

**FOR IMMEDIATE RELEASE**

**VTech Announces FY2007 Annual Results**

***Strong performances from all businesses leads to record year***

- Record revenue and profit
- Group revenue increased by 21.5% to US\$1,463.8 million
- Profit attributable to shareholders rose by 42.0% to US\$182.9 million
- Net profit margin expanded 1.8% points to 12.5%
- Net cash, after special dividend of US\$71.7 million, rose to US\$246.5 million
- Final dividend of US41.0 cents per share, total dividend per share for the year (include special dividend of US30.0 cents) up 150.0%

**Hong Kong, 20th June 2007 - VTech Holdings Ltd (HKSE: 303; LSE: VTH; ADR: VTKHY)** today announced its results for the year ended 31st March 2007, reporting record revenue and its second successive year of record profit.

Revenue for the Group increased by 21.5% over the financial year 2006 to US\$1,463.8 million. Profit attributable to shareholders increased by 42.0% to US\$182.9 million. Earnings per share rose 39.5% to US76.6 cents. In light of the continued increase in profitability, together with the very strong Group balance sheet, the Board of Directors has proposed a final dividend of US41.0 cents per share. Together with the interim dividend of US9.0 cents and the special dividend of US30.0 cents made in celebration of the Group's 30th anniversary, this gives a total dividend for the year of US80.0 cents per share, 150.0% higher than the US32.0 cents declared in the financial year 2006.

"All three of our businesses recorded revenue increases during the financial year 2007. The record results demonstrate that we are reaping the benefit of the hard work put in to enhance our operations and build a solid foundation for growth," said Mr. Allan Wong, Chairman and Group CEO of VTech Holdings Limited.

**Sales Rebound at TEL Business**

Revenue at the telecommunication products (TEL) business increased by 11.1% over the financial year 2006 to US\$660.6 million, accounting for 45.1% of Group revenue.

North America was the key growth driver. For the financial year 2007, revenue from the region increased by 26.3% to US\$514.3 million, representing 77.9% of total TEL revenue, against 68.5% in the financial year 2006.

The competitiveness of the TEL business in North America has strengthened following the rationalisation of its business operations two years ago. Better products, together with enhanced supply chain and channel management resulted in higher market share. The new 5.8GHz cordless phones, together with the AT&T 2.4GHz products using proprietary technology developed in-house, were well-received by consumers and enabled VTech to win more shelf space from retail customers.

In Europe, as mentioned in the interim report, the market had suffered from excess inventory, especially during the first half of the financial year. Hence, despite a pick up of sales in the second half over the first half, revenue from this market still declined 25.1% over the financial year 2006 to US\$126.2 million, accounting for 19.1% of total TEL revenue.

### **Across the Board Growth at ELP Business**

The ELP business achieved record revenue in the financial year 2007, which increased by 26.2% as compared with the financial year 2006 to US\$570.1 million. This was equivalent to 39.0% of total Group revenue, as compared with 37.5% in the previous financial year.

The growth came across the board, with good performances from all product ranges. The traditional ELPs recorded higher sales growth than the V.Smile range, mainly driven by increased shelf space and an expanded product portfolio.

Revenue increases were apparent in all markets, with particularly strong growth in North America as VTech continued to gain shelf space in this market. Sales from the region rose by 29.2% to US\$281.2 million. In Europe, revenue grew by 21.5% over the previous financial year to US\$260.9 million and VTech maintained its leadership position in its principal markets.

In the financial year 2007, the V.Smile range entered its third year of sales. Sales of the basic console and software met management expectations. In addition to the basic V.Smile, the range was extended through the introduction of the V.Smile Baby Infant Development System™ (V.Smile Baby), aimed at children from nine months to three years old and the V.Flash Home Edutainment System™ (V.Flash), which targets those aged six and up.

### **Outperformance of CMS Business**

The CMS business once again achieved excellent results, with revenue for the financial year 2007 increasing by 47.3% over the financial year 2006 to US\$233.1 million, the third consecutive record. The business accounted for 15.9% of Group revenue, up from 13.1% in the previous financial year.

The business once again outperformed the global Electronic Manufacturing Services (EMS) industry, which grew by some 13.5%\* during the calendar year 2006. Although some new customers were acquired, the growth in revenue came primarily from existing customers, especially in the areas of switching mode power supplies, professional audio equipment and industrial printing. Particularly strong demand was experienced from customers in the United States and hence this market grew its share of total CMS revenue markedly from the 29.5% recorded in the previous financial year.

Switching mode power supplies and professional audio equipment continued to be the leading product categories, accounting for 28.2% and 27.7% of total CMS revenue respectively, followed by communications products and home appliances.

Europe remained the leading source of revenue, representing 48.4% of total CMS revenue, followed by North America at 36.6% and Asia Pacific at 15.0%.

### **Countering Cost Pressures**

All three businesses did well to counter cost pressures during the financial year 2007, despite high materials prices, rising labour cost and overheads in China, following the appreciation of the Renminbi. Greater economies of scale and efficiency gains mitigated these pressures. The new plant at Qingyuan, in the northern part of Guangdong province, is also beginning to make a positive impact.

### **Changes in Directors**

The Group's Deputy Chairman, Mr. Albert Lee Wai Kuen, retired with effect from 1st April 2007. He has been with the Group since 1984 and will continue to play a role as an adviser to the Group. Two new Executive Directors were appointed in April 2007, Mr. Edwin Ying Lin Kwan, Group Chief Operating Officer and Mr. Pang King Fai, Group Chief Technology Officer.

### **Outlook**

The rise in our production volumes has begun to put pressure on capacity and to ease capacity constraints and realise further economies of scale, the Group is adding manufacturing facilities. In the second quarter of the financial year 2008, a new factory building for the CMS business will open, increasing its capacity by some 50%. We also intend to build a second factory at Qingyuan, to serve the growing needs of the ELP business.

*\*Source: Manufacturing Market Insider – December 2006 issue*

Growth at the TEL business will primarily come from Europe as the market recovers from excess inventory. The North American business will be hard pressed to repeat the similar growth recorded in the financial year 2007, since it has already rebounded from a sales decline and regained its leadership position. Nonetheless, innovative designs such as DECT 6.0 models are creating new product categories for retail customers, while new technologies such as the infoPhone™ will enable VTech to explore new distribution channels. To add further avenues of growth, the TEL business intends to develop the small and home office market.

Building on its strong position in Europe and increasing market share in North America, the ELP business is expected to continue to grow. The Whiz Kid Learning System™ will enable VTech to capture a position in the reading market. The V.Smile range will continue to evolve through an enhanced V.Smile console that will hit the shelves in August 2007, as well as a smaller and lighter version of V.Smile Pocket. The library of cartridges will expand further.

Growth at the CMS business is expected to moderate as existing customers mature and newer customers only gradually build up orders, but it should again outperform the EMS market. The Japanese market will be a focus for new business development, with separate facilities, a dedicated team and a new sales office ready to serve the clients.

“The succession of good results achieved in recent years testifies to VTech's ability to develop sound business strategies and execute them well. I believe we have developed a solid foundation for future expansion. Despite the uncertainties of the US economy, a probable further appreciation of the Renminbi, as well as continued rises in labour costs and components prices, we expect to achieve a similar level of profitability as in the financial year 2007,” said Mr. Wong.

~ End ~

## **About VTech**

VTech is one of the world's largest suppliers of corded and 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 21:30, 20th June 2007 (HK time), the video archive of the FY2007 annual results announcement can be accessed through VTech's homepage [www.vtech.com](http://www.vtech.com) in the "Webcasting and Presentation" section under "Investor Relations".**

This release is issued by VTech Holdings Ltd through GolinHarris. For further information, please contact:

Grace Pang  
VTech Holdings Ltd  
(852) 2680-1000 (office)  
(852) 2680-1788 (fax)  
[grace\\_pang@vtech.com](mailto:grace_pang@vtech.com) (email)

VTech representative in HK  
Nick Bradbury, GolinHarris  
(852) 2522-6475 (office)  
(852) 2810-4780 (fax)  
[nick.bradbury@golinharris.com](mailto:nick.bradbury@golinharris.com) (email)

VTech representative in the US  
John Columbus, GolinHarris International  
(212) 373 6037 (office)  
(212) 373 6001 (fax)  
[jcolumbus@golinharris.com](mailto:jcolumbus@golinharris.com) (email)