

FOR IMMEDIATE RELEASE

VTECH ANNOUNCES 2011/2012 INTERIM RESULTS

Achieved higher revenue despite challenging economic conditions

- Group revenue increased by 5.4% to US\$858.1 million
- Profit attributable to shareholders of the Company declined by 5.4% to US\$88.5 million
- Strong balance sheet, with net cash of US\$128.5 million
- Interim dividend of US16.0 cents per ordinary share, same as the first half of the last financial year

Hong Kong, 16 November 2011 – VTech Holdings Ltd (HKSE: 303) today announced its results for the six months ended 30 September 2011, reporting higher revenue on the back of growth in North America and Europe.

Group revenue for the period rose by 5.4% over the same period last year to US\$858.1 million. This was mainly owing to higher revenue in Europe for all product lines, and the good performance of Contract Manufacturing Services (CMS) in North America.

Profit attributable to shareholders of the Company declined by 5.4% to US\$88.5 million. The decrease in profit was mainly due to higher cost of materials, further increases in labour costs and the continuing appreciation of the Renminbi. As a result, basic earnings per share fell to US35.6 cents in the first half of the financial year 2012, from US37.8 cents in the first half of the financial year 2011.

The Board of Directors has declared an interim dividend of US16.0 cents per ordinary share, which is the same as the dividend paid in the corresponding period last year.

“Although we managed to achieve top line growth for the period, rising costs continued to pose the biggest challenge to the Group. Year-on-year, higher raw materials prices were compounded by further wage increases in China and Renminbi appreciation. These factors pressured gross margin and resulted in lower profit attributable to shareholders of the Company for the period. In response, we have raised prices, as well as stepped up our cost reduction and efficiency enhancement efforts,” said Mr. Allan Wong, Chairman and Group CEO of VTech Holdings Limited.

Segment Results

North America

Group revenue in North America rose by 2.3% to US\$431.2 million in the first half of the financial year 2012. The increase was mainly due to higher revenue from CMS, which offset a slight decrease in revenue from Telecommunication (TEL) products and Electronic Learning Products (ELPs). North America remains the largest market for the Group, accounting for 50.2% of Group revenue.

During the period, revenue from TEL products declined by 0.7% to US\$220.2 million. The decrease reflects the maturity of the US home cordless phone market and the low level of new housing starts. Despite this, the Group's corded and cordless phones, selling under the VTech and AT&T brands, maintained the number one position in the market¹, as it was able to introduce products with superior design and functionality.

VTech also made good inroads into the new growth area of the small to medium sized business (SMB) and hotel phone segments, although their contributions to the overall North American TEL sales remains small. The micro business system, SynJ[®], sold especially well as the Group reached out to more e-retailers. During the period, the first hotel phones were shipped to major hotel chains.

Revenue from our ELPs in North America was US\$115.4 million in the first half of the financial year 2012, a decrease of 2.8% compared with same period last year.

This slight decline was primarily due to lower shipment of V.Reader[®], reflecting comparisons with strong sales from last year's early summer launch campaign. The new platform product InnoTab[™], an educational tablet for children, was launched for online pre-order in August. This exciting addition to the Group's product range has been well received and is included in the Toys "R" Us Holiday Hot Toy List. However, as it did not reach retailers' shelves until mid October, the majority of InnoTab revenue has not been recognised in the first half.

Revenue from standalone products during the period was flat compared to the previous financial year. As retailers worked off carried-over inventory from Spring, shipment of infant products was lower than the same period last year. This was counter-balanced by higher sales of pre-school products, as the Group entered the Fall store set with a wider listing.

CMS revenue in North America rose by 17.9% during the first half of the financial year 2012 to US\$95.6 million. Professional audio equipment was a major growth driver, boosted by more orders from both existing and new customers. Higher sales of telecommunication products and commercial solid state lighting also supported growth.

¹ NPD, combined market share of VTech and AT&T, as of Q3 2011

Europe

Europe was the best performing region in the first half of the financial year 2012. Despite the sluggish economies in most of the main European markets, Group revenue in the region was up by 12.7% to US\$336.5 million. All product lines posted growth during the period. Europe accounted for 39.2% of Group revenue.

Revenue from TEL products rose by 3.6% to US\$115.4 million in the first half. This was the result of increased orders from existing customers, with Germany and France posting the strongest growth. The exclusive agreement with Deutsche Telekom continues to bear fruit, with a new range of products well received because of their superb design, high quality and price competitiveness. In France, the Group benefited from new product launches and the expanded distribution channels of its customers. VTech has become the number one manufacturer of cordless phones in Western Europe, with a 29% market share².

Revenue from ELPs in Europe was US\$124.6 million in the first half of the financial year 2012, a 15.2% increase compared to the same period last year. This performance was driven by both platform and standalone products. Solid contributions were seen from the full launch of Storio[®] (the product name for V.Reader in Europe) and MobiGo[®] across the main European markets. The strong growth of the standalone products continued, especially in the infant and pre-school ranges. Geographically, France, Germany and the Benelux countries turned in the best results. Shipment was down in the UK, primarily due to carried-forward inventory at some retailers. This notwithstanding, InnoTab was launched in the UK to great accolades, and has been named one of the “10 Cool Toys” for Christmas by the Toy Retailers Association.

CMS revenue rose by 22.2% to US\$96.5 million when compared with the first half of the previous financial year. Switching mode power supplies were especially strong, as growth was driven by higher capacity requirements from telecom operators. Professional audio equipment and wireless headsets also saw increased orders from existing and new customers. Solar power inverters, a category the Group entered last year, continued to grow from a very small base.

Asia Pacific

Revenue in Asia Pacific declined 6.7% as compared with the first half of the previous financial year to US\$47.7 million. This market accounted for 5.6% of Group revenue.

Revenue from TEL products decreased by 12.3% to US\$14.2 million. The decline was primarily due to the weakness in the Japanese market, as the earthquake in March affected the economy.

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

Revenue from ELPs in Asia Pacific was US\$10.5 million in the first half of the financial year 2012, a 7.1% increase from the same period last year. This growth was broad-based over most South-East Asian countries and China. However, shipment to Australia, the Group's biggest market in this region, was down due to a re-alignment of retail channels.

CMS revenue in Asia Pacific declined by 8.4% to US\$23.0 million. The decrease was mainly due to lower orders for LED light bulbs, as the Group's customer faced keen competition. This offset higher sales from handheld radiation detectors and medical equipment.

Other Regions

Other regions include Latin America, the Middle East and Africa. Revenue in the first half of the financial year 2012 was US\$42.7 million, a slight increase of 0.2% compared with the same period last year. These regions accounted for 5.0% of Group revenue.

Latin America recorded growth during the period. This was balanced by declines in the Middle East and Africa. By product line, revenue from TEL products fell by 12.3% to US\$27.0 million while revenue from ELPs rose by 30.8% to US\$15.3 million.

Outlook

The global economy is highly uncertain. In the US, economic growth is likely to remain sluggish given the high level of unemployment. In Europe, the sovereign debt crisis in certain countries is already weakening consumer confidence. Nonetheless, the Group remains cautiously optimistic of achieving top line growth in the second half. Moreover, there are signs that cost pressures are abating, and that margins could at least stabilise.

In addition to striving for top line growth, VTech will continue to explore every avenue to improve margins. To reduce the labour content of its products further, the Group is stepping up the pace of automation in its production. A key focus of product design will remain to optimise the cost of materials and manufacturing. The Group will also continue to exercise tight cost control over its operations.

The Group's outlook for TEL products is positive. VTech is the world's number one manufacturer of cordless phones³ and is confident that its competitiveness will strengthen its market leadership.

In North America, although the US home cordless phone market continues to decline, sales of SMB and hotel phones are increasing, which should offset at least some of the sales decline in home cordless phones.

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

In Europe, VTech is well positioned in the market, as the Group is able to introduce well-designed, feature-rich products at competitive prices. This will allow the Group to grow its revenue and gain further market share, both with its existing customers and with new customers it signs agreements with.

In Asia Pacific, sales will pick up in Japan in the second half as the economy in the region is recovering. The Group also plans to begin selling AT&T branded fixed line telephones in China in the fourth quarter of this financial year. Initial sales will be small but it is a new market that clearly offers additional room for growth.

Sales of TEL products will improve in other regions in the second half as the Middle East and South America will be back to growth path.

The retail environment for ELPs is expected to be challenging and unpredictable in the second half of this financial year. Consumer buying power and sentiment have been subdued. Retailers have been delaying replenishment decisions until the last minute. Despite these challenges, VTech is, nonetheless, planning for year-on-year growth across all its major markets for ELPs.

In North America, solid contributions are expected from InnoTab during the second half of the financial year. The Group has also taken appropriate actions, and stepped up promotional programmes for V.Reader and infant products.

In Europe, good performance of Storio, MobiGo, the Kidi-series, as well as other standalone products is forecast to continue. Increased shipment, including of InnoTab, during the second half of the financial year, is expected to return business in the UK to a growth path.

The growth of ELPs in Asia Pacific is expected to continue in the second half of the financial year. The biggest challenge and uncertainty in this region is in Australia, where the level of success in newly developed retail channels will be a major factor.

CMS is expected to continue to outperform the global electronic manufacturing services (EMS) market and achieve growth for the full financial year, led by its core product areas of professional audio equipment and wireless headsets.

The Group will continue to add new customers in the professional audio segment because of its excellent know-how and strong reputation in the industry. With the proliferation of Unified Communications, further growth is expected from the wireless headset business.

Business from switching mode power supplies will remain stable. Despite the growth in commercial solid state lighting, it will not be sufficient to offset the decline in LED light bulbs for consumers, a market where the customer is facing a lot of competition.

Because of the strength of the Japanese yen and the aftermath of the earthquake, more medium sized Japanese companies will look for outsourcing. The Group has hired experienced and dedicated management in order to bring in new customers for CMS in the near future.

To cope with the growing demand, a new factory building at the Group's existing plant will commence operation in November this year. This will increase the capacity of CMS by over 40%.

"While we are optimistic of delivering top line growth, profitability will remain challenging. However, cost pressures have been easing and we are starting to see benefits from our efficiency enhancement measures. As a result, the Group's margins are showing an improving trend. With excellent R&D, a strong balance sheet, our market leadership position and efficient operations, VTech is well positioned to grow even more strongly once the global economy enters a sustained period of recovery," said Mr. Wong.

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About VTech

VTech is the world's largest manufacturer of cordless telephones and a leading supplier of 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, 16 November 2011 (HK time), the video archive of the 2011/2012 interim results announcement can be accessed through VTech's homepage www.vtech.com in the "Webcasts" section under "Investors".

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