



VTech Holdings Limited

*(incorporated in Bermuda with limited liability)*

( stock code : 303 )

***The following is the text of an announcement released to the London Stock Exchange on which VTech Holdings Limited is listed***

## **Overseas Regulatory Announcement – Interim Management Statement**

In compliance with the requirements of the Disclosure and Transparency Rules issued by the Financial Services Authority, VTech Holdings Limited ("VTech") is publishing its first Interim Management Statement for the three months ended 30th June 2007 following its Annual General Meeting held on 3rd August 2007.

The Group revenue for the first quarter of the financial year 2008 was in line with management expectations, with the performance of all three businesses on track.

For the telecommunication products (TEL) business, revenue in the first quarter was comparable to the same period last year. In Europe, sales picked up as the market is recovering from excess inventory. In North America, VTech maintained its leadership position in the US cordless phone market. Our new products, especially the DECT 6.0 models, hit the shelves in April 2007 and have been well received by consumers.

In the first quarter of the financial year 2008, the electronic learning products (ELP) business achieved a similar level of revenue as compared to the same period last year. Sales of the traditional ELP and V.Smile range were in line with management expectations.

As existing customers mature and newer customers are only gradually building up orders, revenue from the contract manufacturing services (CMS) business in the first quarter was slightly lower than the corresponding period last year, as anticipated by management. Despite this, we are still confident that the CMS business will once again outperform the global EMS market in the financial year 2008, which is forecast to grow in the high single digits in the calendar 2007.

Overall, the Board is satisfied with the Group's progress to date but we remain mindful of factors that could affect profitability. The Renminbi looks set to appreciate further, as do the wage levels in mainland China. High raw material and components prices continue to impose cost pressures on the Group. In addition, China's new policy on processing trade, that will become effective on 23rd August 2007, will further increase the Group's operating costs.

To mitigate these cost pressures, the Group will work hard to improve its productivity and operational efficiency further, as well as to achieve greater economies of scale.

*As at the date of this announcement, the Executive Directors of the Company are Mr. Allan WONG Chi Yun (Chairman and Group Chief Executive Officer), Mr. Edwin YING Lin Kwan and Mr. PANG King Fai. The Independent Non-executive Directors are Mr. Raymond CH'IEN Kuo Fung, Mr. William FUNG Kwok Lun, Mr. Michael TIEN Puk Sun and Mr. Patrick WANG Shui Chung.*

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