

Message from Deputy Chairman

The financial year 2005 was a remarkable year for our ELP business. V.Smile has had a successful first year, demonstrating VTech's ability to spot a gap in the market and create a product to meet a consumer need that others had failed to identify.

VTech saw that television was one of the most influential media in children's lives, with almost 80 percent watching at least one hour of TV a day, according to Media Awareness Network 2003. So VTech set out to design a product that could tap into that time and provide a smart alternative through engaging educational gameplay with popular characters — turning game time into brain time! The result was V.Smile.

This was conceived not just as a piece of hardware, but a platform for an increasing range of software. V.Smile "Smartridges" are specifically designed for children aged 3 and up and promote learning concepts key to their educational development. V.Smile

offers popular titles to keep kids engaged without the violence that other video games portray.

Following the TV based version, VTech turned to capture the opportunities in handheld version - and in February 2005 announced the launch of V.Smile Pocket. So VTech now has a portable educational game system for children aged 5 and older that delivers videogaming fun on the go or at home. Its high resolution (320 x 240) colour LCD screen gives kids a sharp, crystal-clear interface anytime, anywhere. At home, V.Smile Pocket can even be connected to a television for videogaming on the big screen.

But VTech is not just about V.Smile. The Group continues to introduce new electronic learning products in infant, pre-school and electronic learning aid categories. Write and Learn Series is one of the new product lines that launched in February 2005. It leverages VTech's unique writing recognition technology, providing children with fun toys to encourage fundamental handwriting skills.

VTech will continue to develop innovative, age-appropriate electronic learning products for children from birth through to the pre-teens. The calendar year 2004 product line is proof of this innovation and adaptability to market trends. VTech aims to expand licensed product lines, innovate in new categories, and find new ways to provide meaningful learning products to children in entertaining formats.

Albert LEE Wai Kuen
Deputy Chairman

