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vtech

VTech Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 303)

CONTINUING CONNECTED TRANSACTION

On 11 April 2007, the Company and Aldenham entered into the Lease which constitutes a continuing connected transaction (the "Transaction") of the Company under Rule 14A.34 of the Listing Rules and shall be disclosed by way of an announcement.

Brief details of the Transaction will also be disclosed in the Company's subsequent published annual report and accounts for each of the relevant financial years ending 31 March 2008 and 2009 in accordance with the requirements under the Listing Rules.

I. The Transaction

Reference is made to the Previous Leases of the Premise as disclosed in the announcements of the Company dated 6 April 2005 and 11 April 2003. As the Previous Lease dated 1 April 2005 expired on 31 March 2007, on 11 April 2007, the Company as tenant entered into the Lease with Aldenham as landlord. The principal terms of the Lease remain the same as those in the Previous Leases and are as follows:

Date	:	11 April 2007
Landlord	:	Aldenham
Tenant	:	the Company
Premise	:	approximately 5,673 square feet of 29th and 30th Floors, 12 Bowen Road, Hong Villa, Hong Kong
Terms	:	2 years commencing 1 April 2007 and expiring on 31 March 2009
Rent	:	HK\$250,000 per month (inclusive of rates and management fees) in the aggregate amount of HK\$6,000,000, to be paid monthly in arrears

Aldenham is an indirect wholly-owned subsidiary of a trust in which the family members of Mr. Allan WONG Chi Yun, a director, chief executive officer and substantial shareholder holding directly and indirectly 40.03% of the entire issued share capital of the Company, are the beneficiaries. Aldenham is therefore a connected person of the Company as ascribed by the Listing Rules and the Lease constitutes a continuing connected transaction under the Listing Rules.

The Board (including the independent non-executive directors) are of the view that the Lease is entered into upon normal commercial terms which are fair and reasonable and is in the interest of the Company and its independent shareholders. The rental was determined by reference to a valuation report conducted by an independent qualified surveyor when the Premise was leased to the Company in 2003 and also by having regards to informal enquiries made by the Company as to rental prices for similar premises. In particular, enquiries were directed to premises of similar nature and location (e.g. neighbouring buildings) to that of the Premise. The current rental amount is the same amount as that paid for during the term of the Previous Leases.

II. Reasons for the Lease

The Premise was leased for the purposes of providing housing to Mr. Allan WONG Chi Yun in accordance with the terms of his service contract. Mr. Allan WONG Chi Yun's service contract provides that the Company shall pay for him the monthly rental of his residence during the continuance of his service with the Company. The entering into of the Lease shall not additionally increase the total emoluments entitled by Mr. Allan WONG Chi Yun but is an incentive used for the retention of his service as an employee of the Company.

III. General

The Group is principally engaged in the business of the design, manufacture and distribution of electronic learning products and telecommunication products. The principal activity of Aldenham is property investment.

The maximum aggregate annual value of the transaction is HK\$3 million, calculated on the basis of the yearly rent. The Board considers that this annual cap for the years ending 31 March 2008 and 31 March 2009 is fair and reasonable. Since the total rental value receivable by Aldenham under the Lease represents less than 2.5% of the applicable percentage ratios of the Company under Rule 14A.34 of the Listing Rules and accordingly, no independent shareholder's approval is required. Details of the Transaction shall be disclosed by way of an announcement and to be included in the Company's subsequent published annual report and accounts of each of the relevant financial years in accordance with Rules 14A.45 and 14A.46 of the Listing Rules. There are no previous transactions between the Group and Aldenham or its ultimate beneficial owners which require aggregation under Rule 14A.25 of the Listing Rules.

As at the date of this announcement, the Board of Directors of the Company comprises:

Executive Directors	:	Allan WONG Chi Yun Edwin YING Lin Kwan PANG King Fai
Independent Non-executive Directors	:	Raymond CH'IEN Kuo Fung William FUNG Kwok Lun Michael TIEN Puk Sun Patrick WANG Shui Chung

Definitions:

Unless otherwise defines, the following terms used in this announcement shall have the following meanings:

“Aldenham”	Aldenham Company Limited, a company incorporated in Hong Kong;
“Company”	VTech Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on The Stock Exchange of Hong Kong Limited and The London Stock Exchange plc;
“Board”	the board of directors of the Company;
“Group”	the Company and its subsidiaries;
“Lease”	the lease of the Premise pursuant to an agreement between Aldenham and the Company dated 11 April 2007;
“Premise”	the premise at 29th and 30th Floor, 12 Bowen Road, Hong Villa, Hong Kong;
“Previous Leases”	the leases of the Premise pursuant to agreements between Aldenham and the Company dated 1 April, 2005 and 11 April 2003 respectively, as disclosed in announcements of the Company dated 6 April 2005 and 11 April 2003 respectively;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Board
VTech Holdings Limited
CHANG Yu Wai
Company Secretary

Hong Kong, 11 April 2007

Website: <http://www.vtech.com>

Please also refer to the published version of this announcement in The Standard.