



**VTech Holdings Limited**  
*(Incorporated in Bermuda with limited liability)*  
(Stock code: 303)

**Continuous Disclosure Policy**

**1. Purpose**

Pursuant to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Exchange”), VTech Holdings Limited (the “Company” or “VTech”) is bound by a continuing obligation in a number of areas<sup>1</sup>. The objectives of the relevant Listing Rules<sup>2</sup> are primarily to ensure the maintenance of a fair and orderly market in securities and that all users of the market have simultaneous access to the same information.

This Policy is aimed to assist employees of VTech and its subsidiaries (collectively the “Group”) to monitor certain relevant aspects of the Group so that potentially price sensitive information/transactions (“Inside Information” and as defined further in paragraph 2.2 below) can be promptly brought to the attention of the Company’s board of directors (the “Board”) and enable the Board to decide make timely decisions on disclosure.

Through the implementation and enforcement of this Policy, VTech is able to demonstrate its commitments to comply with the disclosure requirements under the applicable laws and rules and prevailing best practices, and to prevent inadvertent or selective disclosure of Inside Information and/or potential Inside Information so that its shareholders and the public will be provided with full, accurate and timely information about the Group’s activities and its financial condition.

This Policy takes effect in May 2022 and supersedes the last preceding version issued on 1 January 2013.

This Policy applies to the Company’s executive directors, heads and senior management team of each product line of the Group, the Group Chief Financial Officer, the Company Secretary, the Chief Compliance Officer (the “CCO”), and particular members of the management staff who are most likely to be in possession of, or became aware of, Inside Information. All Company staff shall be made aware of the existence of the Policy, and shall observe and comply with it so that they can assist with the reporting of potential Inside Information to the appropriate persons within the Company.

**2. Continuous Disclosure**

**2.1 Disclosure**

Under Inside Information Provisions, VTech must as soon as reasonably practicable after any Inside Information has come to its knowledge<sup>3</sup>, disclose the information to the public. The disclosure is to be made by way of the electronic

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<sup>1</sup> Major areas include: (1) general obligations of disclosure including those relating to the disclosure of information necessary to avoid a false market in the issuer’s securities and inside information under Part XIVA of the Securities and Futures Ordinance (“Inside Information Provisions”), and (2) response to enquiries made of the issuer by the Exchange concerning unusual movements in the price or trading volume of its listed securities, the possible development of a false market in its securities, or any other matters.

<sup>2</sup> Chapter 13 Equity Securities / Continuing Obligations

<sup>3</sup> Effectively, when the information has, or ought reasonably to have, come to the knowledge of any of its officers (a director, manager, secretary or any other person involved in the management) in the course of performing his functions as an officer.

publication system operated by the Exchange and through VTech's website. If VTech breaches a disclosure requirement, each of its officers could be held personally responsible if his intentional, reckless or negligent conduct has led to the breach, or if he failed to take all reasonable measures to prevent such a breach<sup>4</sup>.

According to the Listing Rules, VTech is obliged to make disclosure:

- a. where in the view of the Exchange there is/ likely to be a false market in VTech's securities, VTech must, as soon as reasonably practicable after consultation with the Exchange, announce the information necessary to avoid a false market in its securities<sup>5</sup>;
- b. where VTech is required to disclose inside information under the Inside Information Provisions, it must also simultaneously announce the information; and
- c. VTech must simultaneously copy to the Exchange any application to the Securities and Futures Commission (the "Commission") for a waiver from disclosure under the Inside Information Provisions, and promptly upon being notified of the Commission's decision copy the Exchange with the Commission's decision.

Inside Information for VTech typically includes without limitation any specific information about the Group such as information relating to any changes in VTech's directors, auditors and senior executives and any changes in the Group's corporate structure, capital structure, financial results, business and operations, as well as any substantial legal disputes and corporate actions of the Group, that is NOT generally known to that segment of the market which deals or which would likely deal in VTech's securities, and such information if so known would likely have a material effect on the value of VTech's securities.

## 2.2 Inside Information

"Inside Information" means specific information that is:

- a. about VTech, a shareholder or an officer of VTech, or the listed securities of VTech or their derivatives; and
- b. not generally known to the persons who are accustomed or would be likely to deal in the listed securities of the listed corporation but would if generally known to them be likely to materially affect the price of the listed securities.

There are three (3) key elements comprised in the concept of Inside Information. They are (a) the information about VTech must be specific; (b) the information must not be generally known to that segment of the market which deals or which would likely deal in VTech's securities; and (c) the information would, if so known be likely to have a material effect on the price of VTech's securities<sup>6</sup>.

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<sup>4</sup> Any breach of the statutory disclosure obligation would expose VTech and/or its officer(s) to the risk of civil sanctions, including a regulatory fine not exceeding HK\$8 million.

<sup>5</sup> The disclosure obligation exists whether or not the Exchange makes enquiries. If VTech believes that there is likely to be a false market in its listed securities, it must contact the Exchange as soon as reasonably practicable.

<sup>6</sup> Please refer to the Commission's Guidelines on Disclosure of Inside Information (June 2012) (the "Commission Guidelines") on how these elements are interpreted and applied by the Commission.

### 2.3 Exceptions to Continuous Disclosures

Disclosure of Inside Information will not necessarily be made by VTech if:

- a. the disclosure is prohibited under, or would constitute a breach of a court order or an enactment;
- b. the information concerns an incomplete proposal or negotiation<sup>7</sup>;
- c. the information is a trade secret<sup>7</sup>;
- d. the information relates to the provision of liquidity support from the Exchange Fund of the Government of the HK Special Administrative Region, or an institution which performs the functions of a central bank to VTech or the Group<sup>7</sup>; or
- e. a specific waiver is granted by the Commission as it is satisfied that the disclosure would contravene foreign legislation/a foreign court order/a restriction imposed by a foreign law enforcement agency or a foreign government authority<sup>7</sup>.

### 2.4 Confidential Information

VTech has imposed a strict prohibition against any unauthorised use of confidential or Inside Information. Such prohibition is contained in VTech's Code of Conduct which applies to all directors, management staff and employees. VTech restricts access to Inside Information to a limited number of employees on a need-to-know basis to ensure that employees who are in possession of Inside Information are fully conversant with their obligations to preserve confidentiality.

VTech adopts appropriate confidentiality arrangements such as the use of non-disclosure agreements ("NDAs") when it enters into significant negotiations. Should confidential information become public without the Company's permission, the Board will review whether any Inside Information or associated information should be disclosed immediately to the market. Equal care also applies when the Company enters into non-disclosure agreements ("NDAs") that prohibit it from disclosing sensitive information because neither the Listing Rules nor the applicable law recognise the existence of a NDA as a legitimate excuse for not making a disclosure.

Potential Inside Information must be subject to on-going assessment as to whether or not it must be disclosed. Where confidentiality has been lost and hence the relevant exception referred to in paragraph 2.3 ceases to apply, the Company will need to make the relevant disclosure as soon as reasonably practicable.

## 3. Authorised Spokespersons and Representatives

VTech's authorised spokesperson is the Chairman, or in his absence, his designated delegate.

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<sup>7</sup> These apply only if VTech has taken reasonable precautions to preserve the confidentiality of the Inside Information and confidentiality is in fact preserved.



The only persons authorised to communicate with the Exchange in relation to VTech's affairs are our authorised representative(s) who currently are the Chairman and the Company Secretary of the Company. If neither the Chairman nor the Company Secretary is available to communicate with the Exchange, the alternate to the Chairman or the Company Secretary will be the authorised person to communicate with the Exchange.

Where an announcement or comment is to be made to the Exchange in compliance with VTech's continuous disclosure obligations, only the Board has the authority to approve and release the announcement.

No employee of the Company is permitted to comment or disclose publicly on confidential matters or information that constitutes or may potentially constitute Inside Information of the Company. As a general guide, any information which is not public should be treated by the employees as confidential until publicly released. If any employee or officer of the Group receives a request for comment on VTech's business from a third party, that person must advise the third party that he is not authorised to speak on behalf of VTech and also refer the enquiry to the CCO.

## **4. Making Disclosures**

### **4.1 Steps**

We apply these three (3) steps in making disclosure:

- determining whether the information in question constitutes Inside Information and requires immediate disclosure
- monitoring information disclosure having regard to the Listing Rules requirements and the Inside Information Provisions
- disseminating information to our shareholders and other stakeholders.

In determining whether certain information constitutes Inside Information, VTech adopts an upward reporting approach to escalate information to the Board.

For example, in the case of information concerning business development, the staff of the individual product lines have the obligation to notify the respective senior management of the relevant individual product line, of any potential transactions or developments of business which may give rise to disclosure obligations at the Company level. The heads of individual product line will then notify the CCO to assess such information. If appropriate, the CCO will consider the information with external legal adviser, and to determine whether it is necessary to provide the information to the Board. The heads and senior management of the individual product lines are responsible for providing the CCO with adequate, reliable and timely information which will enable the CCO to assess, and to the Board to make an informed decision on whether the information about the transaction or developments in question are likely to be Inside Information taken into account of the materiality of transaction, and that announcement is required to be made immediately.

Meetings and discussions concerning the assessment of Inside Information will be held among the Board and senior management to discuss potential disclosure issues and also ensure ongoing compliance with this Policy. The Company Secretary will be responsible for maintaining a record/an audit trail of the relevant meetings and discussions.

#### **4.2 Unusual Share Price Movements**

It is VTech's policy and practice to respond promptly to any enquiries made by the Exchange concerning unusual movements in the price or trading volume of its securities.

When there are unusual movements in the price or trading volume in VTech shares, the Company Secretary will inform the Board which will then consider whether there is any matter that may be influencing the share price movements and whether any disclosure obligation may have been triggered.

#### **4.3 Price Sensitive Information**

The guiding principle is that information which is expected to be price sensitive will be considered as Inside Information for which announcement shall be made as soon as reasonably practicable after it becomes known to the relevant officer of the Company who should, without delay, escalate such information to the CCO. The CCO will if necessary, consider the information in consultation with external legal adviser, and, if determine it is necessary and appropriate, provide the information to the Board. In cases where a decision by the Board is pending or in cases of incomplete proposals or negotiations and trade secret, the Company will implement and apply strict procedures to maintain the confidentiality of the information. Until an announcement is made, the heads/senior management of the relevant product line(s) should ensure that such information is kept strictly confidential. Where it is determined that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, an announcement will be made as soon as reasonably practicable.

There are many events and circumstances which may affect the share price of the Company. The Board believes that it is vital for the Company to make a prompt assessment of the likely impact of these events and circumstances on its share price, and to decide consciously whether the event or the circumstances constitute Inside Information that needs to be disclosed. The Company maintains and regularly reviews a list of events or circumstances to identify factors and developments which may give rise to the emergence of Inside Information (the current list is set out in the Appendix<sup>8</sup>). It is the materiality of the information in question that needs to be considered in the review. Reference should also be made to the Group Approval Policy which designates certain corporate, operational and financial events/matters requiring directors' approval.

VTech also maintains communication with external legal advisers so as to allow their involvement at short notice in the assessment of the potential price sensitivity of suspected Inside Information and if disclosure is required, in the preparation of the announcement.

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<sup>8</sup> Paragraph 35 of the Commission Guidelines

#### **4.4 Blackout**

To protect against inadvertent disclosure of Inside Information, VTech will not discuss financial performances, analysts estimates and forecasts with the media, analysts and investors during the period of thirty (30) days immediately preceding the publication of its interim and annual results unless the information have already been disclosed to the Exchange. In any other case, any discussions with the media, analysts and investors will need to follow the guidelines in paragraph 5 below.

### **5. Dealing with Enquiries**

In disseminating Inside Information, VTech has established and implemented procedures for responding to external enquiries (including those from shareholders, analysts, the media and other stakeholders) about the Group's affairs. The Corporate Marketing Department (the "CMD") is authorised to coordinate the communications to be made in response to enquiries covering more than one area or issue. Further, if a piece of Inside Information concerns an individual manager or officer, that manager or officer should not make any disclosure of such information, nor should he respond to or comment on any enquiry relating to such information, without following the requirements of this Policy.

#### **5.1 Shareholders**

VTech aims to present a clear and balanced assessment of its financial position and prospects to its shareholders. Financial results are announced as early as possible, and audited annual financial statements are published within three (3) months of the end of the financial year. Interim financial statements are published within two (2) months of the end of the half year period.

#### **5.2 Meetings/Briefings with Analysts and the Media**

An investor briefing session and a press conference on VTech's financial results and operational performance are normally organised for investors, shareholders and the media in the afternoon of the day when the Company announces its interim or annual results. The investor briefing session is archived and the recording is posted on VTech's website as soon as reasonably practicable.

The CMD will ensure the presentation materials are reviewed by the heads of the relevant product line(s) in advance before they are released at the investor briefing session and the press conference for the results announcements. It will also keep a record of briefings and discussions with analysts or the media for checking the correctness of the information published by the analysts and the media afterwards.

VTech considers that one-on-one discussions and meetings with investors are an important part of proactive investor relations. The CMD will only discuss public information in such meetings.

The CMD reviews all the research reports and news report regarding VTech that come to its attention. For matters that require the Board's attention, the CMD will circulate copies of the relevant materials to the Board. As a general rule, the Company makes no comment on analysts' financial projections or opinions. Where an analyst report contains inaccurate information, the Company through CMD will inform the analyst of the correct information if that information is already in the public domain and not price sensitive. If we are aware of unpublished price sensitive information that would correct a fundamental misconception in the report, the Company may consider making public disclosure of such data.



Press releases about significant issues or major development of the Group's business will be disseminated to the media by the CMD via newswire or email. Those press releases will need to be approved by the heads of the relevant product line(s). An electronic copy of the press release will be posted on VTech's website.

All media enquiries will be referred to the CMD for centralised handling. Senior management of overseas subsidiaries will inform the CMD of any news report which may impact the position of VTech and its share price. The CMD should escalate such information to the CCO and the Company Secretary if it is considered to be price sensitive.

The CMD has in place procedures for responding to market rumours, leaks and inadvertent disclosures. When it encounters questions from the media about rumours circulating in the market or where the media is pressing for unannounced possible price sensitive information, the CMD will inform the CCO so that an assessment can be made on whether the rumours are accurate and any relevant Inside Information has been leaked. The CCO will inform the Board of the assessment so that the Board may then decide whether to make an announcement in order to ensure that the correct information is made widely available to the public.

### **5.3 Other Stakeholders**

Publications by industry regulators, government departments, rating agencies or other bodies may affect the price of, or market activity in, the securities of the Company. When these materials become public knowledge that is expected to have significant and direct consequences on the Company, they may be regarded as Inside Information that should be disclosed by the Company after an assessment of their likely impact.

## **6. Non-Compliance**

Strict compliance with this Policy is a condition of employment or in the case of an engagement other than an employment, a material term of the engagement. Breaches of this Policy by an employee will entail disciplinary action which may include termination of employment, or by a non-employee, the termination of the engagement. In either case, if a breach of the Policy constitutes non-compliance of the Inside Information Provisions by the individual, the statutory penalties will apply.

## **7. Contact Details**

Any question regarding this Policy shall be addressed to VTech's CCO at 23/F., Tai Ping Industrial Centre, Block 1, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong or by email to [cco@vtech.com](mailto:cco@vtech.com).

## **8. Review**

The Board has approved this Policy and will undertake periodic reviews of its contents and related procedures having regard to the regulatory requirements and the expectations of VTech's shareholders and other stakeholders.

May 2022



## Appendix

### List of Factors and Developments

The following list is purely indicative, and shall not be treated as definitive or exhaustive under any circumstances.

- Changes in performance or the expectation of the performance of the business
- Changes in financial condition e.g. cashflow crisis or credit crunch
- Changes in directors and senior management
- Changes in directors' service contracts
- Changes in auditors or any other information related to the auditors' activity
- Changes in the share capital e.g. new share placing, bonus issue, rights issue, share split, share consolidation and capital reduction
- Issue of debt securities, convertible instruments, options or warrants to acquire or subscribe for securities
- Takeovers and mergers
- Purchase or disposal of equity interests or other major assets or business operations
- Formation of a joint venture
- Restructurings, reorganizations and spin-offs that have an effect on VTech's assets, liabilities, financial position or profits and losses
- Decisions concerning buy-back programmes or transactions in other (if any) listed financial instruments
- Changes to the memorandum and articles
- Filing of winding up petitions, the issuing of winding up orders or the appointment of provisional receivers or liquidators
- Material legal disputes and proceedings
- Revocation or cancellation of credit lines by major banks
- Changes in value of assets (including advances, loans, debts or other forms of financial assistance)
- Insolvency of material debtors
- Significant reduction of real properties' values
- Physical destruction of uninsured goods
- New licences, patents, registered trademarks with estimated major impact on business
- Significant decrease or increase in value of financial instruments in portfolio which include financial assets or liabilities arising from futures contracts, derivatives, warrants, swaps protective hedges, credit default swaps
- Significant decrease in value of patents or rights or intangible assets due to market innovation
- Receiving acquisition bids for relevant assets
- Innovative products or processes
- Changes in expected earnings or losses
- Cancellation or changes to orders received from major customers
- Withdrawal from or entry into new core business areas
- Changes in the investment policy
- Changes in the accounting policy
- Ex-dividend date, changes in dividend payment date and the amount or changes in dividend policy
- Pledge of VTech shares by controlling shareholders
- Changes in a matter which was the subject of a previous announcement