

Message from Deputy Chairman



Albert LEE Wai Kuen
Deputy Chairman



To increase brand awareness and market penetration in China, we are partnering with Beijing San Chen Blue Cat Toy Co., Ltd to co-develop the Chinese electronic learning products market using the new 'Blue Cat • VTech' branded products. This agreement was announced in May 2004. 'Blue Cat' is a cartoon character that enjoys tremendous popularity in China through television and a wide range of products, including books, stationeries and apparels. Currently, 'Blue Cat' products are being sold in approximately 3,000 retail outlets across China, representing the largest distribution network for children's consumer products in the market.

VTech's strategy to develop the China market continued to make progress during the financial year 2004. Supported by the country's rapid economic growth and the creation of a middle class that places great emphasis on children's education, we are currently focusing on the development of our electronic

learning products business and we see China offering medium and long-term growth potential for the Group. Despite the rapid market growth and the huge potential, we recognise that China is a market that needs to be approached cautiously.



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In July 2003, we developed and launched 16 products that were specifically designed for this market. To support the launch, a comprehensive promotional campaign, including TV commercials, PR activities, as well as newspaper and magazine advertisements were put in place. We also participated in a number of trade fairs, such as the 16th International Toy Fair in Guangzhou, to build up our base of sales agents.

The initial response from the market has been positive. Our products are now available in major department stores and supermarkets, including Carrefour, WalMart and Jusco in the Pearl River Delta, the Yangtze River Delta, Beijing and its surrounding areas, as well as Chengdu in Sichuan province.



By leveraging the popularity and the extensive distribution network of 'Blue Cat', the partnership will be an important step forward for VTech's development in electronic learning products in China. Supported by our strong R&D capability and TV commercials, we are confident that VTech will benefit from the huge potential of this emerging market and achieve further expansion in the financial year 2005.