

**ANNUAL GENERAL MEETING SPECIAL BUSINESS** The following special business will be proposed at the annual general meeting to be held on 6th August 2003:

1. the grant to the directors of the Company a general mandate to repurchase shares of the Company;
2. the grant to the directors of the Company a general mandate to allot, issue and deal with additional shares of the Company; and
3. the extension of the general mandate which will be granted to the directors of the Company to allot, issue and deal with additional shares of the Company by adding the number of shares repurchased under the repurchase mandate.

**AUDIT COMMITTEE** The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the audited financial statements for the year ended 31st March 2003. The Audit Committee also received reports from external auditors to review the nature, scope and results of the external audit.

The members of the Audit Committee comprised Mr. Raymond CH'EN Kuo Fung, Mr. William FUNG Kwok Lun and Mr. Michael TIEN Puk Sun, the independent non-executive directors of the Company.

**CODE OF BEST PRACTICE** In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period except that certain independent non-executive directors of the Company are not appointed for a specific term.

**AUDITORS** In February 2003, PricewaterhouseCoopers resigned as auditors of the Company and KPMG were appointed as the auditors of the Company to fill the casual vacancy caused by the resignation of PricewaterhouseCoopers until the conclusion of the next annual general meeting of the Company.

The financial statements have been audited by KPMG, who retire and, being eligible, offer themselves for re-appointment in the forthcoming annual general meeting of the Company. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

**Allan WONG Chi Yun**  
Chairman

Hong Kong, 25th June 2003



**AUDITORS' REPORT TO THE SHAREHOLDERS OF VTECH HOLDINGS LIMITED**  
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of VTech Holdings Limited and its subsidiaries ("the Group") on pages 32 to 48 which have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS** These consolidated financial statements are the responsibility of the directors who are required to prepare financial statements which give a true and fair view. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

**BASIS OF OPINION** We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

**OPINION** In our opinion the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31st March 2003 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and the Bermuda Companies Act.

**KPMG**  
Certified Public Accountants

Hong Kong, 25th June 2003