

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 second Interim Management Statement, for the nine months ended 31st December 2007.

The performance of the Group in the third quarter of the financial year 2008 was in line with management expectations, with Group revenue for the third quarter higher than the same period last year. The growth was mainly attributable to the strong performance of our telecommunication (TEL) and electronic learning products (ELP) businesses in Europe. The pick up in sales at our contract manufacturing services (CMS) business also contributed to the overall revenue growth.

For the nine months ended 31st December 2007, the Group revenue also increased over the same period last year. Although rising labour costs and the appreciation of the Renminbi continue to pressure all manufacturers in mainland China, VTech continues successfully to mitigate these cost increases by improving productivity, raising operational efficiency and achieving greater economies of scale.

For the TEL business, revenue for the third quarter of the financial year 2008 was higher than the same period last year. Sales growth was driven by the continued strong demand in Canada, Europe, Asia Pacific and other emerging markets. In North America, as our DECT 6.0 and 5.8GHz cordless phones continued to perform well, VTech maintained its leadership position in the US cordless phone market despite a decline in sales year-on-year in the third quarter. For the nine months ended 31st December 2007, the revenue of the TEL business increased as compared to the same period last year.

In the third quarter of the financial year 2008, the ELP business achieved a higher level of revenue as compared to the corresponding period of last year. Sales in North America decreased slightly year-on-year in the third quarter whereas sales in Europe increased. Traditional ELPs continued to demonstrate growth and sales of the V.Smile range were in line with management expectations. For the nine months ended 31st December 2007, the revenue of the ELP business rose over the same period last year.

Revenue at the CMS business in the third quarter of the financial year 2008 was higher than the same period last year. Growth was driven by higher sales to existing customers. For the nine months ended 31st December 2007, the revenue of the CMS business was comparable to the same period of last year.

The financial position of the Group remains very strong. As at 31st December 2007, the Group remained substantially debt-free. Stock and debtors also continued at healthy levels.

“We are satisfied with the performance of the Group’s businesses in the third quarter and for the financial year so far. We are mindful of the economic uncertainties caused by the credit problems that began in the US sub-prime market. Looking at the most recent point of sales data and orders on hand, however, we are cautiously optimistic that the Group performance will remain on track to deliver modest revenue and profit growth for the full year, as we indicated in our interim results in November 2007. With our strong balance sheet, proven ability to control costs and well balanced product portfolio, we have strong fundamentals that will support us even in the event of an economic downturn,” said Mr. Allan Wong, Chairman and Group CEO of VTech Holdings Limited.

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'EN Kuo Fung, Mr. William FUNG Kwok Lun, Mr. Michael TIEN Puk Sun and Mr. Patrick WANG Shui Chung.

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