

FOR IMMEDIATE RELEASE**VTech Announces 2009/2010 Interim Results*****Solid net profit growth despite challenging environment***

- Profit attributable to equity shareholders grew 33.0% to US\$91.5 million
- Net margin expanded by 3.5 percentage points, from 8.8% to 12.3%
- Group revenue down by 5.2% to US\$738.0 million
- Strong balance sheet, with net cash of US\$229.9 million
- Interim dividend up by 33.3% to US16.0 cents per ordinary share

Hong Kong, 25th November 2009 – VTech Holdings Ltd (HKSE: 303; ADR: VTKHY) today announced its interim results for six months ended 30th September 2009, reporting solid growth in net profit despite a challenging environment.

Group revenue for the six month period decreased by 5.2% to US\$738.0 million, as sales growth in North America and Asia Pacific was insufficient to offset declines in Europe and other regions. However, profit attributable to equity shareholders increased by 33.0% to US\$91.5 million and net margin expanded from 8.8% to 12.3%, reflecting lower material costs and higher operational efficiency, including an ability to engineer products and processes for lower cost. A stronger focus on managing foreign exchange risk enabled VTech to minimise the impact of fluctuations in the value of foreign currencies against the US dollar. An interim dividend of US16.0 cents per ordinary share was declared, an increase of 33.3% over the same period last year.

“The first half of the financial year 2010 has been challenging for VTech, given the poor economic conditions in major markets around the world. Although revenue declined, lower material costs and higher productivity contributed to improved gross margin. In addition, better foreign exchange risk management, together with our proven ability to control costs, enabled us to increase both profit attributable to shareholders and the dividend,” said Mr. Allan Wong, Chairman and Group CEO of VTech Holdings Limited.

TEL products lead growth in North America

Revenue from North America increased by 5.7% to US\$441.8 million, or 59.9% of Group revenue. It remains the Group’s largest market.

Growth was driven mainly by higher sales of telecommunication (TEL) products, which continue to deliver strong industrial design, rich features and competitive price points. This is supported by our world class supply chain management. The exit of a major competitor also enabled the Group to continue to gain market share. During the period, TEL sales to North America rose by 31.6% to US\$289.4 million.

VTech is the number one player in the US cordless phone market and continues to develop innovative products. In September, it launched the world's first cordless phone system that can download mobile phonebook directory entries. Using Bluetooth[®] technology, 1,500 entries can be downloaded from each of up to four mobile phones. This seamless integration gives users the freedom to make and receive mobile and landline calls with the convenience of a cordless handset. During the period, the Group launched its first enterprise phone for small and medium sized business, the AT&T branded SB67118. It is the only small business system in the United States to feature optional DECT 6.0 repeaters, which give an unprecedented talk range. This product has been very well received by customers.

Sales of electronic learning products (ELPs) declined by 25.1% to US\$103.6 million in North America. This was not unexpected by the Group, which had placed more emphasis on value in its 2009 product offerings and delayed the launch of a major new platform product in view of the weak economy. Poor consumer sentiment resulted in pressure on more expensive products, leading to lower average selling prices (ASPs) and consequently lower revenue. On the other hand, standalone products, led by the infant category, performed well.

Two major new line-ups were launched. Jungle Gym, which combines electronic learning, fun and physical activities, has been well-received in the market. The Bugsby Reading System, which uses pen touch technology, has performed in line with expectation so far.

Contract Manufacturing Services (CMS) saw sales decline in North America, with revenue falling by 18.0% to US\$48.8 million. The decrease partly reflects a comparison with a very strong first half in the financial year 2009. However, the recession in the United States also led to lower orders across the board. CMS was, however, successful in winning business from competitors, demonstrating VTech's ability in providing flexible, high quality services.

Europe experiences weak demand

Revenue from Europe declined by 24.4% to US\$225.6 million. Sales of TEL products, ELPs and CMS were all lower, as demand weakened in the face of the contraction of the European economies. Europe accounted for 30.5% of Group revenue.

VTech sells its TEL products to customers in Europe on an Original Design Manufacturing ("ODM") basis. Sales of these products fell by 24.4% to US\$76.9 million, following reduced orders from customers. The decline also reflects comparison with a strong first half in the financial year 2009. The co-branded "T-Home/VTech" products, under an exclusive agreement with Deutsche Telekom, have been gradually increasing their presence. During the period, the Group also started shipping a small quantity of integrated access devices ("IADs").

ELP sales to Europe decreased by 26.1% to US\$95.4 million as declining consumer spending and lower ASPs depressed revenue. Led by the Kidizoom camera series, boxed products again fared much better than platform products. VTech ELPs, including Kidizoom camera and V.Smile Motion, won a number of important accolades during the period.

CMS revenue in Europe dropped by 21.0% to US\$53.3 million in the first half, showing in part the effect of exceptional growth recorded in the first half of the previous financial year. The decline resulted from lower sales of switching mode power supplies and wireless products, as customers reduced orders in light of softening consumer demand.

Asia Pacific posts solid growth

Asia Pacific outperformed VTech's other markets, as revenue rose across the board by 35.8% to US\$42.5 million, accounting for 5.8% of Group revenue.

Sales of TEL products in Asia Pacific reached US\$8.1 million, growing by 9.5% over the same period of the financial year 2009. ELPs also sold well, with an 18.4% increase in sales to US\$10.3 million. CMS showed the strongest growth in Asia Pacific, with sales rising by 58.6% to US\$24.1 million. Growth was boosted mainly by increasing sales in the area of solid state lighting, where VTech's dedicated design resources and innovative manufacturing processes give it a strong competitive edge.

Revenue from other regions decreased by 9.6% to US\$28.1 million, accounting for 3.8% of Group revenue.

Outlook

North America and Europe

The Group expects consumer sentiment to remain subdued through the holiday selling season as unemployment in our major markets is high. Consequently, the Group reiterates the position outlined in the last annual results announcement, that top line growth will not be easy to achieve in the current financial year, despite further gains in market share for TEL products and meaningful sales growth in solid state lighting. However, continuous improvement in productivity across the Group's operations is expected to result in higher profitability year on year.

In North America, the Group's TEL products are forecast to sell well as they gain market share. The second half of the financial year will also be boosted by sales contributions from the recently introduced cordless and enterprise phone products. In Europe, TEL sales are forecast to pick up in the second half as orders from existing customers return to normal levels. Sales will be augmented by increasing shipments of IADs, and as the full range of co-branded "T-Home/VTech" products appears on the shelves.

The Group expects, and has planned for a challenging 2009 holiday season for its ELPs, especially in North America and Europe. A rich line-up of new products for calendar year 2010, led by exciting new platforms, has been previewed with key retail customers in the United States. Uniform enthusiastic receptions have been received from the customers.

CMS sales in North America and Europe are expected to pick up in the second half as the economies stabilise, and more orders from existing customers have already been received.

Asia Pacific and Other Regions

Sales in Asia Pacific of TEL products will benefit from the licensing agreement signed in June with Telstra. VTech will focus more efforts on developing Asia Pacific and other markets for ELPs, as demand is growing rapidly in these regions.

CMS has good opportunities in solid state lighting, which is currently limited mainly to commercial use because of its higher price. Government initiatives to cut carbon emissions are giving considerable impetus to this market and VTech is well placed to capture this opportunity.

“VTech is a company with market leadership position, a strong balance sheet and a highly efficient operation. Despite the challenging environment, we continue to post solid results. We will continue to focus on product innovation and geographic expansion in pursuit of growth, while managing costs and risks to enhance profitability. VTech is well positioned to take advantage of the recovery in the global economy,” said Mr. Wong.

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About VTech

VTech is one of the world's largest suppliers of corded and cordless telephones and 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, 25th November 2009 (HK time), the video archive of the 2009/2010 interim results announcement can be accessed through VTech's homepage www.vtech.com in the “Webcasting and Presentation” section under “Investors”.

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