analyst briefings on the Group's interim and annual results – webcast and presentation materials are posted on VTech corporate website
- Investors' conferences and post-results roadshows
- Individual meetings and conference calls
- Visits to the manufacturing facilities in China
- An Investors section containing all key information for investors is easily accessible on the corporate website
- A designated email for investors to facilitate better communication



FY2015 annual results analyst briefing

Financial Calendar

Closure of Register of Members – Annual General Meeting

10 JULY – 15 JULY 2015
(both days inclusive)

2015 Annual General Meeting

15 JULY 2015

Closure of Register of Members – Payment of Final Dividend

21 JULY 2015

Payment of Final Dividend

30 JULY 2015

2015/2016 Interim Results Announcement

NOVEMBER 2015

FY2016 Annual Results Announcement

MAY 2016

Listing

Shares of VTech Holdings Limited are listed on The Stock Exchange of Hong Kong Limited. It is a constituent of the 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 2015: 251,182,133 shares

Dividend

Dividend per ordinary share for the year ended 31 March 2015
– Interim dividend: US17.0 cents per share
– Final dividend: US61.0 cents per share

Share Registrars

Principal

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
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Tel: (852) 2862 8628
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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. The corporate governance rules applicable to the Company are the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 March 2015, 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 Company and its subsidiaries (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 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 38 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.

Appointment and Re-election of Directors

All Directors are appointed for a specific term of three years and 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.

Independence of Independent Non-executive Directors

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 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.

Roles and Responsibilities of the Board

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 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 *(Chairman)*	5/5	–	1/1	–	2/2	1/1
PANG King Fai	5/5	–	–	–	2/2	1/1
Andy LEUNG Hon Kwong	5/5	–	–	–	2/2	1/1
Independent Non-executive Directors						
William FUNG Kwok Lun	4/5	1/2	1/1	1/1	–	1/1
Michael TIEN Puk Sun	5/5	2/2	1/1	1/1	–	1/1
Patrick WANG Shui Chung	4/5	–	1/1	–	–	1/1
WONG Kai Man	5/5	2/2	1/1	1/1	2/2	1/1

Pursuant to code provision A.6.7 of the Code, independent non-executive directors should attend the annual general meeting of the Company to develop a balanced understanding of the views of the shareholders. All independent non-executive Directors attended the annual general meeting of the Company held on 18 July 2014.

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.

Board Committees

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

Audit Committee

The Audit Committee is chaired by Mr. WONG Kai Man 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. In addition to the Audit Committee members, the meetings were attended by the Group Chief Executive Officer, 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's consolidated financial statements and reports for the year ended 31 March 2014;

– report from the external auditor for the year ended 31 March 2014;

– unaudited Group Interim Financial Report for the six months ended 30 September 2014 in the 2014/2015 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 2014 in the 2014/2015 Interim Report;

– accounting principles and practices adopted by the Group;

– 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;

– respective audit plans of the internal and external auditors;

– revised Audit Committee Charter;

– Audit Committee self-assessment results; and

– training and continuous professional development of Directors and senior management.

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 the date of this Annual Report, the Audit Committee met to review the audited Group's consolidated financial statements and reports for the year ended 31 March 2015 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 2015 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 2015 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.

In addition to the above, the Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control during the financial year. It 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.

Nomination Committee

The Nomination Committee is chaired by Dr. William FUNG Kwok Lun with 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 area of expertise and experience.

The Nomination Committee held one meeting during the financial year. The Nomination Committee 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 and has adopted a Board Diversity Policy which set 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 of 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.

Board Committees (Continued)

Remuneration Committee

The Remuneration Committee is chaired by Mr. Michael TIEN Puk Sun with Dr. William FUNG Kwok Lun 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, the annual salaries increment and remuneration packages for executive Directors and senior management, and the revised share purchase scheme before recommending them to the Board for consideration and approval. It also reviewed and approved the shares to be awarded under the share purchase scheme.

Risk Management and Sustainability Committee

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. It is responsible for monitoring and reviewing the risk management and sustainability strategies of the Group.

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 strategies, 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 provides vision and strategic direction for our sustainability activities, reviews our sustainability strategies and improvement activities, assesses how the policies are implemented in achieving the sustainability goals and targets, and monitors the performance progress on a biannual basis. During the financial year and up to the date of this Annual Report, it determined the scope and reviewed the Company's 2015 Sustainability Report, which informs our stakeholders of our sustainability strategies and activities, and the performance progress against our sustainability targets.

On 12 May 2015, Ms. Shereen TONG Ka Hung, Group Chief Financial Officer, and Mr. CHANG Yu Wai, Company Secretary and Group Chief Compliance Officer, were appointed as the members of the Risk Management and Sustainability Committee.

Liability Insurance for the Directors

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.

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 *(Chairman)*	✔	✔
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	✔	✔

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

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 their audit with senior management.

During the financial year, the fees in respect of audit services and tax services provided by KPMG, the external auditor, is summarised below:

	US$ million
Audit services	0.8
Audit related services	0.1
Tax services	0.6

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 2015 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.

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 their responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 44 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 duly complied with the training requirement under Rule 3.29 of the Listing Rules.

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 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 concern 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.

Risk Register

The Company maintains a risk register (the "Risk Register") to record the major and identifiable risks in the critical functions in the operation of the Company. The Risk Register is being reviewed by the Risk Management and Sustainability Committee twice a year. At management level, department representatives of each key business unit/function maintain a risk register documenting the key risks and the response measures of the relevant risk. To facilitate the review of the Risk Register by the Risk Management and Sustainability Committee, Internal Audit Department will review the operation of the risk management framework, including the effectiveness of reporting to the highest levels, and the continuing operation of appropriate risk responses.

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 2015.

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 with our shareholders, analysts, media and other stakeholders in accordance with the inside sensitive information disclosure requirement under the Securities and Futures Ordinance and the Listing Rules.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between shareholders and the Board. An annual general meeting shall be held in each year at the time and place determined by the Board.

Procedure for shareholders to convene special general meeting

Under the Company's Bye-laws, in addition to regular annual general meetings, 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).

Procedure for shareholders proposing resolution at annual general meeting

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.

Procedure for sending enquiries to the Board

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.

Changes in Constitutional Documents

There is no change in the Company's constitutional documents during the financial year ended 31 March 2015.

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 64, 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 59, 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 was 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 56, 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 66, 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 the Chairman and a non-executive director of Global Brands Group Holding Limited, 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, The Hongkong and Shanghai Hotels, Limited and 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 (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 64, 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 64, 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 64, 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 (shall retire on 25 May 2015), a member of Financial Reporting Council and an independent non-executive director of SCMP Group Limited, Shangri-la Asia Limited (shall retire on 28 May 2015) 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 50, 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 55, 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 46, 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 55, 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.

Hillson CHEUNG Hoi, aged 47, Group General Manager – Operations, is responsible for the factory operations, quality assurance and supply chain management of both the Electronics Learning Products and Telecommunication Products. Mr. CHEUNG joined the Group in 2000 as Factory Manager for Electronics Learning Products business and rejoined the Group in 2007. Prior to rejoining the Group, he had held management positions in a number of areas including product development, factory operations and supply chain management in the electronics manufacturing industry. Mr. CHEUNG holds a Bachelor of Engineering degree in Manufacturing Engineering from the City University of Hong Kong and an MBA degree from The Hong Kong University of Science and Technology.

North America

Ernest M. LEVENSON, aged 54, President of VTech Communications, Inc. is responsible for the sales, operations, human resources and marketing of the Telecommunication Products division in the United States. Mr. LEVENSON joined the Group in 2004 as the vice president of operations of the Telecommunications Products division in the United States. Mr. LEVENSON holds a Bachelor degree in Philosophy from Connecticut College and a Master degree in Business Administration from Babson College.

William TO, aged 58, 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 59, 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 is a director of the Jays Care Foundation. He 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 59, 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. Since January 2015, he has served as the vice president of the French Federation of Toys and Games.

The Directors have the pleasure to present their report and the audited financial statements of the Group for the year ended 31 March 2015.

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 2015 are set out in the consolidated income statement on page 45.

An interim dividend of US17.0 cents (2014: US16.0 cents) per ordinary share was paid to shareholders on 18 December 2014. The Board has recommended the payment of a final dividend of US61.0 cents (2014: US64.0 cents) per ordinary share in respect of the year ended 31 March 2015, payable on 30 July 2015 to shareholders whose names appear on the register of members of the Company as at the close of business on 21 July 2015 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company (the "2015 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 17 July 2015.

Commentary on Performance

A commentary on the performance of the Group is included in the Review of Operations set out on pages 12 to 15.

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 71.

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 47 and in note 17 to the financial statements respectively.

Donations

During the financial year, the Group made charitable and other donations in an aggregate amount about US$227,000.

Directors

The Directors who held office during the financial year and up to 19 May 2015 (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
Michael TIEN Puk Sun
Patrick WANG Shui Chung
WONG Kai Man

At the 2015 AGM, Dr. PANG King Fai, Dr. William FUNG Kwok Lun and Mr. WONG Kai Man 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 2015 AGM.

Brief biographical details of Directors and senior management are set out on pages 38 to 39 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 purpose 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.

On 19 May 2015 (the date of this Annual Report), the Company further amended and extended the Share Purchase Scheme such that the Company may furnish the trustee of the Share Purchase Scheme with cash to subscribe for new shares under the general mandate of the Company (as approved by the annual general meeting of the Company from time to time) and hold such new shares in trust for the selected participants (not being connected persons of the Company) under the Share Purchase Scheme.

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 2015, 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

Name of Director	Number of ordinary shares			Equity derivatives (share options)	Total	Approximate percentage of shareholding
	Personal interest	Family interest	Other interest			
Allan WONG Chi Yun	9,654,393	3,968,683	74,101,153 *(Note 1)*	–	87,724,229	34.92%
PANG King Fai	91,500	–	–	–	91,500	0.04%
Andy LEUNG Hon Kwong	128,000	–	–	–	128,000	0.05%
William FUNG Kwok Lun	449,430	–	592,200 *(Note 2)*	–	1,041,630	0.41%
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 Assets"). 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 251,182,133 shares of the Company in issue as at 31 March 2015.

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 2014	Number of share options held as at 31 March 2015
PANG King Fai	9 April 2010	HK$85.35	13 April 2012 to 12 April 2014	210,000	– *(Note)*

Note: The weighted average closing price per share of the Company immediately before the date on which the options were exercised was HK$105.00.

Save as disclosed above, as at 31 March 2015, 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 2015, other than the interests of the Directors and chief executives of the Company as disclosed above, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which fell to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Credit Suisse Trust Limited	Interest of controlled corporation *(Note 1)*	74,101,153	29.50%
Surplus Assets Limited	Interest of controlled corporation *(Note 1)*	74,101,153	29.50%
Honorex Limited	Interest of controlled corporation *(Note 1)*	65,496,225	26.08%
	Beneficial owner *(Note 1)*	1,416,325	0.56%
Conquer Rex Limited	Beneficial owner *(Note 1)*	65,496,225	26.08%
Templeton Asset Management Limited	Investment manager	35,046,900	13.95%
The Capital Group Companies, Inc.	Interest of controlled corporation	23,909,936	9.52%
Pyrford International Limited	Investment manager	13,613,095	5.42%

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 Assets. 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.*

(3) *The approximate percentage of shareholding is calculated based on 251,182,133 shares of the Company in issue as at 31 March 2015.*

Save as disclosed above, as at 31 March 2015, 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 under 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 2015 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 2015.

Securities Purchase Arrangements

At the 2014 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 130,200 Company's shares at a consideration of US$1.7 million.

Major Customers and Suppliers

For the year ended 31 March 2015, 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 13.0% of the Group's revenue and the Group's five largest customers in aggregate accounted for approximately 31.5% 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 Group's consolidated financial statements have been audited by KPMG, who shall retire and, being eligible, offer itself for re-appointment at the 2015 AGM.

On behalf of the Board

Allan WONG Chi Yun
Chairman

Hong Kong, 19 May 2015

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 45 to 70, which comprise the consolidated and Company balance sheets as at 31 March 2015, 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 2015 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

19 May 2015

Consolidated Income Statement

For the year ended 31 March 2015

	Note	2015 US$ million	2014 (Restated) US$ million
Revenue	1	**1,879.8**	1,898.9
Cost of sales		**(1,269.3)**	(1,264.6)
Gross profit		**610.5**	634.3
Selling and distribution costs		**(268.2)**	(286.4)
Administrative and other operating expenses		**(66.1)**	(63.3)
Research and development expenses		**(56.1)**	(58.0)
Operating profit	1&2	**220.1**	226.6
Net finance income		**1.6**	1.4
Profit before taxation		**221.7**	228.0
Taxation	4	**(23.6)**	(24.2)
Profit for the year and attributable to shareholders of the Company		**198.1**	203.8
Earnings per share (US cents)	6		
– Basic		**78.9**	81.3
– Diluted		**78.9**	81.3

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2015

	2015 US$ million	2014 (Restated) US$ million
Profit for the year	**198.1**	203.8
Other comprehensive income (after tax and reclassification adjustments) for the year		
Item that will not be reclassified to profit or loss:		
Effect of remeasurement of net liability of defined benefit scheme, net of deferred tax	**(0.6)**	4.7
	(0.6)	4.7
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on hedging	**5.0**	(4.3)
Realisation of hedging reserve	**4.4**	(2.3)
Exchange translation differences	**(28.0)**	6.4
	(18.6)	(0.2)
Other comprehensive income for the year	**(19.2)**	4.5
Total comprehensive income for the year	**178.9**	208.3

Consolidated Balance Sheet

As at 31 March 2015

	Note	31 March 2015 US$ million	31 March 2014 (Restated) US$ million	1 April 2013 (Restated) US$ million
Non-current assets				
Tangible assets	7	**67.0**	68.6	69.2
Leasehold land payments	8	**5.0**	5.1	5.2
Investments		**0.1**	0.1	0.1
Deferred tax assets	9(b)	**4.5**	2.5	4.6
		76.6	76.3	79.1
Current assets				
Stocks	10	**290.2**	265.9	276.9
Debtors, deposits and prepayments	11	**259.9**	235.8	257.1
Taxation recoverable	9(a)	**–**	0.9	0.4
Deposits and cash	12	**294.2**	322.9	308.6
		844.3	825.5	843.0
Current liabilities				
Creditors and accruals	13	**(342.6)**	(304.4)	(330.6)
Provisions	14	**(27.3)**	(27.9)	(28.2)
Taxation payable	9(a)	**(7.2)**	(5.1)	(7.2)
		(377.1)	(337.4)	(366.0)
Net current assets		**467.2**	488.1	477.0
Total assets less current liabilities		**543.8**	564.4	556.1
Non-current liability				
Net obligations on defined benefit scheme	15	**(3.0)**	(2.0)	(6.5)
Net assets		**540.8**	562.4	549.6
Capital and reserves				
Share capital	16(a)	**12.5**	12.5	12.5
Reserves		**528.3**	549.9	537.1
Total equity		**540.8**	562.4	549.6

Approved and authorised for issue by the Board of Directors on 19 May 2015.

Allan WONG Chi Yun
Director

PANG King Fai
Director

The notes and principal accounting policies on pages 48 to 70 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 2015

	Note	2015 US$ million	2014 US$ million
Non-current asset			
Investments in subsidiaries	21	**227.5**	227.5
Current assets			
Amounts due from subsidiaries	21(b)	**340.2**	320.2
Deposits and cash	12	**0.6**	0.8
		340.8	321.0
Current liabilities			
Amounts due to subsidiaries	21(b)	**(184.8)**	(145.4)
Creditors and accruals	13	**(0.5)**	(0.5)
		(185.3)	(145.9)
Net current assets		**155.5**	175.1
Net assets		**383.0**	402.6
Capital and reserves			
Share capital	16(a)	**12.5**	12.5
Reserves	17(b)	**370.5**	390.1
Total equity		**383.0**	402.6

Approved and authorised for issue by the Board of Directors on 19 May 2015.

Allan WONG Chi Yun
Director

PANG King Fai
Director

Consolidated Statement of Cash Flows

For the year ended 31 March 2015

	Note	2015 US$ million	2014 (Restated) US$ million
Operating activities			
Operating profit		**220.1**	226.6
Depreciation of tangible assets	2	**31.5**	30.7
Amortisation of leasehold land payments	2	**0.1**	0.1
Gain on disposal of tangible assets	2	**(0.2)**	(0.1)
(Increase)/decrease in stocks		**(24.3)**	11.0
(Increase)/decrease in debtors, deposits and prepayments		**(18.1)**	18.9
Increase/(decrease) in creditors and accruals		**41.6**	(30.4)
Decrease in provisions		**(0.6)**	(0.3)
Increase in net obligations on defined benefit scheme		**0.3**	0.7
Cash generated from operations		**250.4**	257.2
Interest received		**1.6**	1.4
Taxes paid		**(22.5)**	(25.1)
Net cash generated from operating activities		**229.5**	233.5
Investing activities			
Purchase of tangible assets	7	**(30.9)**	(30.1)
Proceeds from disposal of tangible assets		**0.2**	0.3
Proceeds received from bank deposits with maturity greater than three months	12	**65.0**	–
Net cash generated from/(used in) investing activities		**34.3**	(29.8)
Financing activities			
Proceeds from shares issued upon exercise of share options	16(b)& 17(b)	**3.4**	4.7
Payment for shares acquired for Share Purchase Scheme	16(c)	**(1.7)**	(1.0)
Dividends paid	5	**(203.5)**	(200.6)
Net cash used in financing activities		**(201.8)**	(196.9)
Effect of exchange rate changes		**(25.7)**	7.5
Increase in cash and cash equivalents		**36.3**	14.3
Cash and cash equivalents at 1 April		**187.9**	173.6
Cash and cash equivalents at 31 March	12	**224.2**	187.9

The notes and principal accounting policies on pages 48 to 70 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

	Note	Share capital US$ million	Share premium US$ million	Shares held for Share Purchase Scheme US$ million	Properties revaluation reserve US$ million	Exchange reserve US$ million	Capital reserve US$ million	Hedging reserve US$ million	Revenue reserve US$ million	Total equity US$ million
		Attributable to shareholders of the Company								
At 1 April 2013, as previously reported		12.5	138.6	(0.9)	19.6	5.8	2.2	2.4	384.1	564.3
Effect of change in accounting policy for tangible assets	B	–	–	–	(19.6)	(1.0)	–	–	5.9	(14.7)
At 1 April 2013, as restated		12.5	138.6	(0.9)	–	4.8	2.2	2.4	390.0	549.6
Changes in equity for the year ended 31 March 2014										
Comprehensive income										
Profit for the year, as restated		–	–	–	–	–	–	–	203.8	203.8
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, as restated	B	–	–	–	–	6.4	–	–	–	6.4
Effect of remeasurement of net liability of defined benefit scheme, net of deferred tax		–	–	–	–	–	–	–	4.7	4.7
Other comprehensive income for the year, as restated		–	–	–	–	6.4	–	(6.6)	4.7	4.5
Total comprehensive income for the year, as restated		–	–	–	–	6.4	–	(6.6)	208.5	208.3
Final dividend in respect of the previous year		–	–	–	–	–	–	–	(160.5)	(160.5)
Interim dividend in respect of the current year	5	–	–	–	–	–	–	–	(40.1)	(40.1)
Shares issued under share option scheme	16(b)&17(b)	–	4.7	–	–	–	–	–	–	4.7
Equity-settled share based payments	17(b)	–	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, as restated		12.5	144.5	(0.5)	–	11.2	1.0	(4.2)	397.9	562.4
At 1 April 2014, as previously reported		12.5	144.5	(0.5)	18.3	12.5	1.0	(4.2)	391.5	575.6
Effect of change in accounting policy for tangible assets	B	–	–	–	(18.3)	(1.3)	–	–	6.4	(13.2)
At 1 April 2014, as restated		12.5	144.5	(0.5)	–	11.2	1.0	(4.2)	397.9	562.4
Changes in equity for the year ended 31 March 2015										
Comprehensive income										
Profit for the year		–	–	–	–	–	–	–	198.1	198.1
Other comprehensive income (after tax and reclassification adjustments)										
Fair value gains on hedging		–	–	–	–	–	–	5.0	–	5.0
Realisation of hedging reserve		–	–	–	–	–	–	4.4	–	4.4
Exchange translation differences		–	–	–	–	(28.0)	–	–	–	(28.0)
Effect of remeasurement of net liability of defined benefit scheme, net of deferred tax		–	–	–	–	–	–	–	(0.6)	(0.6)
Other comprehensive income for the year		–	–	–	–	(28.0)	–	9.4	(0.6)	(19.2)
Total comprehensive income for the year		–	–	–	–	(28.0)	–	9.4	197.5	178.9
Final dividend in respect of the previous year	5	–	–	–	–	–	–	–	(160.8)	(160.8)
Interim dividend in respect of the current year	5	–	–	–	–	–	–	–	(42.7)	(42.7)
Shares issued under share option scheme	16(b)&17(b)	–	3.4	–	–	–	–	–	–	3.4
Equity-settled share based payments	17(b)	–	0.9	–	–	–	(0.9)	–	–	–
Share option lapsed during the year	16(b)&17(b)	–	–	–	–	–	(0.1)	–	0.1	–
Shares purchased for Share Purchase Scheme	16(c)&17(b)	–	–	(1.7)	–	–	–	–	–	(1.7)
Vesting of shares of Share Purchase Scheme	16(c)&17(b)	–	–	1.3	–	–	–	–	–	1.3
At 31 March 2015		**12.5**	**148.8**	**(0.9)**	**–**	**(16.8)**	**–**	**5.2**	**392.0**	**540.8**

The notes and principal accounting policies on pages 48 to 70 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

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related Interpretations promulgated by the International Accounting Standards Board ("IASB").

These financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32). These financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued the following new and revised 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:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*

Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The adoption to these amendments does not have an impact to the financial statements of the Group.

Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

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

Change in accounting policy under IAS 16, *Property, plant and equipment*

The Group has reconsidered the appropriateness of the application of the fair value model on the measurement of the non-current assets of the Group held for own use purposes. Specifically, the Group owns a freehold property in the Netherlands and a leasehold industrial property in Hong Kong, both of which are core assets of the Group's operations and the Group does not intend to sell these properties in the foreseeable future. The Group has noted that the fair value of these properties is immaterial to the Group's consolidated net assets and that the additional depreciation charge on the revalued amount is immaterial to the Group's consolidated income statement. The Group has also noted that the adoption of the fair value model for such own use properties is inconsistent with the market practices adopted by companies in similar industries. On this basis, the Group has concluded that the "cost model" is a more appropriate accounting policy for these properties.

In order to present the comparative information on a consistent basis, the Group has applied this change in accounting policy retrospectively. Upon retrospective adoption of the accounting policy, the reported carrying value of the Group's net assets as at 1 April 2013 and 31 March 2014 decreased by US$14.7 million and US$13.2 million respectively to US$549.6 million and US$562.4 million respectively. There is no material impact to the Group's profit or loss for the year ended 31 March 2014.

	As previously reported US$ million	Effect of change in accounting policy US$ million	As restated US$ million
Consolidated income statement for the year ended 31 March 2014			
Administrative and other operating expenses	(63.8)	0.5	(63.3)
Profit for the year	203.3	0.5	203.8
Basic earnings per share (US cents)	81.1	0.2	81.3
Diluted earnings per share (US cents)	81.1	0.2	81.3
Consolidated statement of comprehensive income for the year ended 31 March 2014			
Deficit arising on revaluation of properties, net of deferred tax	(1.3)	1.3	–
Exchange translation differences	6.7	(0.3)	6.4
Total comprehensive income for the year	206.8	1.5	208.3
Consolidated balance sheet as at 31 March 2014			
Tangible assets	85.9	(17.3)	68.6
Deferred tax liabilities	(4.1)	4.1	–
Properties revaluation reserve	18.3	(18.3)	–
Exchange reserve	12.5	(1.3)	11.2
Revenue reserve	391.5	6.4	397.9
Consolidated balance sheet as at 1 April 2013			
Tangible assets	88.4	(19.2)	69.2
Deferred tax liabilities	(4.5)	4.5	–
Properties revaluation reserve	19.6	(19.6)	–
Exchange reserve	5.8	(1.0)	4.8
Revenue reserve	384.1	5.9	390.0

Principal Accounting Policies (Continued)

C Basis of Preparation of the Financial Statements

These financial statements are prepared on the historical cost basis as modified by the revaluation of 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 structured entities. All significant inter-company balances and transactions and any unrealised gains arising from inter-company transactions are eliminated on consolidation.

Subsidiaries are entities (including structured 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 consolidated 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.

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 joint venture.

Investments in subsidiaries in the Company's balance sheet are stated at cost less impairment losses (see note (K)). The financial results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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.

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.

Principal Accounting Policies (Continued)

H Tangible Assets and Depreciation

Tangible assets are stated at cost less accumulated depreciation and impairment losses (see note (K)).

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 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. The Group has changed its accounting policy for own use properties from "fair value model" to "cost model" with effect from the accounting period from 1 April 2014. Details of the change in accounting policy are set out in note (B).

I Construction in Progress

Construction in progress represents land and buildings under development and is 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).

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.

Principal Accounting Policies (Continued)

R Income Tax (Continued)

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 balance sheet date to the net defined benefit liability (asset). The discount rate is the yield at the balance sheet date 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 balance sheet date, 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 shares are acquired by VTech Share Purchase Scheme Trust from the market, the consideration of shares acquired from the market (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 purchased from the market and shares acquired from reinvesting dividends received on the Awarded Shares ("dividend shares") are credited to Shares held for Share Purchase Scheme, with a corresponding decrease in capital reserve for Awarded Shares, and decrease in revenue reserve for dividend 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 costs, 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 taxation payable.

Year ended 31 March 2015	**North America US$ million**	**Europe US$ million**	**Asia Pacific US$ million**	**Others US$ million**	**Total US$ million**
Reportable segment revenue	**899.5**	**812.3**	**117.6**	**50.4**	**1,879.8**
Reportable segment profit	**89.1**	**105.8**	**17.2**	**8.0**	**220.1**
Depreciation and amortisation	**0.6**	**0.6**	**30.4**	**–**	**31.6**
Reportable segment assets	**162.2**	**67.6**	**686.4**	**0.1**	**916.3**
Reportable segment liabilities	**(41.7)**	**(21.8)**	**(309.1)**	**(0.3)**	**(372.9)**

Year ended 31 March 2014, as restated	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	14.0	7.2	226.6
Depreciation and amortisation	0.6	1.7	28.5	–	30.8
Reportable segment assets	154.6	96.8	646.5	0.4	898.3
Reportable segment liabilities	(52.8)	(27.3)	(253.8)	(0.4)	(334.3)

(c) Reconciliations of reportable segment assets and liabilities

	Note	**2015 US$ million**	2014 (Restated) US$ million
Assets			
Reportable segment assets		**916.3**	898.3
Investments		**0.1**	0.1
Taxation recoverable	9(a)	**–**	0.9
Deferred tax assets	9(b)	**4.5**	2.5
Consolidated total assets		**920.9**	901.8
Liabilities			
Reportable segment liabilities		**(372.9)**	(334.3)
Taxation payable	9(a)	**(7.2)**	(5.1)
Consolidated total liabilities		**(380.1)**	(339.4)

For the year ended 31 March 2015, approximately 13% (2014: 15%) 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	2015 US$ million	2014 (Restated) US$ million
Staff related costs			
– salaries and wages		**287.6**	272.9
– pension costs: defined contribution schemes	15(a)	**16.6**	14.5
– pension costs: defined benefit scheme	15(b)	**1.7**	2.0
– severance payments		**1.2**	2.5
– share-based payment expenses	16(c)	**1.3**	1.4
		308.4	293.3
Cost of inventories	10(b)	**1,269.3**	1,264.6
Depreciation of tangible assets	7	**31.5**	30.7
Amortisation of leasehold land payments	8	**0.1**	0.1
Gain on disposal of tangible assets		**(0.2)**	(0.1)
Auditors' remuneration			
– audit services		**0.8**	0.8
– audit related services		**0.1**	0.1
– tax services		**0.6**	0.5

	Note	2015 US$ million	2014 (Restated) US$ million
Operating leases charges: minimum lease payments			
– land and buildings		**15.8**	16.0
– others		**2.4**	3.0
Impairment loss of trade debtors	11(b)	**1.4**	0.6
Impairment loss of trade debtors written back	11(b)	**(1.1)**	(0.7)
Royalties		**14.1**	22.2
Provision for defective goods returns	14	**24.0**	26.4
Net foreign exchange loss		**0.3**	0.4
Net loss/(gain) on forward foreign exchange contracts			
– Net loss/(gain) on cash flow hedging instruments reclassified from equity		**4.4**	(2.3)
– Net (gain)/loss on forward foreign exchange contracts		**(0.4)**	0.5

3 Directors' Emoluments and Individuals with Highest Emoluments

Directors' emoluments disclosed 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 *(iv)* US$ million	2015 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**	**1.8**	**–**	**–**	**2.3**
Independent Non-executive Directors *(ii)*						
William FUNG Kwok Lun	**–**	**–**	**–**	**–**	**–**	**–**
Michael TIEN Puk Sun	**–**	**–**	**–**	**–**	**–**	**–**
Patrick WANG Shui Chung	**–**	**–**	**–**	**–**	**–**	**–**
WONG Kai Man	**–**	**–**	**–**	**–**	**–**	**–**
	–	**1.9**	**5.3**	**0.1**	**–**	**7.3**

	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 *(iv)* 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	–	–	–	–	–	–
Michael TIEN Puk Sun	–	–	–	–	–	–
Patrick WANG Shui Chung	–	–	–	–	–	–
WONG Kai Man	–	–	–	–	–	–
	–	1.9	5.2	0.1	–	7.2

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 (2014: US$30,000) per annum.*

(ii) *The Directors' fee paid to each independent non-executive Director was US$30,000 (2014: US$30,000) per annum.*

(iii) *The emoluments paid to Dr. Allan WONG Chi Yun included housing benefit of HK$3,600,000 for the year ended 31 March 2015 (2014: 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) *These represent the estimated value of share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note (S). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the section headed "Share Option Scheme" in the Report of the Directors and note 16(b) to the financial statements.*

Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2014: three) are Directors whose emoluments are set out above. The aggregate of the emoluments in respect of the other two (2014: two) individuals are as follows:

	2015 US$ million	2014 US$ million
Salaries, allowances and benefits in kind	**0.9**	1.0
Discretionary bonuses	**2.6**	2.2
Contribution to retirement benefit schemes	**0.1**	–
	3.6	3.2

The emoluments fell within the following bands:

	2015 Individuals	2014 Individuals
US$		
961,001 – 1,025,000	**1**	1
2,241,001 – 2,305,000	**–**	1
2,689,001 – 2,753,000	**1**	–
	2	2

During the years ended 31 March 2014 and 31 March 2015, 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 above, 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:

	2015 Individuals	2014 Individuals
US$		
256,001 – 320,000	**1**	–
321,001 – 385,000	**2**	1
385,001 – 449,000	**–**	1
449,001 – 513,000	**2**	1
513,001 – 577,000	**1**	2
769,001 – 833,000	**1**	–
833,001 – 897,000	**–**	1
	7	6

4 Taxation

	Note	**2015 US$ million**	2014 US$ million
Current tax			
– Hong Kong		**17.1**	15.3
– Overseas		**8.1**	7.3
Under/(Over)-provision in respect of prior years			
– Hong Kong		**0.3**	(0.1)
Deferred tax			
– Origination and reversal of temporary differences	9(b)	**(1.9)**	1.7
		23.6	24.2

(a) Hong Kong Profits Tax has been calculated at the rate of 16.5% (2014: 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 2015 was 10.6% (2014: 10.6%). The effective income tax rate is reconciled to the statutory domestic income tax rate as follows:

	2015 %	2014 %
Statutory domestic income tax rate	**16.5**	16.5
Difference in overseas income tax rates	**1.1**	1.4
Tax effect of non-temporary differences	**(6.5)**	(6.8)
Others	**(0.5)**	(0.5)
Effective income tax rate	**10.6**	10.6

5 Dividends

	Note	**2015 US$ million**	2014 US$ million
Interim dividend of US17.0 cents (2014: US16.0 cents) per share declared and paid	17	**42.7**	40.1
Final dividend of US61.0 cents (2014: US64.0 cents) per share proposed after the balance sheet date	17	**153.2**	160.6

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 22 May 2014, the Directors proposed a final dividend of US64.0 cents per ordinary share for the year ended 31 March 2014, which was estimated to be US$160.6 million at the time calculated on the basis of the ordinary shares in issue as at 31 March 2014. The final dividend was approved by shareholders at the annual general meeting on 18 July 2014. As a result of shares issuance upon exercise of share options during the period between 1 April 2014 and 18 July 2014, the final dividend paid in respect of the year ended 31 March 2014 totaled US$160.8 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$198.1 million (2014: US$203.8 million, as restated).

The calculation of basic earnings per share is based on the weighted average of 251.1 million (2014: 250.7 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 251.1 million (2014: 250.8 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.

	2015	2014 (Restated)
Profit attributable to shareholders (US$ million)	**198.1**	203.8
Weighted average number of ordinary shares in issue less shares held for Share Purchase Scheme (in million)	**251.1**	250.7
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (in million)	**–**	0.1
Weighted average number of ordinary shares (diluted) (in million)	**251.1**	250.8
Diluted earnings per share (US cents)	**78.9**	81.3

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						
At 1 April 2013, as previously reported	67.5	13.0	278.6	119.4	6.9	485.4
Effect of change in accounting policy *(note B)*	(13.9)	–	–	–	–	(13.9)
At 1 April 2013, as restated	53.6	13.0	278.6	119.4	6.9	471.5
Additions	–	2.8	17.4	9.9	–	30.1
Disposals	–	–	(10.9)	(2.1)	–	(13.0)
Effect of changes in exchange rates	0.8	(0.1)	0.3	0.6	–	1.6
At 31 March 2014 and 1 April 2014, as restated	54.4	15.7	285.4	127.8	6.9	490.2
Additions	0.1	1.6	21.6	7.6	–	30.9
Disposals	–	(0.2)	(21.7)	(2.9)	–	(24.8)
Effect of changes in exchange rates	(1.8)	(0.1)	(0.8)	(2.4)	–	(5.1)
At 31 March 2015	**52.7**	**17.0**	**284.5**	**130.1**	**6.9**	**491.2**
Accumulated depreciation and impairment						
At 1 April 2013, as previously reported	28.3	8.5	251.0	102.3	6.9	397.0
Effect of change in accounting policy *(note B)*	5.3	–	–	–	–	5.3
At 1 April 2013, as restated	33.6	8.5	251.0	102.3	6.9	402.3
Charge for the year	1.7	1.0	17.3	10.7	–	30.7
Written back on disposals	–	–	(10.8)	(2.0)	–	(12.8)
Effect of changes in exchange rates	0.4	(0.1)	0.3	0.8	–	1.4
At 31 March 2014 and 1 April 2014, as restated	35.7	9.4	257.8	111.8	6.9	421.6
Charge for the year	1.6	1.1	18.9	9.9	–	31.5
Written back on disposals	–	(0.2)	(21.8)	(2.8)	–	(24.8)
Effect of changes in exchange rates	(1.0)	(0.1)	(0.7)	(2.3)	–	(4.1)
At 31 March 2015	**36.3**	**10.2**	**254.2**	**116.6**	**6.9**	**424.2**
Net book value at 31 March 2015	**16.4**	**6.8**	**30.3**	**13.5**	**–**	**67.0**
Net book value at 31 March 2014, as restated	18.7	6.3	27.6	16.0	–	68.6

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			
At 1 April 2013, as previously reported	25.2	42.3	67.5
Effect of change in accounting policy *(note B)*	(13.9)	–	(13.9)
At 1 April 2013, as restated	11.3	42.3	53.6
Effect of changes in exchange rates	0.8	–	0.8
At 31 March 2014 and 1 April 2014, as restated	12.1	42.3	54.4
Additions	–	0.1	0.1
Effect of changes in exchange rates	(1.8)	–	(1.8)
At 31 March 2015	**10.3**	**42.4**	**52.7**
Accumulated depreciation			
At 1 April 2013, as previously reported	0.5	27.8	28.3
Effect of change in accounting policy *(note B)*	5.3	–	5.3
At 1 April 2013, as restated	5.8	27.8	33.6
Charge for the year	0.5	1.2	1.7
Effect of changes in exchange rates	0.3	0.1	0.4
At 31 March 2014 and 1 April 2014, as restated	6.6	29.1	35.7
Charge for the year	0.3	1.3	1.6
Effect of changes in exchange rates	(1.0)	–	(1.0)
At 31 March 2015	**5.9**	**30.4**	**36.3**
Net book value at 31 March 2015	**4.4**	**12.0**	**16.4**
Net book value at 31 March 2014, as restated	5.5	13.2	18.7
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)	1.5	–	1.5
Overseas			
Freehold land and buildings	2.9	–	2.9
Short-term leasehold buildings	–	12.0	12.0
	2.9	12.0	14.9

8 Leasehold Land Payments

	Note	**2015 US$ million**	2014 US$ million
Net book value at 1 April		**5.1**	5.2
Amortisation	2	**(0.1)**	(0.1)
Net book value at 31 March *(note (i))*		**5.0**	5.1
Leasehold land payments in respect of:			
Owner-occupied properties		**5.0**	5.1

Note:

(i) Included in leasehold land payments is the amount of US$3.0 million (2014: 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:

	2015 US$ million	2014 US$ million
Provision for profits tax for the year	**(25.2)**	(22.6)
Provisional profits tax paid	**17.7**	18.3
	(7.5)	(4.3)
Balance of profits tax provision relating to prior years	**0.3**	0.1
	(7.2)	(4.2)
Taxation recoverable	**–**	0.9
Taxation payable	**(7.2)**	(5.1)
	(7.2)	(4.2)

(b) The components of deferred tax assets and the movements for the years ended 31 March 2014 and 31 March 2015 are as follows:

	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 2013, as previously reported	(4.5)	2.1	2.5	0.1
Effect of change in accounting policy for tangible assets *(note B)*	4.5	–	–	4.5
At 1 April 2013, as restated	–	2.1	2.5	4.6
(Charged)/credited to consolidated income statement *(note 4)*	–	(2.0)	0.3	(1.7)
Charged to reserves	–	–	(0.4)	(0.4)
At 31 March 2014, as restated	–	0.1	2.4	2.5
At 1 April 2014, as previously reported	(4.1)	0.1	2.4	(1.6)
Effect of change in accounting policy for tangible assets *(note B)*	4.1	–	–	4.1
At 1 April 2014, as restated	–	0.1	2.4	2.5
Credited to consolidated income statement *(note 4)*	–	–	1.9	1.9
Credited to reserves	–	–	0.1	0.1
At 31 March 2015	**–**	**0.1**	**4.4**	**4.5**

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority on the same taxable entity.

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$4.9 million (2014: US$5.0 million) arising from unused tax losses sustained in the operations of certain subsidiaries of US$29.6 million (2014: US$30.1 million) have not been recognised as the availability of future taxable profits against which the assets can be utilised is not considered to be probable at 31 March 2015.

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) Stocks in the consolidated balance sheet comprise:

	2015 US$ million	2014 US$ million
Raw materials	**99.6**	83.1
Work in progress	**32.6**	25.0
Finished goods	**158.0**	157.8
	290.2	265.9

Stocks carried at net realisable value at 31 March 2015 amounted to US$11.0 million (2014: US$8.2 million).

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

	2015 US$ million	2014 US$ million
Carrying amount of stocks sold	**1,258.7**	1,258.5
Write-down of stocks	**10.9**	9.1
Reversal of write-down of stocks	**(0.3)**	(3.0)
	1,269.3	1,264.6

The reversal of write-down of stocks 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	2015 US$ million	2014 US$ million
Trade debtors (Net of allowance for doubtful debts of US$6.0 million (2014: US$6.4 million))	11(a)&(b)	**221.9**	208.6
Other debtors, deposits and prepayments		**31.4**	27.2
Forward foreign exchange contracts held as cash flow hedging instruments	18(b)&(d)	**6.6**	–
		259.9	235.8

All of other debtors, deposits and prepayments apart from the amounts of US$3.8 million (comprised largely of royalty prepayments) (2014: US$5.2 million) are expected to be recovered or recognised as an expense within one year.

(a) Ageing Analysis

At the balance sheet date, the ageing analysis of trade debtors, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2015 US$ million	2014 US$ million
0-30 days	**127.9**	120.6
31-60 days	**71.6**	67.9
61-90 days	**21.2**	18.4
>90 days	**1.2**	1.7
Total	**221.9**	208.6

The majority of the Group's sales are on letter of credit and on open credit with varying terms of 30 to 90 days. Certain open credit sales are covered by credit insurance or bank guarantees.

(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 2015, the Group's trade debtors of US$6.0 million (2014: US$6.4 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	2015 US$ million	2014 US$ million
At 1 April		**6.4**	7.2
Impairment loss recognised	2	**1.4**	0.6
Impairment loss written back	2	**(1.1)**	(0.7)
Uncollectible amounts written off		**(0.5)**	(0.8)
Effect of changes in exchange rates		**(0.2)**	0.1
At 31 March		**6.0**	6.4

(c) Trade debtors that are not impaired

As at 31 March 2015, 97% (2014: 97%) of the Group's trade debtors were not impaired, of which 100% (2014: 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	
	2015 US$ million	2014 US$ million	2015 US$ million	2014 US$ million
Short term bank deposits	**94.4**	165.0	**–**	–
Cash at bank and in hand	**199.8**	157.9	**0.6**	0.8
Deposits and cash	**294.2**	322.9	**0.6**	0.8
Less: bank deposits with maturity greater than three months	**(70.0)**	(135.0)	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**224.2**	187.9	**0.6**	0.8

Deposits and cash as at 31 March 2015 include US$35.8 million equivalent (2014: US$31.6 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	**2015 US$ million**	2014 US$ million	**2015 US$ million**	2014 US$ million
Trade creditors	13(a)	**186.1**	140.8	**–**	–
Other creditors and accruals	13(b)	**155.4**	159.3	**0.5**	0.5
Forward foreign exchange contracts held as cash flow hedging instruments	18(b) &(d)	**1.1**	4.3	**–**	–
		342.6	304.4	**0.5**	0.5

(a) Ageing Analysis

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

	2015 US$ million	2014 US$ million
0-30 days	**60.7**	56.5
31-60 days	**46.5**	33.4
61-90 days	**56.4**	34.8
>90 days	**22.5**	16.1
Total	**186.1**	140.8

(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 2015, provisions of US$27.3 million (2014: US$27.9 million) include provisions for defective goods returns of US$22.0 million (2014: US$22.7 million).

	Defective goods returns	
	2015 US$ million	2014 US$ million
At 1 April	**22.7**	23.0
Effect of changes in exchange rates	**(0.4)**	0.1
Additional provisions charged to consolidated income statement	**24.0**	26.4
Utilised during the year	**(24.3)**	(26.8)
At 31 March	**22.0**	22.7

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$15.8 million (2014: US$13.8 million) and US$0.8 million (2014: US$0.7 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 2015 using the projected unit credit method.

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

	2015 US$ million	2014 US$ million
Fair value of Scheme assets	**28.8**	26.8
Present value of funded defined benefit obligations	**(31.8)**	(28.8)
Net obligations on defined benefit scheme recognised in the consolidated balance sheet	**(3.0)**	(2.0)

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$1.8 million in contributions to defined benefit retirement scheme in the year ending 31 March 2016.

(ii) Movement in fair value of Scheme assets:

	2015 US$ million	2014 US$ million
At 1 April	**26.8**	24.3
Interest income on Scheme assets	**0.6**	0.3
Return on Scheme assets excluding interest income	**1.2**	1.9
Actual Group's contributions	**1.4**	1.3
Actual benefit paid	**(1.1)**	(0.9)
Administrative expenses paid from Scheme assets	**(0.1)**	(0.1)
At 31 March	**28.8**	26.8

15 Pension Schemes (Continued)

(b) Defined benefit scheme (Continued)

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

	2015 US$ million	2014 US$ million
At 1 April	**28.8**	30.8
Actuarial gains arising from changes in liability experience	**(0.2)**	(0.5)
Actuarial losses/(gains) arising from changes in financial assumptions	**2.1**	(2.8)
Interest cost	**0.6**	0.4
Current service cost	**1.6**	1.8
Actual benefits paid	**(1.1)**	(0.9)
At 31 March	**31.8**	28.8

The weighted average duration of the defined benefit obligations is 8.9 years (2014: 9.2 years).

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

	Note	2015 US$ million	2014 US$ million
Current service cost		**1.6**	1.8
Net interest cost on net defined benefit liability		**–**	0.1
Administrative expenses paid from Scheme assets		**0.1**	0.1
Amounts recognised in the consolidated income statement	2	**1.7**	2.0
Actuarial losses/(gains)		**1.9**	(3.3)
Return on Scheme assets excluding interest income		**(1.2)**	(1.9)
Amounts recognised in other comprehensive income		**0.7**	(5.2)
Total defined benefit costs/ (credit)		**2.4**	(3.2)

(v) Scheme assets consist of the following:

	2015 US$ million	2014 US$ million
Equity securities:		
– Financial institutions	**5.6**	5.3
– Non-financial institutions	**12.5**	12.6
	18.1	17.9
Bonds:		
– Government	**4.5**	3.9
– Non-government	**5.8**	3.9
	10.3	7.8
Cash and others	**0.4**	1.1
	28.8	26.8

(vi) The significant actuarial assumptions used as at 31 March 2015 (expressed as weighted average) and sensitivity analysis are as follows:

	2015	2014
Discount rate	**1.5%**	2.3%
Future salary increases	**5.0%**	5.0%

The below analysis shows how the defined benefit obligation as at 31 March 2015 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	**(0.7)**	**0.7**
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

	2015 US$ million	2014 US$ million
Authorised		
Ordinary shares: 400,000,000 (2014: 400,000,000) of US$0.05 each	**20.0**	20.0

	2015		2014	
	No. of shares	**US$ million**	No. of shares	US$ million
Issued and fully paid				
Ordinary shares of US$0.05 each:				
At 1 April	**250,872,133**	**12.5**	250,378,133	12.5
Shares issued upon exercise of share options	**310,000**	**–**	494,000	–
At 31 March	**251,182,133**	**12.5**	250,872,133	12.5

The Company's issued and fully paid shares as at 31 March 2015 included 74,600 shares (2014: 39,000 shares) held in trust by the trustee under the Share Purchase Scheme and 17,200 shares (2014: 12,400 shares) 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.

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 23,145,913 shares, which represented approximately 9.21% 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, cancelled or lapsed 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 issued at 1 April 2014**	**Exercised during the year**	**Lapsed during the year**	**Balance in Issue at 31 March 2015**
Directors						
9 April 2010	HK$85.35	13 April 2012 to 12 April 2014	210,000	(210,000) *(Note 2)*	–	**–**
Employees						
9 April 2010	HK$85.35	13 April 2012 to 18 April 2014	150,000	(100,000) *(Note 3)*	(50,000) *(Note 4)*	**–**
			360,000	(310,000)	(50,000)	**–**

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 210,000 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$105.00 per share and HK$104.00 per share respectively.

(3) An aggregate of 100,000 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$104.05 per share and HK$104.00 per share respectively.

(4) An aggregate of 50,000 share options at the exercise price of HK$85.35 per share lapsed during the financial year.

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

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

(b) Share Options (Continued)

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

	Date of grant 9 April 2010 *(Note 1)*
Fair value of each share option as of the date of grant	HK$22.12
Closing price at the date of grant	HK$85.1
Exercise price	HK$85.35
Expected volatility	54.24%
Annual risk-free interest rate	0.99%
Expected average life of options	2.5 years
Expected dividend yield *(Note 2)*	5.22%
Exercisable period	12 April 2012 to 3 May 2014

Notes:

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

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

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

(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.

On 19 May 2015 (the date of this Annual Report), the Company further amended and extended the Share Purchase Scheme such that the Company may furnish the trustee of the Share Purchase Scheme with cash to subscribe for new shares under the general mandate of the Company (as approved by the annual general meeting of the Company from time to time) and hold such new shares in trust for the selected participants (not being connected persons of the Company) under the Share Purchase Scheme.

During the year ended 31 March 2015, 130,200 shares (2014: 69,000 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$1.7 million (2014: US$1.0 million).

Details of the Awarded Shares (including those awarded pursuant to the French Subplan) which have been granted during the years ended 31 March 2014 and 31 March 2015 are as follows:

	2015	2014
Date of award *(Note 1)*	**12 Jun 2014**	7 June 2013
Average purchase cost per Awarded Share	**HK$106.53**	HK$95.17
Number of Awarded Shares granted *(Note 4)*	**94,600**	112,800
Cost of related Awarded Shares	**US$1.3 million**	US$1.4 million
Vesting Period	**12 June 2014 to 18 June 2014**	7 June 2013 to 13 June 2013
Vesting Period for the Awarded Shares granted under the French Subplan	**12 June 2016 to 18 June 2016**	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 lapsed or were cancelled during the financial year.

(4) These Awarded Shares included 4,800 (2014: 12,400) Awarded Shares granted under the French Subplan during the financial year.

As at 31 March 2015, a total of 74,600 shares (2014: 39,000 shares) were held in trust by the trustee under the Share Purchase Scheme and 17,200 shares (2014: 12,400 shares) 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 2015, share-based payment expenses of US$1.3 million (2014: US$1.4 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 2015 (2014: 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 2014 and 31 March 2015 is as follows:

	The Group		**The Company**	
	2015 **US$ million**	2014 (Restated) US$ million	**2015** **US$ million**	2014 US$ million
Total equity	**540.8**	562.4	**383.0**	402.6
Less: Proposed dividends	**(153.2)**	(160.6)	**(153.2)**	(160.6)
	387.6	401.8	**229.8**	242.0

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 2014 and 31 March 2015 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 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		–	–	–	–	–	(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 and 1 April 2014		12.5	144.5	(0.5)	(1.0)	1.0	246.1	402.6
Changes in equity for the year ended 31 March 2015								
Comprehensive income								
Profit for the year		–	–	–	–	–	180.9	180.9
Total comprehensive income for the year		–	–	–	–	–	180.9	180.9
Final dividend in respect of the previous year	5	–	–	–	–	–	(160.8)	(160.8)
Interim dividend in respect of the current year	5	–	–	–	–	–	(42.7)	(42.7)
Shares issued under share option scheme	16(a)	–	3.4	–	–	–	–	3.4
Equity-settled share based payments		–	0.9	–	–	(0.9)	–	–
Share option lapsed during the period		–	–	–	–	(0.1)	0.1	–
Shares purchased for Share Purchase Scheme	16(c)	–	–	(1.7)	–	–	–	(1.7)
Vesting of shares of Share Purchase Scheme	16(c)	–	–	1.3	–	–	–	1.3
At 31 March 2015		**12.5**	**148.8**	**(0.9)**	**(1.0)**	**–**	**223.6**	**383.0**

The consolidated profit attributable to shareholders includes a profit of US$180.9 million (2014: US$216.4 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$223.6 million (2014: US$246.1 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 was dealt with the revaluation gains or losses for land and buildings. The Group has changed its accounting policy for own use properties from "fair value model" to "cost model" with effect from the accounting period from 1 April 2014. Details of the change in accounting policy are set out in note (B).

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 31.5% 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 2015, the notional principal amounts of these outstanding forward foreign exchange contracts were US$137.0 million (2014: US$120.9 million) with net positive fair value of US$5.4 million (2014: negative US$1.5 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 2015, the notional principal amounts of these outstanding forward foreign exchange contracts for hedging highly probable forecast transactions were US$328.7 million (2014: US$294.8 million) with net positive fair value of US$0.1 million (2014: negative US$2.8 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 2015, 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 2015 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 2014 and 31 March 2015.

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 2014.

(c) Interest rate risk

At 31 March 2014 and 31 March 2015, 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

	2015		2014	
	Effective interest rate	**Within one year US$ million**	Effective interest rate	Within one year US$ million
Variable rate	**0.31%**	**199.8**	0.27%	157.9
Fixed rate	**1.90%**	**94.4**	1.16%	165.0

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 2014 and 31 March 2015, 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 2015						
Trade creditors	**186.1**	**186.1**	**186.1**	**–**	**–**	**–**
Other creditors and accruals	**155.4**	**155.4**	**155.4**	**–**	**–**	**–**
Derivatives settled gross:						
Forward foreign exchange contracts – cash flow hedge *(note 18(b)(i))*						
– outflow		**460.1**	**407.1**	**53.0**	**–**	**–**
– inflow		**(465.6)**	**(412.3)**	**(53.3)**	**–**	**–**
The Company						
At 31 March 2015						
Other creditors and accruals	**0.5**	**0.5**	**0.5**	**–**	**–**	**–**
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 *(note 18(b)(i))*						
– 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	–	–	–

(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 2014 and 31 March 2015.

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

At 31 March 2015, the fair values of the forward foreign exchange contracts included in financial assets and financial liabilities were US$6.6 million (31 March 2014: US$Nil) and US$1.1 million (31 March 2014: US$4.3 million) respectively. At 31 March 2015 and 31 March 2014, the fair values of all forward foreign exchange contracts were categorised as Level 2.

During the year ended 31 March 2015, 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

		2015 US$ million	2014 US$ million
(i)	Capital commitments for property, plant and equipment		
	Authorised but not contracted for	**26.3**	27.3
	Contracted but not provided for	**8.6**	7.4
		34.9	34.7
(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	**16.1**	15.6
	Between one and two years	**13.3**	14.2
	Between two and five years	**35.0**	36.6
	In more than five years	**15.7**	24.4
		80.1	90.8

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, September 2013 and January 2014, 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 2029, 2030, 2031 and 2035 respectively. The lease expiring in 2029, 2030 and 2035 have a non-cancellable period of first ten years. The lease expiring in 2031 is 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 2015 amounted to US$1.9 million (2014: US$2.2 million), of which US$1.6 million and US$0.2 million are payable in the financial years ended 31 March 2016 and 2017 respectively and the remaining US$0.1 million is payable before the financial year ended 31 March 2020.

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 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 2015, 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$353.6 million (2014: US$353.4 million). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was US$Nil.

As at 31 March 2015, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

21 Investments 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 2015 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
VTech Electronics (Australia) Pty Limited	AUD1	*100	Sale of electronic 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) Communications Limited**	HK$49,186,165	*100	Manufacturing of electronic products
VTech (Dongguan) Electronics Limited**	HK$64,800,000	*100	Manufacturing of electronic products
VTech (Dongguan) Electronics Industrial Co., Ltd.**	HK$18,725,011	*100	Manufacturing and sale of electronic products
VTech (Dongguan) Plastic Products Co., Ltd.**	HK$20,000,000	*100	Manufacturing of plastic products
VTech (Dongguan) Telecommunications Limited**	HK$52,500,000	*100	Manufacturing of telecommunication products
VTech (Qingyuan) Plastic & Electronics Co., Ltd. **	HK$293,000,000	*100	Manufacturing of plastic products
VTech Electronics Industrial (Shenzhen) Co., Ltd. **	HK$10,000,000	*100	Sale of telecommunication and electronic products
VTech Telecommunications (Shenzhen) Limited **	HK$5,000,000	*100	Sale of telecommunication 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 Investments 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, administering 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 2015

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 2015 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 19, *Employee benefits – Defined benefit plans: Employee contributions*	1 July 2014
Annual improvements to IFRSs 2010-2012 cycle	1 July 2014
Annual improvements to IFRSs 2011-2013 cycle	1 July 2014
Annual improvements to IFRSs 2012-2014 cycle	1 January 2016
Amendments to IAS 16, *Property, plant and equipment,* and IAS 38, *Intangible assets, Clarification of acceptable methods of depreciation and amortization*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments (2014)*	1 January 2018

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 considers the amount of deferred tax assets to the extent that it is probable that sufficient taxable income will be available to allow 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				
	2011	2012	2013	2014 (Restated)	**2015**
	US$ million	US$ million	US$ million	US$ million	**US$ million**
Non-current assets					
Tangible assets	78.4	91.0	88.4	68.6	**67.0**
Leasehold land payments	5.0	5.1	5.2	5.1	**5.0**
Other non-current assets	5.6	6.1	4.7	2.6	**4.6**
	89.0	102.2	98.3	76.3	**76.6**
Current assets					
Stocks	229.8	239.2	276.9	265.9	**290.2**
Debtors, deposits and prepayments	225.0	244.2	257.1	235.8	**259.9**
Deposits and cash	333.1	326.5	308.6	322.9	**294.2**
Other current assets	0.3	0.8	0.4	0.9	**–**
	788.2	810.7	843.0	825.5	**844.3**
Current liabilities	(329.4)	(350.9)	(366.0)	(337.4)	**(377.1)**
Net current assets	458.8	459.8	477.0	488.1	**467.2**
Total assets less current liabilities	547.8	562.0	575.3	564.4	**543.8**
Non-current liabilities					
Net obligation on defined benefit scheme	–	–	(6.5)	(2.0)	**(3.0)**
Deferred tax liabilities	(3.9)	(5.8)	(4.5)	–	**–**
	(3.9)	(5.8)	(11.0)	(2.0)	**(3.0)**
Net assets/Total equity	543.9	556.2	564.3	562.4	**540.8**

	Consolidated income statement for the years ended 31 March				
	2011	2012	2013	2014 (Restated)	**2015**
	US$ million	US$ million	US$ million	US$ million	**US$ million**
Revenue	1,712.8	1,784.5	1,858.0	1,898.9	**1,879.8**
Profit before taxation	220.3	211.6	225.6	228.0	**221.7**
Taxation	(19.1)	(19.7)	(24.1)	(24.2)	**(23.6)**
Profit for the year	201.2	191.9	201.5	203.8	**198.1**
Attributable to:					
Shareholders of the Company	202.0	191.9	201.5	203.8	**198.1**
Non-controlling interests	(0.8)	–	–	–	**–**
Profit for the year	201.2	191.9	201.5	203.8	**198.1**
Basic earnings per share (US cents)	81.5	77.0	80.6	81.3	**78.9**

Note:
In consistent with the market practises on the measurement of properties held for own use, the Group changed its accounting policy with respect to properties held for own use in the financial year ended 31 March 2015. The change in accounting policy has been applied retrospectively. As a result, profit and net assets for the year ended 31 March 2014 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 2013 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
Shereen TONG Ka Hung *(appointed on 12 May 2015)*
CHANG Yu Wai *(appointed on 12 May 2015)*

Company Secretary

CHANG Yu Wai

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Bermuda

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The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited

Auditor

KPMG
Certified Public Accountants

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

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