
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this document, 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 document.

For shareholders of the Company whose shares in the Company are registered on the UK branch register, if you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other independent professional adviser authorised under the UK Financial Services Act 1986 immediately.

For shareholders of the Company whose shares in the Company are registered on the Hong Kong branch register, if you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser immediately.

If you have sold or transferred all your shares in VTech Holdings Limited, you should at once hand this document, together with the enclosed form of proxy, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

vtech
VTech Holdings Limited
(Incorporated in Bermuda with limited liability)

**GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES
AND
NOTICE OF ANNUAL GENERAL MEETING**

A letter from the Chairman of VTech Holdings Limited is set out on pages 3 to 8 (inclusive) of this document. A notice convening the annual general meeting of VTech Holdings Limited to be held at Lotus Room, 6th Floor, The Marco Polo Hongkong Hotel, Harbour City (near Star Ferry Pier), 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 3:30 p.m. (Hong Kong time) on 9th August, 2002 is set out on pages 9 to 11 (inclusive) of this document.

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 if you so wish.

8th July, 2002

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Chairman	
Introduction	3
General Mandate to Repurchase Shares	4
General Mandate to Issue Shares	7
Recommendation	8
Notice of Annual General Meeting	8
Notice of Annual General Meeting	9

DEFINITIONS

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

“1991 Share Option Scheme”	the share option scheme adopted by the Company on 24th September, 1991
“2001 Share Option Scheme”	the share option scheme adopted by the Company on 10th August, 2001
“AGM”	the annual general meeting of the Company convened to be held on Friday, 9th August, 2002 at 3:30 p.m. (Hong Kong time)
“AGM Notice”	notice of the AGM, which is set out on pages 9 to 11 (inclusive) of this document
“Board”	the board of Directors from time to time
“Companies Act”	the UK Companies Act 1985 (as amended)
“Company”	VTech Holdings Limited, an exempted company incorporated in Bermuda under the Companies Act 1981 of Bermuda, 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 the independent non-executive directors, of the Company from time to time
“Group”	the Company and its subsidiaries from time to time
“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 Shops 1712–1716, 17th 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”	8th July, 2002, 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

DEFINITIONS

“Share(s)”	ordinary share(s) of US\$0.05 each in the share capital of the Company
“Shareholders”	holders of Shares
“UK”	United Kingdom of England, Wales, Scotland and Northern Ireland
“UK branch register”	the register of members held in the UK by Capita IRG Plc of Bourne House, 34 Beckenham Road, Kent BR3 4TU, DX91750, Beckenham West, United Kingdom
“UK Listing Rules”	the rules and regulations made by the UK Listing Authority under Part IV of the Financial Services Act 1986 as amended from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

vtech

VTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Directors:

Allan WONG Chi Yun (*Chairman*)
Albert LEE Wai Kuen (*Deputy Chairman*)
Paddy LAW Wai Leung (*Group Chief Executive Officer*)
Raymond CH'IEN Kuo Fung*
William FUNG Kwok Lun*
Michael TIEN Puk Sun*
Patrick WANG Shui Chung*

* *Independent Non-Executive Director*

Registered Office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Office in Hong Kong:

23rd Floor
Tai Ping Industrial Centre
Block 1, 57 Ting Kok Road
Tai Po, New Territories
Hong Kong

8th July, 2002

*To the shareholders and for information only,
the holders of warrants
of VTech Holdings Limited*

Dear Sir or Madam,

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES, AND NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

At the AGM, notice of which is set out on pages 9 to 11 (inclusive) of this document, resolutions will be proposed to approve the following:

- (i) the grant to the Directors of a general mandate to repurchase fully paid-up Shares;
- (ii) the grant to the Directors of a general mandate to allot, issue and otherwise deal with Shares representing up to 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the resolution; and
- (iii) the grant to the Directors of a general authority to allot, issue and otherwise deal with Shares of the aggregate nominal amount of the Shares repurchased under the repurchase mandate.

The purpose of this document is to explain the proposed resolutions.

LETTER FROM THE CHAIRMAN

GENERAL MANDATE TO REPURCHASE SHARES

The previous general mandate granted to the Directors at the annual general meeting of the Company held on 10th August, 2001 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 on the date of the annual general meeting of the Company next following the AGM, or fifteen months from the date of the AGM, 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 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 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 225,527,133 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 22,552,713 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 and warrants to subscribe for Shares that are outstanding is 21,745,000 being equivalent to approximately 9.64% 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 meeting was also carried out in full following the AGM the percentage would increase to approximately 12.05%.

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

LETTER FROM THE CHAIRMAN

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, 2002, (being the date to which the latest published audited consolidated accounts 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 a material 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 middle market quotation of those Shares as derived from the London Stock Exchange Daily Official List for the five dealing 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.

Funding of Repurchases

The Company is empowered by its memorandum of association and bye-laws to repurchase its Shares. Purchases of Shares must be funded out of funds legally available for the 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 not later than 9:30 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 the Company Announcements Office 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 day on which the repurchase took place.

LETTER FROM THE CHAIRMAN

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 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 Code on Takeovers and Mergers (the "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 Code.

As at the Latest Practicable Date, the total issued share capital of the Company was 225,527,133 Shares and Mr. Allan WONG Chi Yun ("Mr. WONG") and his associates, the controlling shareholders of the Company, held an aggregate of 92,976,666 Shares representing a approximately 41.23% interest in the Company. If the repurchase of Shares under the mandate was carried out in full, the shareholding percentage of Mr. WONG and his associates would increase to approximately 45.81% and would then be obligated to make a mandatory offer for the securities of the Company under Rule 26 of the Code. However, the Directors do not propose to exercise the General Mandate to Repurchase Shares to such extent as would, in the circumstances, cause Mr. WONG and his associates to become obligated to make a mandatory offer under Rule 26 of the Code.

LETTER FROM THE CHAIRMAN

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:

	PER SHARE	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
July	3.825	2.925
August	3.200	2.700
September	2.800	1.980
October	3.375	2.200
November	5.550	3.100
December	6.500	5.300
2002		
January	9.350	5.200
February	11.000	7.050
March	11.750	9.950
April	11.350	8.500
May	9.950	8.700
June	9.550	7.100

During each of 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.

GENERAL MANDATE TO ISSUE SHARES

The previous general mandate granted to the Directors at the annual general meeting of the Company held on 10th August, 2001 to exercise the powers of the Company to allot, issue and deal with Shares will expire at the AGM.

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 20% of the aggregate nominal amount of the share capital of the Company in issue at the date the resolution is passed and as enlarged by the allotment and issue of Shares upon the grant of options and the allotment and issue of Shares upon the exercise of options pursuant to the 1991 Share Option Scheme and the 2001 Share Option Scheme. As at the Latest Practicable Date, there were in issue an aggregate of 225,527,133 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 45,105,426 further new Shares. In addition, if Resolution 6 is passed, authorising the repurchase of Shares by the Company, Resolution 7 set

LETTER FROM THE CHAIRMAN

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 2003, fifteen months after the date of the AGM, 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-emption 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.

RECOMMENDATION

The Directors consider that the general mandate to repurchase Shares and the general mandates to allot, issue and deal with Shares are each in the best interests of the Company and its shareholders as a whole. The Directors recommend that the shareholders of the Company vote in favour of these resolutions at the AGM. Those Directors who are also shareholders of the Company intend to vote in favour of the resolutions.

NOTICE OF ANNUAL GENERAL MEETING

The AGM Notice is set out on pages 9 to 11 (inclusive) of this document.

A form of proxy is enclosed with this document 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 23rd Floor, Tai Ping Industrial Centre, Block 1, 57 Ting Kok Road, New Territories, 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.

Yours faithfully,
Allan WONG Chi Yun
Chairman

vtech

VTech Holdings Limited

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of VTech Holdings Limited (the “Company”) will be held at 3:30 p.m. (Hong Kong time) on Friday, 9th August, 2002 at Lotus Room, 6th Floor, The Marco Polo Hongkong Hotel, Harbour City (near Star Ferry Pier), 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong in order to consider the following business:

ORDINARY BUSINESS

1. “THAT the Audited Financial Statements and the Reports of the Directors and Auditors of the Company for the year ended 31st March, 2002 be received.”
2. “THAT the retiring director(s) pursuant to bye-law 94 and bye-law 112 of the bye-laws of the Company (the “Bye-laws”) be re-elected.”
3. “THAT the remuneration of the directors of the Company be determined.”
4. “THAT PricewaterhouseCoopers be re-appointed as the auditors of the Company to hold office until the conclusion of the next annual general meeting and that their remuneration be determined by the board of directors of the Company (the “Directors”).”

SPECIAL BUSINESS

Resolutions 5 to 7 will be proposed as ordinary resolutions of the Company:

5. “THAT:
 - (a) subject to the provisions of paragraphs (b) to (d) below, the exercise by the Directors of all the powers of the Company to repurchase ordinary shares of US\$0.05 each in the share capital of the Company on the London Stock Exchange plc (the “London Stock Exchange”) and/or The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the shares of the Company may be listed subject to and in accordance with all applicable laws and the provisions of, in the manner specified in, the Listing Rules of the Financial Services Authority in the United Kingdom, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Share Repurchases be and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of 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;

NOTICE OF ANNUAL GENERAL MEETING

- (c) the maximum price that may be paid for each of the shares to be repurchased by the Company pursuant to the approval in paragraph (a) above is 5% above the middle market quotation of those shares as derived from the London Stock Exchange's Daily Official List for the five dealing days immediately prior to the date of repurchase of such shares and the minimum price that may be paid for each of the shares is US\$0.05 being the nominal value of the shares; and
 - (d) 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 annual general meeting of the Company to be held in 2003, or (ii) the date falling fifteen months from the date of the annual general meeting convened by the notice of which this resolution forms part or such shorter period within which the next annual general meeting of the Company is required by any applicable laws or the Company's Bye-laws to be held, or (iii) such authority given under this resolution being renewed, revoked or varied by ordinary resolution of 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 to allot, issue and deal with additional authorised and unissued shares in the capital of the Company and to make or grant offers, agreements and 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 20% 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 as enlarged by the allotment and issue of shares following the exercise of options pursuant to the 1991 Share Option Scheme and the 2001 Share Option Scheme and the authority conferred on the Directors pursuant to paragraph (a) above shall expire on the earlier of (i) the conclusion of the annual general meeting of the Company to be held in 2003, or (ii) fifteen months from the date of the annual general meeting convened by the notice of which this resolution forms part or such shorter period within which the next annual general meeting of the Company is required by any applicable laws or its Bye-laws to be held or (iii) such authority being revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, save that, in each case, this authority shall allow the Company before the expiry of this authority to make or grant offers, agreements and 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 such expiry and the Directors may allot, issue and deal with the shares in pursuance of such offers, agreements and options as if the authority conferred hereby had not expired;

NOTICE OF ANNUAL GENERAL MEETING

- (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) any share option scheme of the Company; and
- (d) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors.”
7. “THAT conditional on the passing of Resolution 6 in the notice convening this meeting, the general mandate granted to the Directors and for the time being in force 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.”

By Order of the Board
CHANG Yu Wai
Secretary

Hong Kong, 27th June, 2002

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not also be a member of the Company. To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at 23rd Floor, Tai Ping Industrial Centre, Block 1, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person if the member so wish.
2. The Registers of Members of the Company will be closed from 2nd August, 2002 to 9th August, 2002, both days inclusive, to ascertain shareholder's rights for the purpose of attending and voting at the said annual general meeting. During which period, no transfer of shares will be registered.