

VTECH HOLDINGS LIMITED

AUDIT COMMITTEE CHARTER

1) Formation

The Audit Committee (the “Committee”) was formed on 26 March 1999 pursuant to a resolution passed by the board of directors of the Company (the “Board”) on the same date.

2) Purpose

The purpose of the Committee is to assist the Board in fulfilling its overseeing responsibilities for the financial reporting, risk management, evaluation of internal control system and auditing processes. The Committee also ensures that the Company and its subsidiaries (the “Group”) comply with all applicable laws, regulations and the code of conduct policies.

3) Composition

The Committee shall consist of at least three Independent Non-executive Directors (“INED”). The Board shall appoint Committee members and shall designate one of the members as the Chairman of the Committee.

4) Frequency of meeting

The Committee shall meet at least twice a year, with an authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting, in person or via telephonic or video-conferencing.

5) Meeting procedures

- (a) Proceedings of meetings of the Committee shall be governed by the provisions of the Bye-laws of the Company. Quorum of meeting shall not be less than two Committee members, and each Committee member in the meeting shall carry one vote.
- (b) The Committee members shall also appoint the secretary to the Committee from time to time. The Head of Internal Audit will be invited to attend all meetings to be conducted by the Committee.
- (c) The Committee shall invite other members of management and external auditor or professionals to attend meetings and provide pertinent information, as necessary. It may hold private meetings with external auditor.
- (d) The secretary to the Committee is responsible for preparation of meeting agenda and minutes. Meeting agenda shall be provided in advance to members, along with appropriate briefing materials.

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6) Responsibilities

The Committee shall carry out the following responsibilities:

(a) Financial Information

- i) To monitor the integrity of the Group's financial statements, annual report and accounts, half-year report and to review significant financial reporting judgments contained in them, and review these reports for submission to the Board.
- ii) In performing the above review, members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Group's external auditor; and the Committee should consider any significant or unusual items that are, or may need to be, reflected in such report and accounts, it should give due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or external auditor.

(b) Financial Reporting System and Internal Control

- i) To consider the effectiveness of the Group's internal control over annual and interim financial reporting and risk management system.
- ii) To review the internal audit findings, external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response.
- iii) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- iv) To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system and adequate control procedures are in place in mitigating all major risks, including the material risks relating to Environmental, Social and Governance ("ESG") of the Group. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions, as well as those relating to the Group's ESG performance and reporting.
- v) To consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings.
- vi) To review the Group's financial and accounting policies and practices.
- vii) To review the draft representation letter prior to approval by the Board.

(c) Internal Audit

- i) To review and monitor the internal audit function's effectiveness.
- ii) To ensure that internal audit function has appropriate standing within the Group and there are no unjustified restrictions or limitations.
- iii) To ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's internal audit function.

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(d) External Audit

- i) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.
- ii) To be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal of that external auditor.
- iii) To consider appropriateness of prior approval of non-audit services (other than tax-related services) provided by the external auditor.
- iv) On a regular basis, to meet separately with the external auditor to discuss any matters that the Committee believes should be discussed privately.
- v) To act as the key representative body for overseeing the Group's relation with the external auditor.

(e) Corporate Governance

- i) To review and monitor the Group's policies and practices on corporate governance ("CG") on compliance with Appendix 14 (CG Code) of the Listing Rules of The Stock Exchange of Hong Kong Limited ("Exchange") and other related rules and make recommendations to the Board.
- ii) To review and monitor the training and continuous professional development of Directors and senior management that are relevant to the development of the Group's business and the Director's duties and responsibilities.
- iii) To review and monitor the Group's policies and practices to ensure compliance with legal and regulatory requirements, and to review the results of investigation and follow-up of any instances of non-compliance, the findings of any examinations by regulatory agencies, and any auditor observations.
- iv) To review and monitor the code of conduct and compliance manual in relation to the CG matter (if any) applicable to employees and Directors.
- v) To review the annual CG Report for the Board's consideration and approval.

(f) Other Responsibilities

- i) To evaluate the Committee's performance and review its Charter from time to time.
- ii) To review arrangements under the existing whistleblowing policy about how the employees of the Group and those who deal with the Group (e.g. customers and suppliers) can raise concerns, in confidence and anonymity, about possible improprieties in any matter related to the Group, with the Committee. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- iii) To agree with the Board's policy relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The Committee will consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of an audit.
- iv) To consider other topics, as requested by the Board.

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7) Authority

The Committee has authority to conduct or authorise investigations into any matters within its scope of responsibility and should be provided with sufficient resources to perform its duties. It is empowered to:

- (a) retain outside counsel, accountants or others to advise the Committee or assist in the conduct of an investigation;
- (b) seek any information it requires from employees – all of whom are directed to cooperate with the Committee’s request – or external parties; and
- (c) meet with the Group officers, external auditor, outside counsel, as necessary.

8) Reporting requirements

- (a) To report to the Board on decisions or recommendations made; and
- (b) To describe the Committee’s composition, responsibilities, and how they were discharged and any other information required by the Exchange Listing Rules in the annual report.

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