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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

If you are in any doubt as to any aspect of this Circular or as to the action you should take, you should consult your independent financial adviser, stockbroker, solicitor, professional accountant or other professional adviser duly authorised under the UK Financial Services and Markets Act 2000 immediately.

**If you have sold or otherwise transferred** all your Shares in the Company, you should at once hand this Circular and the accompanying Form of Proxy to the purchaser or transferee or to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**vtech**

**VTech Holdings Limited**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 303)**

**GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES,  
RE-ELECTION OF DIRECTORS,  
REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER THE  
SHARE OPTION SCHEME 2001 AND  
NOTICE OF ANNUAL GENERAL MEETING**

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This Circular should be read as a whole, your attention is drawn to the letter from the Board of the Company which is set out on pages 3 to 11 (inclusive) of this Circular. A notice convening the annual general meeting of VTech Holdings Limited to be held at Elbrus Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong at 3:30 p.m. (Hong Kong time) on 5th September 2008 is set out on pages 12 to 15 (inclusive) of this Circular.

Whether or not you are able to attend the said meeting, you are requested to complete and return the enclosed Form of Proxy in accordance with the instructions thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the Form of Proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so desire.

21st July 2008

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## DEFINITIONS

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*In this document, the following expressions have the following meanings unless the context otherwise requires:*

“AGM”	the annual general meeting (or any adjournment or postponement thereof) of the Company to be held on 5th September 2008 at 3:30 p.m. (Hong Kong time)
“AGM Notice”	notice of the AGM, which is set out on pages 12 to 15 (inclusive) of this Circular
“Board”	the board of Directors from time to time
“Circular”	this document
“Companies Act”	the Companies Act 1985 as amended, re-enacted, replaced or modified on the date of this document by the Companies Act 2006 and any commencement orders relating to or under the Companies Act of 2006 of the UK
“Company”	VTech Holdings Limited, an exempted company incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended), the shares of which are listed on the Main Board of the Hong Kong Stock Exchange and on the Official List of the UK Listing Authority
“Directors”	the directors, including all the independent non-executive directors, of the Company from time to time
“Form of Proxy”	the form of proxy for use at the AGM accompanying this document
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Register”	the register of members held in Hong Kong by Computershare Hong Kong Investor Services Limited of Room 1806-07, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Latest Practicable Date”	16th July 2008, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information included herein
“London Stock Exchange”	London Stock Exchange plc

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## DEFINITIONS

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“Participants”	the classes of persons who are eligible to participate in the Share Option Scheme 2001
“Shareholders”	holders of Shares
“Share(s)”	ordinary share(s) of US\$0.05 each in the issued share capital of the Company
“Share Mandate Limit”	the maximum number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme 2001
“Share Option Scheme 2001”	the share option scheme adopted by the Company pursuant to the resolutions of the Shareholders on 10th August 2001
“UK”	the United Kingdom of England, Wales, Scotland and Northern Ireland
“UK Branch Register”	the register of members held in UK by Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom
“UK Listing Rules”	the rules laid down by the UK Listing Authority relating to admission to the Official List pursuant to section 73A(2) of the Financial Services and Markets Act 2000
“US\$”	United States dollars, the lawful currency of the United States of America

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## LETTER FROM THE BOARD

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# vtech

## VTech Holdings Limited

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 303)**

*Executive Directors:*

Allan WONG Chi Yun

*(Chairman and Group Chief Executive Officer)*

Edwin YING Lin Kwan

PANG King Fai

*Registered office:*

Clarendon House

Church Street

Hamilton HM 11

Bermuda

*Independent Non-Executive Directors:*

Raymond CH' IEN Kuo Fung

William FUNG Kwok Lun

Michael TIEN Puk Sun

Patrick WANG Shui Chung

*Principal office in Hong Kong:*

23rd Floor

Tai Ping Industrial Centre

Block 1, 57 Ting Kok Road

Tai Po, New Territories

Hong Kong

21st July 2008

*To the Shareholders and for information only,  
the holders of share options*

**GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES,  
RE-ELECTION OF DIRECTORS,  
REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER THE  
SHARE OPTION SCHEME 2001 AND  
NOTICE OF ANNUAL GENERAL MEETING**

### **1. INTRODUCTION**

The purpose of this Circular is to seek your approval of proposals to (i) grant general mandates to repurchase shares and to issue shares; (ii) re-elect the retiring Directors; and (iii) refresh the Scheme Mandate Limit under the Share Option Scheme 2001, and to provide you with information in connection with such proposals. Your approval on such proposals will be sought at the AGM.

### **2. GENERAL MANDATE TO REPURCHASE SHARES**

The previous general mandate granted to the Directors at the annual general meeting of the Company held on 3rd August 2007 to exercise the powers of the Company to repurchase Shares will expire at the AGM.

At the AGM, Resolution 5, as set out in the AGM Notice, will be proposed as an ordinary resolution pursuant to which the Directors will be granted a general and unconditional mandate to exercise all the powers of the Company to repurchase issued Shares subject to the criteria set out in the resolution. The authority relates only to repurchases made on the Hong Kong Stock Exchange and the London Stock Exchange and otherwise in accordance with the Hong Kong Stock Exchange Listing Rules and the UK Listing Rules. The general mandate covers repurchases made or agreed to be made only during the period ending at the conclusion of the annual general meeting of the Company to be held in 2009 or until the authority given under Resolution 5 is renewed, revoked, or varied by ordinary resolution of the Shareholders in general meeting, whichever occurs first. In accordance with the Hong Kong Stock Exchange Listing Rules, the Company is required to send to its shareholders an

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## LETTER FROM THE BOARD

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explanatory statement containing all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution to approve the granting of a mandate to exercise the powers of the Company to purchase its own Shares. This document sets out below such information, in relation to the mandate to repurchase Shares, as is required to be provided in accordance with the Hong Kong Stock Exchange Listing Rules and the UK Listing Rules.

### **Share Capital and Maximum Number of Shares that may be Repurchased**

The maximum number of Shares that may be repurchased on the Hong Kong Stock Exchange or on another stock exchange pursuant to the mandate will be such number of Shares as represents 10% of the share capital of the Company in issue on the date of the AGM. As at the Latest Practicable Date, there were in issue an aggregate of 243,510,133 Shares. Subject to the passing of the relevant resolution approving the mandate to repurchase Shares and on the basis that no Shares are issued or repurchased prior to the AGM, the Company would be permitted under the repurchase mandate to repurchase a maximum of 24,351,013 Shares. The mandate relates only to repurchases of Shares which are fully paid up.

As at the Latest Practicable Date, the total number of options to subscribe for Shares that are outstanding is 6,340,000 being equivalent to approximately 2.6% of the total issued share capital of the Company as at that date. If the repurchase of Shares under the currently existing mandate was carried out in full prior to the AGM and the repurchase of Shares under the new mandate to be passed at the AGM was also carried out in full following the AGM, the percentage of the total number of options to the total issued share capital would increase to approximately 3.3%.

### **Reasons for Repurchases**

While it is not possible to anticipate any specific circumstances in which the Directors might think it appropriate to repurchase Shares, the Directors believe that an authority to do so would give the Company additional flexibility that would be beneficial. The Directors have no current intention to repurchase any Shares.

In reaching a decision as to whether to make any such repurchase, the Directors will take account of market conditions and the Company's funding arrangements at the time and whether or not such repurchase would lead to an enhancement of the net asset value per Share of the Company and/or its earnings per share. Shareholders can be assured that the Directors would only make a repurchase in circumstances where they consider it to be in the best interests of the Company and in circumstances where they consider that the Shares can be repurchased on favourable terms after obtaining all necessary consents which may be required under loan or finance documentation.

On the basis of the consolidated financial position of the Company as at 31st March 2008, (being the date to which the latest published audited consolidated financial statements of the Company have been made up) and in particular the working capital position of the Company at that time and the number of Shares to which the repurchase mandate relates, the Directors consider that it is likely that there would be an adverse impact on the working capital position and the gearing position of the Company in the event that the repurchase mandate were to be exercised in full during the repurchase period. No repurchases would be made where such repurchases would have a material adverse impact on the working capital position of the Company unless the Directors consider that such repurchases were in the best interests of the Company.

### **Price to be Paid for Repurchases**

Under the UK Listing Rules, the maximum price which may be paid for each of the Shares to be repurchased is 5% above the average market value of the Shares for the five business days immediately prior to the repurchase. The minimum price that will be paid for each of the Shares is US\$0.05, being the nominal value of the Shares.

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## LETTER FROM THE BOARD

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### **Funding of Repurchases**

The Company is empowered by its Memorandum of Association and Bye-laws to repurchase its Shares. Purchases of Shares must be financed out of funds legally available for such purpose in accordance with the Company's Memorandum of Association and Bye-laws and the laws of Bermuda and will be funded by the resources of the Company. Bermuda law provides that the amount of capital paid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant Shares or the funds of the Company that would otherwise be available for dividend or distribution of the proceeds of a fresh issue of Shares made for the purpose. The amount of premium payable on repurchase may only be paid out of the funds of the Company that would otherwise be available for dividend or distribution or out of the share premium account of the Company before the Shares are repurchased. Should the Directors consider it desirable, they would be able to finance the repurchase out of funds borrowed against any of the above-mentioned accounts.

### **Hong Kong Stock Exchange Listing Rules**

The reporting requirements contained in the Hong Kong Stock Exchange Listing Rules specify that, inter alia, a listed company shall report all repurchases of its securities to the Hong Kong Stock Exchange by no later than 9:00 a.m. (Hong Kong time) on the business day following the date of repurchase of any securities and shall include in its annual report a monthly breakdown of repurchases of securities.

### **UK Listing Rules**

The UK Listing Rules require the Company to notify a Regulatory Information Service of the London Stock Exchange of any repurchases made by the Company no later than 7:30 a.m. (London time) on the business day following the calendar day on which the repurchase took place.

### **Directors' Undertaking**

The Directors have undertaken to the Hong Kong Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the Hong Kong Stock Exchange Listing Rules and the UK Listing Rules (to the extent that are valid and applicable) and all applicable Bermuda laws and in accordance with the regulations set out in the Memorandum of Association and Bye-laws of the Company.

### **Directors and Connected Persons**

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the associates (as defined in the Hong Kong Stock Exchange Listing Rules) of any of the Directors, have any present intention, in the event that the grant to the Directors of the repurchase mandate is approved by the Shareholders, of selling Shares to the Company.

No persons who are connected persons of the Company have notified the Company that they have a present intention to sell Shares to the Company, nor have they undertaken not to sell any of the Shares held by them to the Company in the event that the Company is authorised to make repurchases of Shares.

### **Hong Kong Code on Takeovers and Mergers**

If, as a result of a share repurchase, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Codes on Takeovers and Mergers (the "Takeovers Code") and, if such increase results in a change of control, may in certain circumstances give rise to an obligation to make a mandatory offer for the securities of the Company under Rule 26 of the Takeovers Code.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the total interests of Dr. Allan WONG Chi Yun (including interests held directly and indirectly by the trustee of a discretionary trust in which Dr. WONG is the founder) was 38.5% in the issued share capital of the Company.

If, which is not presently contemplated, the Company was to repurchase Shares up to the permitted maximum of 10% of its existing issued share capital as at the Latest Practicable Date from the public shareholding, the percentage shareholding of Dr. WONG (including interests held directly and indirectly by the trustee of a discretionary trust in which Dr. WONG is the founder) would increase to 42.7%.

The Directors do not have the intention to exercise the power to repurchase Shares of the Company to an extent which would make any of the substantial Shareholders to be obliged to make a mandatory offer under Rule 26 of the Takeovers Code in this respect.

### Share Prices and Share Repurchase Records

During each of the 12 months preceding the Latest Practicable Date, the highest and lowest traded prices for Shares on the Hong Kong Stock Exchange were as follows:

	Share Price	
	Highest HK\$	Lowest HK\$
<b>2007</b>		
July	82.00	66.95
August	70.80	50.40
September	67.25	57.00
October	66.00	53.00
November	69.65	61.80
December	69.90	55.80
<b>2008</b>		
January	57.85	31.00
February	47.50	35.60
March	39.20	29.60
April	43.00	37.75
May	51.10	41.00
June	50.00	41.75
July, up to the Latest Practicable Date	47.45	41.05

During the six months preceding the Latest Practicable Date, no Shares were repurchased by the Company.

### Status of Repurchased Shares

Under Bermuda law, any Shares repurchased by the Company will be treated as cancelled and the issued share capital of the Company, but not the aggregate amount of its authorised share capital, will be reduced accordingly.

### 3. GENERAL MANDATE TO ISSUE SHARES

The previous general mandate granted to the Directors at the annual general meeting of the Company held on 3rd August 2007 to exercise the powers of the Company to allot, issue and deal with Shares will expire at the AGM.



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## LETTER FROM THE BOARD

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Resolution 6 as set out in the AGM Notice will be proposed as an ordinary resolution to renew a general and unconditional mandate to authorise the Directors to allot, issue and deal with further new Shares representing up to 10% of the aggregate nominal amount of the share capital of the Company in issue at the date the resolution is passed. As at the Latest Practicable Date, there were in issue an aggregate of 243,510,133 Shares. On the basis that no Shares are issued or repurchased prior to the AGM, the Company would be allowed to allot, issue and deal with a maximum of 24,351,013 further new Shares. In addition, if Resolution 5 is passed, authorising the repurchase of Shares by the Company, Resolution 7 set out in the AGM Notice will be proposed as an ordinary resolution to extend the authority of the Directors to allot, issue and deal with Shares to include an additional number of Shares equal to the number of Shares repurchased under the repurchase mandate.

The authority of the Directors to allot and issue Shares pursuant to Resolutions 6 and 7 shall expire on the earlier of the conclusion of the annual general meeting of the Company to be held in 2009, or the date of renewal of such authority prior to such time or the date on which such authority is revoked or varied by ordinary resolution of the Shareholders in general meeting. The Directors confirm that there are no pre-emptive rights attaching to the Shares and that they have no present intention of allotting, issuing and dealing with Shares pursuant to the authority that would be vested in them pursuant to Resolutions 6 and 7 set out in the AGM Notice.

#### 4. RE-ELECTION OF DIRECTORS

In accordance with Bye-law 112(A) of the Bye-laws of the Company, Dr. Raymond CH'IEN Kuo Fung, Mr. Michael TIEN Puk Sun and Dr. Patrick WANG Shui Chung will retire as Directors by rotation at the AGM. Dr. Raymond CH'IEN Kuo Fung will not offer himself for re-election whereas Mr. Michael TIEN Puk Sun and Dr. Patrick WANG Shui Chung, being eligible, will offer themselves for re-election at the AGM.

Dr. Raymond CH'IEN Kuo Fung has confirmed that he has no disagreement with the Board and there is no matter which needs to be brought to the attention of the shareholders of the Company in respect of his retirement as a Director.

Particulars of the Directors proposed to be re-elected at the AGM are as follows:-

##### **Mr. Michael TIEN Puk Sun**

**Michael TIEN Puk Sun**, BBS, JP, aged 57, appointed as an Independent Non-executive Director in 2001. Mr. TIEN holds a Bachelor of Science Degree in Electrical Engineering from Cornell University, USA and an MBA degree from Harvard Business School. Mr. TIEN is the Chairman and founder of the G2000 Group which started its business back in 1979. Before starting up G2000, he worked with Macy's Department Store in New York, USA. Mr. TIEN is an active member in Hong Kong community affairs, holding posts including the Chairman of the Standing Committee on Language Education and Research, the Chairman of the Employee Retraining Board and a member of the Education Commission. Mr. TIEN was appointed as National People's Congress Hong Kong Deputy in 2008. He was the past Chairman of Kowloon-Canton Railway Corporation. Save as disclosed above, Mr. TIEN has not held other directorships in listed public companies during the past three years.

Mr. TIEN does not hold other directorships in the Group. He has no relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. TIEN was interested in 423,000 ordinary shares in the Company within the meaning of Part XV of the Securities and Futures Ordinance. Details of his interests are provided in the sections of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" under the "Report of Directors" in the 2008 Annual Report of the Company.

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## LETTER FROM THE BOARD

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There is no service contract entered into between Mr. TIEN and the Company or any of its subsidiaries that is not determined by the Group within one year without payment of compensation (other than statutory compensation). Mr. TIEN has been appointed for a term of three years and is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Bye-laws of the Company. Mr. TIEN will receive Directors' fees as approved from time to time by Shareholders at the AGM of the Company, currently being US\$20,000 per annum, which is determined by the Board with reference to his scope of responsibilities.

Save as disclosed above, there is no other matter that needs to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to any of the requirements of the provisions under Paragraphs 13.51(2)(h) to 13.51(2)(v) of the Hong Kong Stock Exchange Listing Rules.

### **Dr. Patrick WANG Shui Chung**

**Patrick WANG Shui Chung, JP**, aged 57, appointed as an Independent Non-executive Director in 2001. Dr. WANG obtained his Bachelor and Master of Science degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, USA. Dr. WANG is currently the Chairman and Chief Executive Officer of Johnson Electric Holdings Limited, a non-executive director of The Hongkong and Shanghai Banking Corporation Limited and Tristate Holdings Limited. He is a member of the Steering Committee on Innovation and Technology, the Chairman of the Hong Kong Applied Science and Technology Research Institute Company Limited and a director of a charitable organization, Heifer International Hong Kong Limited. Save as disclosed above, Dr. WANG has not held other directorships in listed public companies during the past three years.

Dr. WANG does not hold other directorships in the Group. He has no relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Dr. WANG does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is no service contract entered into between Dr. WANG and the Company or any of its subsidiaries that is not determinable by the Group within one year without payment of compensation (other than statutory compensation). Dr. WANG has been appointed for a term of three years and is subject to retirement and re-election at the AGM of the Company in accordance with the Bye-laws of the Company. Dr. WANG will receive Directors' fee as approved from time to time by Shareholders at the AGM of the Company, currently being US\$20,000 per annum, which is determined by the Board with reference to his scope of responsibilities.

Save as disclosed above, there is no other matter that needs to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to any of the requirements of the provisions under Paragraphs 13.51(2)(h) to 13.51(2)(v) of the Hong Kong Stock Exchange Listing Rules.

### **5. REFRESHMENT OF THE SCHEME MANDATE LIMIT UNEDR THE SHARE OPTION SCHEME 2001**

Pursuant to the terms of the Share Option Scheme 2001 and in compliance with the provisions of Chapter 17 of the Listing Rules, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme 2001 and all other share option schemes of the Company shall not exceed 10% of the Shares in issue as at the date of approval of the Share Option Scheme, being 22,515,123 Shares. Options lapsed in accordance with the terms of the Share Option Scheme 2001 will not be counted for the purpose of calculating the 10% limit.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, options to subscribe for 21,323,000 Shares have been granted of which:

- (i) Options to subscribe for 14,983,000 Shares had been exercised;
- (ii) Options to subscribe for 6,340,000 Shares had been granted but not yet exercised, representing approximately 2.6% of the issued share capital of the Company;

and options to subscribe for 10,905,000 Shares had lapsed under the Share Option Scheme 2001 since adoption. None of such options so granted has been cancelled as at the Latest Practicable Date.

As a result, only 1,192,123 options may be granted under the Share Option Scheme 2001 prior to refreshment of the Scheme Mandate Limit. As at the Latest Practicable Date, there has been no refreshment of the Share Mandate Limit since the adoption of the Share Option Scheme 2001. Apart from the Share Option Scheme 2001, the Company has no other share option scheme in issue as at the Latest Practicable Date.

The Directors proposed to refresh the Scheme Mandate Limit, subject to the Shareholders' approval at the AGM, so that the Board would be allowed to grant further options to the Participants under the Share Option Scheme 2001 to motivate the Participants to contribute to the success of the Group.

Since the total number of Shares which may be issued upon the exercise of all options granted under the Share Option Scheme 2001 and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue at the date of the approval of the Share Option Scheme 2001:-

- (1) the Company may seek Shareholders' approval to refresh the Scheme Mandate Limit on the grant of options under the Share Option Scheme 2001 as and when required in compliance with the Hong Kong Stock Exchange Listing Rules. For this purpose, the total number of Shares which may be issued upon the exercise of all options granted under the Share Option Scheme 2001 and any other share option schemes of the Company under the limit as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the limit as refreshed. Options previously granted under the Share Option Scheme 2001 and any other share option schemes of the Company including those outstanding, cancelled or lapsed in accordance with such scheme(s) or exercised options will not be counted in calculating the limit as "refreshed"; and
- (2) the maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme 2001 and any other share option schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time (the "Overall Limit")

If the Scheme Mandate Limit is "refreshed" at the AGM, on the basis of 243,510,133 Shares in issue as at the Latest Practicable Date and assuming that no Shares will be issued or repurchased by the Company prior to the AGM, the Scheme Mandate Limit will be re-set at 24,351,013, representing 10% of the Shares which will be in issue at the date of obtaining the Shareholders' approval of refreshing the Scheme Mandate Limit, and the Board will be allowed to grant further options under the Share Option Scheme 2001 carrying the rights to subscribe for a maximum of 24,351,013 Shares, representing 10% of the Shares which will be in issue at the date of obtaining the Shareholders' approval of refreshing the Scheme Mandate Limit.

On the basis of 243,510,133 Shares in issue as at the Latest Practicable Date, the 30% Overall Limit represents a total of 73,053,039 Shares. Accordingly, the "refreshed" Scheme Mandate Limit of 24,351,013 Shares plus the options over 6,340,000 Shares granted but not yet exercised does not exceed the 30% Overall Limit.

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## LETTER FROM THE BOARD

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Given that the amount of Shares that can be made available under options for the purpose of the Share Option Scheme 2001 is near depletion, the Share Option Scheme 2001 cannot continue to serve its intended purpose for the benefits of the Group and its Shareholders unless the Scheme Mandate Limit is “refreshed” in accordance with the rules of the Share Option Scheme 2001.

The Directors consider that it will be for the benefit of the Company and its Shareholders as a whole that the Participants are granted rights to obtain equity holdings of the Company through the grant of options under the Share Option Scheme 2001. This will motivate the Participants to contribute further to the success of the Group. For these reasons, an ordinary resolution will be proposed at the AGM for “refreshing” the Scheme Mandate Limit.

The adoption of the refreshed Scheme Mandate Limit is conditional upon:-

- (i) the Shareholders passing an ordinary resolution to approve the refreshment of the Scheme Mandate Limit on grant of options under the Share Option Scheme 2001 at the AGM; and
- (ii) the Hong Kong Stock Exchange and London Stock Exchange (to the extent that is valid and applicable) granting approval for the listing of, and the permission to deal in, the Shares to be issued pursuant to the exercise of any options granted within refreshed Scheme Mandate Limit under the Share Option Scheme 2001.

Application will be made to the Hong Kong Stock Exchange and London Stock Exchange (to the extent that is valid and applicable) for granting the listing of and permission to deal in the Shares to be issued upon exercise of options pursuant to the refreshment of the Scheme Mandate Limit.

### **6. PROCEDURE TO DEMAND A POLL**

The procedure by which Shareholders of the Company may demand a poll at a general meeting of the Company is set out herein below.

Pursuant to Bye-law 75 of the Bye-laws of the Company, a resolution put to the vote shall be decided on show of hands unless a poll is duly demanded before or upon declaration of the result of the show of hands, by:-

- (i) the Chairman of the meeting; or
- (ii) at least three members present in person or by proxy for the time being entitled to vote; or
- (iii) any member/members present in person or by proxy and representing not less than one-tenth of the voting rights of all the members having the right to vote at the meeting; or
- (iv) any member/members present in person or by proxy and holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

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## LETTER FROM THE BOARD

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### 7. NOTICE OF ANNUAL GENERAL MEETING

The AGM Notice is set out on pages 12 to 15 (inclusive) of the Circular.

A Form of Proxy is enclosed with this Circular for use at the AGM. Whether or not you choose to attend this meeting, you are requested to complete and return the enclosed Form of Proxy to the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Room 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting. Completion of a Form of Proxy will not preclude you from attending and voting at the meeting in person if you so wish.

### 8. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

### 9. RECOMMENDATIONS

The Directors consider that the general mandate to repurchase Shares and issue Shares, re-election of the retiring Directors and refresh the Scheme Mandate Limit under the Share Option Scheme 2001 are each in the best interests of the Company and its Shareholders as a whole. The Directors recommend that the Shareholders of the Company to vote in favour of these resolutions to be proposed at the AGM.

Yours faithfully  
For and on behalf of  
**VTech Holdings Limited**  
**Allan WONG Chi Yun**  
*Chairman*

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## NOTICE OF ANNUAL GENERAL MEETING

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# vtech

## VTech Holdings Limited

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 303)**

**NOTICE IS HEREBY GIVEN** that the annual general meeting of shareholders of VTech Holdings Limited (the “Company”) will be held at Elbrus Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on 5th September 2008 at 3:30 p.m. (Hong Kong time) for the following purposes:

### **ORDINARY BUSINESS**

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March 2008.
2. To declare a final dividend of US\$1 cents per share in respect of the year ended 31st March 2008.
3. (a) To re-elect Mr. Michael TIEN Puk Sun as Director;  
(b) To re-elect Dr. Patrick WANG Shui Chung as Director;  
(c) To fix the remuneration of the Directors as totalling US\$140,000 and such that each Director is entitled to US\$20,000 per annum for the year ending 31st March 2009 pro rata to their length of service during the year.
4. To re-appoint KPMG as the auditors and to authorise the Board of Directors to fix their remuneration.

### **SPECIAL BUSINESS**

Resolutions 5 to 8 will be proposed as ordinary resolutions of the Company:

5. **“THAT:**
  - (a) subject to the provisions of paragraphs (b) and (c) below, the exercise by the Directors of all the powers of the Company during the Relevant Period to repurchase ordinary shares of US\$0.05 each in the share capital of the Company on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) subject to and in accordance with all applicable laws and the provisions of, and in the manner specified in, the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange be and is hereby generally and unconditionally approved;
  - (b) the aggregate nominal amount of the shares hereby authorised to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the annual general meeting at which this resolution is passed;
  - (c) the authority hereby conferred on the Company pursuant to the approval in paragraph (a) above shall expire on the earlier of (i) the conclusion of the first annual general meeting of the Company after the date of the annual general meeting at which this resolution is passed, or (ii) such authority given under this resolution being renewed, revoked or varied by ordinary resolution of shareholders of the Company in general meeting; and

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## NOTICE OF ANNUAL GENERAL MEETING

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(d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

6. **“THAT:**

- (a) subject to the provisions of paragraphs (b) and (c) below, the exercise by the Directors of all the powers of the Company during the Relevant Period to allot, issue and deal with additional unissued shares in the capital of the Company and to make or grant offers, agreements and/or options, including warrants to subscribe for shares and other rights of subscription for or conversion into shares, which might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the share capital to be allotted, issued and dealt with by the Directors of the Company pursuant to the approval in paragraph (a) above, other than as set out in paragraph (c) below, shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the annual general meeting of the Company at which this resolution is passed and the authority conferred on the Directors pursuant to paragraph (a) above shall expire on the earlier of (i) the conclusion of the first annual general meeting of the Company after the date of the annual general meeting at which this resolution is passed, or (ii) such authority being revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, save that, in each case, such authority shall allow the Company before the expiry of such authority to make or grant offers, agreements and/or options (including warrants to subscribe for shares and other rights of subscription for or conversion into shares) which would or might require shares to be allotted and issued after the expiry of such authority and the Directors may allot, issue and deal with the shares in pursuance of such offers, agreements and/or options as if such authority conferred hereby had not expired;
- (c) the provisions of paragraph (b) above shall not apply to the aggregate nominal amount of share capital allotted and/or issued or agreed to be conditionally or unconditionally issued and/or allotted by the Directors pursuant to:
  - (i) a rights issue where shares are offered for a fixed period to shareholders in proportion to their then holdings of shares on a fixed record date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or stock exchange in, any territory applicable to the Company); or
  - (ii) any scrip dividend scheme or similar arrangements implemented in accordance with the Company’s Bye-laws; or
  - (iii) the exercise of options granted under any share option scheme or similar arrangement adopted by the Company;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (d) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors; and
- (e) for the purposes of this Resolution:
- “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; and
  - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
7. “**THAT** conditional on the passing of Resolution 5 in the notice convening this meeting, the general mandate granted to the Directors to exercise all the powers of the Company to allot, issue and deal with additional shares pursuant to Resolution 6 set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed to be conditionally or unconditionally allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 5, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution.”
8. “**THAT** with respect to the share option scheme (the “Share Option Scheme 2001”) adopted by the Company on 10th August 2001, approval be and is hereby generally and unconditionally granted for refreshing and approving the limit (the “Scheme Mandate Limit”) on the amount of the shares of US\$0.05 each in the capital of the Company (“Shares”) which may be issued upon the exercise of the options to be granted under the Share Option Scheme 2001 such that (i) the total number of the Shares which may be issued upon the exercise of all the options to be granted under the Share Option Scheme 2001 with the Scheme Mandate Limit as refreshed hereunder and under any other share option schemes of the Company shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution, and (ii) options shall be granted under the Share Option Scheme 2001, and the Share Option Scheme 2001 shall operate and take effect, on the basis of the refreshed Scheme Mandate Limit as approved by this resolution, and (iii) the options previously granted under the Share Option Scheme 2001 and other share option schemes of the Company (including any options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme 2001 or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed hereby; and **THAT** any director of the Company be and is hereby authorised to take any step as he may consider to be necessary, desirable or expedient in connection with the refreshment of the Scheme Mandate Limit and to grant options to subscribe for Shares up to the refreshed Scheme Mandate Limit under the Share Option Scheme 2001 and to exercise all powers of the Company to allot, issue and deal with shares of the Company pursuant to the exercise of such options.”

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

Hong Kong, 21st July 2008



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## NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

1. At the AGM, the Chairman of the Meeting will exercise his power under Bye-law 75 of the Company's Bye-laws to put each of the above resolutions to the vote by way of a poll.
2. Any member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. To be valid, the form of proxy must be deposited with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Room 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the AGM or any adjournment thereof.
4. The Register of Members of the Company will be closed from 29th August 2008 to 5th September 2008 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates should be lodged with Computershare Hong Kong Investor Services Limited of Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. (Hong Kong time) on 28th August 2008.