

FOR IMMEDIATE RELEASE

VTECH ANNOUNCES FY2012 ANNUAL RESULTS

Record Revenue for the Second Consecutive Year

- Group revenue increased by 4.2% to US\$1,784.5 million
- Profit attributable to shareholders of the Company declined by 5.0% to US\$191.9 million
- Strong balance sheet, with deposits and cash of US\$326.5 million
- Final dividend of US60.0 cents per ordinary share, giving a total dividend for the year of US76.0 cents, a decrease of 2.6% over the previous financial year

Hong Kong, 23 May 2012 – VTech Holdings Ltd (HKSE: 303) today announced its results for the year ended 31 March 2012, reporting record revenue for the second consecutive year.

Group revenue for the year ended 31 March 2012 increased by 4.2% over the previous financial year to US\$1,784.5 million. This was mainly due to higher revenue in North America and Europe, as both Electronic Learning Products (ELPs) and Contract Manufacturing Services (CMS) recorded growth in these two regions.

Profit attributable to shareholders of the Company declined by 5.0% to US\$191.9 million. The decrease in profit was mainly attributable to higher input costs as well as lower revenue from Telecommunication (TEL) products. Basic earnings per share consequently decreased by 5.5% to US77.0 cents, compared to US81.5 cents in the financial year 2011.

The Board of Directors has proposed a final dividend of US60.0 cents per ordinary share. Together with the interim dividend of US16.0 cents per ordinary share, this gives a total dividend for the year of US76.0 cents per ordinary share, a decrease of 2.6% over the previous financial year.

“I am pleased to report that in our 35th anniversary year, VTech delivered record revenue for the second straight year amid macro-economic uncertainties. In the financial year 2012, rising input costs posed the biggest challenge to the Group. Raw material prices increased substantially, compounded by rising labour costs and Renminbi appreciation in China. To cope with this, we have raised prices, stepped up cost reduction and improved efficiency through increased automation and product optimisation. Although we were unable to offset the entire cost pressure during the year, we managed to mitigate it to a great extent. This will improve the Group’s ability to achieve future growth,” said Mr. Allan Wong, Chairman and Group CEO of VTech Holdings Limited.

Segment Results

North America

The Group's revenue in North America rose by 3.3% to US\$903.5 million in the financial year 2012, as higher revenue from CMS and ELPs offset a slight decrease in revenue from TEL products. North America remains the largest market for the Group, accounting for 50.6% of Group revenue.

Revenue from TEL products declined 1.4% to US\$415.3 million. Sales of branded corded and cordless phones were lower, as the residential phone market in the US is mature. During the financial year 2012, VTech continued to maintain its number one position in the US corded and cordless phone market¹.

In view of the maturity of the residential phone market, the Group introduced products in the commercial phone area, entering the SMB phone segment in 2009. These products are gaining increasing traction in the market. Particularly well-received has been the small business phone system, SynJ[®], which offers a unique solution for operations such as warehouses, restaurants and retail shops. This system is being successfully marketed via office super stores, an expanding network of online retailers and value added resellers.

Following its success in opening up the SMB phone market, VTech has expanded to the hospitality industry. The Group started shipping its first hotel phones to customers in the second half of the financial year 2012. In March 2012, VTech completed installation of SIP (Session Initiation Protocol) phones in the Octavius Tower[™] at Caesars Palace[®] in Las Vegas. This marked an important milestone in the Group's expansion into this new segment.

In February 2012, two new baby monitors were launched, the Safe & Sound[™] Full-Colour Video and Audio Monitor and the Safe & Sound[™] Digital Audio Monitor. Both products offer robust features at affordable price points and the new product area adds another growth avenue in TEL products.

Revenue from ELPs in North America rose by 7.5% to US\$308.5 million in the financial year 2012, driven by growth in platform products. Sales via online retailers were especially strong.

The full launch of InnoTab[®], an educational tablet for children, in October 2011, provided a major boost to platform sales. Despite having the highest retail price among the Group's three platform consoles, InnoTab has sold well, more than compensating for the lower sales of MobiGo and V.Reader during the financial year.

¹ MarketWise Consumer Insights, LLC

Sales of standalone products during the financial year 2012 were essentially flat. Higher sales of preschool products offset lower sales of infant products.

Revenue from CMS in North America grew by 7.8% during the financial year 2012 to US\$179.7 million. Professional audio equipment and internet phones for office use were major growth drivers. Higher sales of commercial solid state lighting also supported growth.

Europe

The economic situation in Europe deteriorated noticeably in the second half of the financial year 2012, affecting orders for TEL products. Despite this, Group revenue in the region rose by 7.7% to US\$719.3 million during the financial year, as ELPs and CMS achieved growth. Europe accounted for 40.3% of Group revenue.

Revenue from TEL products declined 1.0% to US\$215.4 million in the financial year 2012, due to weak second half sales as customers delayed orders. VTech sells to customers in Europe on an ODM basis, including via an exclusive supplier agreement with Deutsche Telekom. As the Group continued to expand its relationships with telephone operators, major brand names and distributors in the region, it achieved further gains in market share. During the financial year 2012, VTech became the number one manufacturer of cordless phones in Western Europe, with a 29% market share². The Group also began supplying hotel phones in some European markets.

Revenue from ELPs in Europe was US\$310.3 million in the financial year 2012, a 13.2% increase. As in the US, sales from online retailers in the UK showed strong growth. VTech ELPs continued to win top industry awards across Europe, including the prestigious *Grand Prix du Jouet* in five categories in France, a first for a company in a single year.

Both platform and standalone products delivered solid results. For platform products, the full launch of Storio[®] and MobiGo[®] across the main European markets in the middle of the calendar year 2011 was a major factor. Sales were especially strong in France, Germany and the Netherlands. In the UK, platform sales were boosted by the launch of InnoTab in October 2011.

Sales of standalone products were also higher due to growth in infant products and the Kidi-series. Toot-Toot Drivers, a line of infant smart vehicles and accessories launched during the financial year in several of the Group's main European markets, performed especially well. Carried over inventory, however, led to a decline in sales of the Kidizoom range.

² The Global Telecommunications Market Report 2011 Edition published by MZA Ltd

CMS revenue in Europe increased by 9.9% to US\$193.6 million. The wireless headset category was the best performer, as VTech benefited from the process of supplier consolidation. Professional audio equipment also recorded higher sales, as the Group saw more orders from both existing and new customers. The demand for switching mode power supplies for telecommunication equipment remained stable, while the demand for solar power inverters was affected by oversupply and strong price competition.

Asia Pacific

Revenue in Asia Pacific declined 4.2% as compared with the financial year 2011 to US\$94.1 million. This market accounted for 5.3% of Group revenue.

Revenue from TEL products decreased by 16.4% to US\$29.6 million. The decline was partly due to the weakness in the Japanese market following the earthquake in March 2011. In Australia, VTech gained market share despite lower sales, as the country's residential phone market is mature. There were areas of growth, however. In the fourth quarter of the financial year 2012, the Group began selling AT&T branded 2.4GHz cordless phones in China, through a number of local distributors. VTech has also started shipping hotel branded phones to major hotel chains in Asia since the second half of the financial year 2012.

Revenue from ELPs in Asia Pacific grew by 10.1% to US\$17.5 million in the financial year 2012. Sales in China grew strongly, albeit from a low base. This growth was driven primarily by standalone products. Shipment to Australia, the biggest market in this region, declined moderately. Nevertheless, the Group did witness a partial recovery in the second half, following a re-alignment of retail channels that had affected sales in the first half.

CMS revenue in Asia Pacific increased by 0.2% to US\$47.0 million. The Group achieved higher sales of medical and wireless products. This was, however, offset by significantly lower orders for LED light bulbs, as the Japanese customer faced very keen competition.

During the financial year, the Group gained a new Japanese customer in marine radio, who was attracted by VTech's reputation in telecommunication products. The customer has been manufacturing these products in-house, but will transfer most of the production to VTech's CMS plant in phases.

Other Regions

Other regions include Latin America, the Middle East and Africa. Revenue in the financial year 2012 was US\$67.6 million, down by 6.2% compared with the last financial year. These regions accounted for 3.8% of Group revenue.

The decrease in revenue was mainly due to the sales decline in TEL products, as customers delayed orders. Revenue from TEL products fell by 14.0% to US\$46.0 million, while revenue from ELPs and CMS rose by 16.2% and 14.3% to US\$20.8 million and US\$0.8 million respectively.

Outlook

Although the macro-economic environment remains challenging, there is a slow but continuous recovery in the US. In Europe, consumer demand is affected by austerity measures and the economic uncertainty.

Despite all these challenges, VTech is planning for overall top line growth in the financial year 2013. Sales of TEL products will rebound, driven by additional placement in retail channels in the US, increasing sales of SMB and hotel phones and restocking in Europe. ELPs are expected to grow, led by the launch of new platform and standalone products. CMS will continue to outperform the global electronic manufacturing services industry (EMS) and expand further.

With the anticipated growth in its top line, the Group is cautiously optimistic that profitability will improve. Lower prices of raw materials are beginning to feed into margin. Profitability will also be supported by the efficiency enhancement measures introduced in the last financial year, including higher automation and product design optimisation. However, labour cost in China is expected to continue to rise. As always, the Group will continue to manage its expenses very tightly.

VTech foresees a rebound for TEL products in the financial year 2013. As the world's number one manufacturer of cordless phones³, the Group's strong design capabilities, economies of scale and brand reputation will further strengthen its leadership position.

In North America, the Group expects the good momentum of SMB and hotel phones to continue. In the first half of the financial year 2013, VTech plans to launch a new micro business phone system that will add further impetus. Sales of residential phones are expected to recover, as VTech gains market share via new product line ups. These include a new Connect to Cell™ system with high definition voice quality, user-friendly cell phone registration as well as smartphone apps to better manage the transfer of phonebooks to VTech cordless systems. These products have been well-received by customers.

In Europe, the prospect for TEL products is positive as customers will restock in the first half. Gains in market share are also expected as the Group plans to market its products in Germany more aggressively, in conjunction with its exclusive partner Deutsche Telekom.

³ The Global Telecommunications Market Report 2011 Edition published by MZA Ltd

In Asia Pacific and other regions, VTech expects to return to a growth path in TEL products, as it makes more inroads in Australia, and builds on the encouraging progress it has made in Latin America.

Although the retail environment in Europe remains challenging, healthy growth for VTech ELPs is expected for the financial year 2013.

In North America, platform products will lead the way. InnoTab has strong momentum and will be refreshed with new versions, offering new and innovative features. The Group will also expand the range of content in both cartridge and downloadable formats. In addition, a new generation of MobiGo with new functionalities will lend further impetus to platform products. VTech will also start to roll out a new line of standalone products, Switch & Go Dinos, in North America in May 2012, branching out beyond the learning aisle and adding a new avenue of growth for standalone products.

In Europe, VTech expects a continuation of the good performances from Storio and MobiGo. This will be augmented by the introduction of Storio 2, a multi-function educational tablet for children. As in the US, InnoTab in UK will also be updated with a new version. For standalone products, the Toot-Toot Drivers range should again perform well and there will be a full year contribution from Switch & Go Dinos, which has been on retail shelves in Europe since February 2012. The momentum seen for the Group's standalone products in Asia Pacific and the rest of the world is expected to continue.

Globally, VTech expects further expansion of ELP sales via online retailers, as it increases its focus on these channels.

The global EMS market is forecast to grow modestly in 2012 and the Group's CMS will continue to outperform the industry. The new factory building opened at the existing site in November 2011 has increased capacity by 40%. The enhanced manufacturing facility is enabling VTech to support customers who target domestic sales in China. The new set-up will also allow the Group to manufacture sophisticated products with stringent safety and quality requirements, including those requiring FDA (the US Food and Drug Administration) approval. This will further expand VTech's portfolio of products in the medical and health care areas.

The Group expects to continue to add customers in the professional audio segment as its reputation grows. It will also benefit from further consolidation of the supplier base by its wireless headset customer. Business in switching mode power supplies should stabilise, though the market for solar power inverters may remain under pressure.

Marine radios, a new product category added in the financial year 2012, will see rapid growth over the next two years as the customer transfers more production to the Group. Growth in commercial solid state lighting will offset an anticipated further decline in consumer LED light bulbs.

“We have proven strengths in product development, a strong balance sheet, market leadership position and efficient operations. This should enable us to achieve further growth in revenue and hence deliver sustainable returns to shareholders,” said Mr. Wong.

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About VTech

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

Note: Starting from 22:00, 23 May 2012 (HK time), the video archive of the FY2012 annual results announcement can be accessed through VTech's homepage www.vtech.com in the “Webcasts” section under “Investors”.

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