

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



SEMTECH INTERNATIONAL HOLDINGS LIMITED

先科國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 724)

**PLACING OF EXISTING SHARES
AND
SUBSCRIPTION OF NEW SHARES
UNDER GENERAL MANDATE**

AND

RESUMPTION OF TRADING

Placing Agent



VC CEF BROKERAGE LIMITED
滙盈加怡證券有限公司
A wholly-owned subsidiary of Value Convergence Holdings Limited

VC CEF Brokerage Limited

Placing of existing Shares and subscription of new Shares

On 12 May 2004, Smart Number entered into (1) the Placing Agreement with the Placing Agent and (2) the conditional Subscription Agreement with the Company respectively. Pursuant to the Placing Agreement, Smart Number agreed to place, through the Placing Agent, 20,000,000 Placing Shares to not less than six independent investors at a price of HK\$1.13 each. The Placing Shares are to be placed by the Placing Agent on a fully-underwritten basis. Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue, and Smart Number conditionally agreed to subscribe for the Subscription Shares at a price of HK\$1.13 each.

The Placing Shares represent about 7.34% of the existing issued share capital of the Company and about 6.84% of the issued share capital of the Company as enlarged by the Subscription.

The present shareholding of Smart Number, the controlling Shareholder, its associates and parties acting in concert with it (if any) is approximately 36.72% of the existing issued share capital of the Company. Immediately after completion of the Placing but before the Subscription, their shareholding interest in the Company will be reduced to 29.37%. Smart Number, its associates and parties acting in concert with it (if any) will hold approximately 34.20% of the enlarged issued share capital of the Company immediately after the Placing and the Subscription.

Completion of the Subscription Agreement is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares; (ii) the completion of the Placing; (iii) the Executive granting to the Subscriber and parties acting in concert with it (if any) a waiver of the obligation to make a mandatory general offer to the shareholders of the Company in respect of the Shares not already owned or agreed to be acquired by the Subscriber or any parties acting in concert with it (if any) as a result of the transaction contemplated by the Placing and the Subscription; and (iv) if required, the Bermuda Monetary Authority granting permission to allot and issue the Subscription Shares

The net proceeds from the Subscription are approximately HK\$22 million. The Company intends to use approximately HK\$6 million of the net proceeds for the purchase of plant and machineries, HK\$4 million for the purchase of electricity generators and the balance of HK\$12 million for general working capital of the Group.

Suspension and resumption of trading of the Shares

At the request of the Company, dealings in the Shares on the Stock Exchange were suspended with effect from 9:30 a.m. on 12 May 2004 pending the release of this announcement. Application has been made for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 13 May 2004.

THE PLACING AGREEMENT

1. Placing Agreement

The Placing Agreement was entered into between Smart Number and the Placing Agent on 12 May 2004. Pursuant to the Placing Agreement, Smart Number agreed to place, through the Placing Agent, 20,000,000 Placing Shares to independent investors at a price of HK\$1.13 each. The Placing Shares are to be placed by the Placing Agent on a fully-underwritten basis.

The Placing Agent is not a connected person (as defined in the Listing Rules) of the Company and does not own any Shares.

2. Placees

Not less than six institutional, corporate and/or individual investors who, together with their respective ultimate beneficial owners, will be third parties independent of and not connected persons (as defined in the Listing Rules) of the Company. None of the placees will become a substantial Shareholder immediately after completion of the Placing and the Subscription and none of the placees will be parties acting in concert with Smart Number.

3. Placing price

HK\$1.13 per Placing Share, representing a discount of approximately 5.04% to the closing price of HK\$1.19 per Share as quoted on the Stock Exchange on 11 May 2004, being the last trading day before the publication of this announcement, and a discount of approximately 2.59% to the average closing price of the Shares of approximately HK\$1.16 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 11 May 2004. The placing price was arrived at after arm's length negotiation and on commercial terms between the Company and the Placing Agent.

4. Number of Shares to be placed

20,000,000 existing Shares are to be placed, representing about 7.34% of the existing issued share capital of the Company of 272,500,000 Shares and about 6.84% of the issued share capital of the Company of 292,500,000 Shares as enlarged by the Subscription.

5. Completion of the Placing

The Placing Agreement is unconditional. Completion of the Placing will take place on 17 May 2004 or such other date as may be agreed between the Placing Agent and Smart Number in writing.

THE SUBSCRIPTION AGREEMENT

1. Subscription Agreement

On 12 May 2004, the Company and Smart Number entered into the Subscription Agreement pursuant to which the Company conditionally agreed to allot and issue, and Smart Number conditionally agreed to subscribe for the Subscription Shares at a price of HK\$1.13 each.

2. The subscriber

The present shareholding of Smart Number, the controlling Shareholder, its associates and parties acting in concert with it (if any) is approximately 36.72% of the existing issued share capital of the Company. Immediately after completion of the Placing but before the Subscription, their shareholding interest in the Company will be reduced to 29.37%. Smart Number, its associates and parties acting in concert with it (if any) will hold approximately 34.20% of the enlarged issued share capital of the Company immediately after the Placing and the Subscription.

3. Subscription price

The price of the Subscription Shares of HK\$1.13 per Share, which is equivalent to the price of the Placing Shares, was determined after arm's length negotiation and with reference to the price per Placing Share.

4. Number of Shares to be subscribed

20,000,000 new Shares will be subscribed, which is same as the number of Shares placed by Smart Number and represents about 7.34% of the existing issued share capital of the Company of 272,500,000 Shares and about 6.84% of the issued share capital of the Company of 292,500,000 Shares as enlarged by the Subscription. The Subscription Shares will rank pari passu with the existing Shares.

5. Mandate to issue new Shares

The Subscription Shares will be allotted and issued under the general mandate granted to the Directors at the special general meeting of the Company held on 11 March 2004. The Directors confirm that no new Shares have been issued under such general mandate.

6. Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares; (ii) the completion of the Placing; (iii) the Executive granting to the Subscriber and parties acting in concert with it (if any) a waiver of the obligation to make a mandatory general offer to the shareholders of the Company in respect of the Shares not already owned or agreed to be acquired by the Subscriber or any parties acting in concert with it (if any) as a result of the transaction contemplated by the Placing and the Subscription; and (iv) if required, the Bermuda Monetary Authority granting permission to allot and issue the Subscription Shares.

There is no provision entitling any of the parties to the Subscription Agreement to waive any of the above conditions in the event that they cannot be satisfied.

7. Completion

Subject to the fulfillment of the above conditions, the Subscription is to be completed within 14 days after the date of the Placing Agreement, i.e. not later than 26 May 2004. If the Subscription is not completed within 14 days after the date of the Placing Agreement, the Subscription will constitute a connected transaction for the Company under the Listing Rules and Shareholders' approval will be required and the relevant provisions of the Listing Rules in relation to connected transaction will apply. Further announcement will be made by the Company if required.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

EFFECTS ON SHAREHOLDING STRUCTURE

The following table sets out the changes in the Company's shareholding structure after the Placing and the Subscription.

	Shareholding before the Placing and the Subscription		Shareholding after the Placing but before the Subscription		Shareholding after the Placing and the Subscription	
	<i>No. of shares</i>	<i>(%)</i>	<i>No. of shares</i>	<i>(%)</i>	<i>No. of shares</i>	<i>(%)</i>
Smart Number, its associates and parties acting in concert with it (if any)	100,050,000	36.72	80,050,000	29.37	100,050,000	34.20
Public	172,450,000	63.28	172,450,000	63.29	172,450,000	58.96
Placees and/or the Placing Agent	N/A	N/A	20,000,000	7.34	20,000,000	6.84
Total	<u>272,500,000</u>	<u>100.00</u>	<u>272,500,000</u>	<u>100.00</u>	<u>292,500,000</u>	<u>100.00</u>

Immediately after completion of the Placing and the Subscription, the shareholding interest of Smart Number, its associates and parties acting in concert with it (if any) will increase from about 29.37% to 34.20%. Accordingly, Smart Number will be required to make a general offer for all the issued securities of the Company not already owned or agreed to be acquired by Smart Number, its associates and parties acting in concert with it (if any). Application will be made by or on behalf of Smart Number to the SFC for a waiver under note 6 to dispensations from Rule 26 of the Takeovers Code to waive any obligations to make a general offer which may arise from completion of the Placing and the Subscription.

USE OF PROCEEDS

The Company will bear all costs and expenses of approximately HK\$600,000 in connection with the Placing and the Subscription. The net proceeds from the Subscription are approximately HK\$22 million. In order to increase the production capacity of its production facilities in Dongguan, the Company intends to use approximately HK\$6 million of the net proceeds for the purchase of plant and machineries, HK\$4 million for the purchase of electricity generators and the balance of HK\$12 million will be used for general working capital of the Group, which will be placed with interest bearing account(s) of financial institution(s) before use.

REASONS FOR THE PLACING AND SUBSCRIPTION

The Company considers that the Placing and the Subscription is necessary for the Company to raise capital to fund its ongoing business plans and that the Group, with the additional funds from the Subscription, would have additional working capital to expand its operation. In addition, the Directors consider that the Placing and the Subscription will broaden its shareholders' base and provide cash inflow, reduce the Group's gearing ratio and strengthen the financial position of the Company. Given the prevailing market conditions, the Board considers that the timing of the Placing and the Subscription is in the best interests of the Company. The Board confirms that the Group has not identified any investment opportunities for the time being.

GENERAL

The principal business activities of the Group include (i) engaging in the design, manufacture and trading of a wide range of cigarette lighters and lighter-related accessories; and (ii) manufacturing and trading of high-ends electronics components. On the other hand, the Group is also seeking investments in a broader range of sectors in order to reduce its reliance on the lighter industry in view of the intense competition in that industry. Notwithstanding the dilution effect of the Subscription and after considering and exploring other methods of funding such as issuance of debt and convertible securities, the Directors consider that the Subscription will allow the Company to obtain an additional source of finance which is less costly than bank borrowings and convertible securities with the benefit of strengthening the asset base of the Company. As such, the Board considers that the Placing and the Subscription is in the interests of the Company and the Shareholders as a whole. The Directors consider that the terms of the Placing Agreement (including an underwriting commission of 2.5% of the amount of the placing price multiplied by the number of Placing Shares to be charged by the Placing Agent) and the Subscription Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors confirm that the Group conducted one capital raising activity during the past 12 months immediately before the date of this announcement. Such capital raising activity related to the placing of existing Shares and subscription for new Shares and was announced on 13 January 2004. The net proceeds derived from such capital raising activity of approximately HK\$18.5 million has been utilised by the Company as to HK\$7 million for reduction of certain revolving loan facilities provided by banks and as to HK\$8.5 million for general working capital. The Company will apply another HK\$2 million for reduction of the revolving loan facilities provided by banks and the remaining unutilised HK\$1 million is now placed

with an interest bearing account of a financial institution as set out in the announcement. Shareholders should refer to that announcement for further details.

SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES

At the request of the Company, dealings in the Shares on the Stock Exchange were suspended with effect from 9:30 a.m. on 12 May 2004 pending the release of this announcement. Application has been made for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 13 May 2004.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“acting in concert”	has the same meaning as defined in the Takeovers Code
“Board”	the board of directors of the Company
“Company”	Semtech International Holdings Limited, a company incorporated in Bermuda with limited liability on 28 October 1997 and the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC (or any delegate of the Executive Director)
“Group”	the Company, its subsidiaries and associated company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of 20,000,000 existing Shares under the Placing Agreement

“Placing Agent”	VC CEF Brokerage Limited, a deemed licensed corporation for types 1 (dealing in securities) and 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Placing Agreement”	the agreement dated 12 May 2004 entered into between Smart Number and the Placing Agent in relation to the Placing
“Placing Shares”	20,000,000 existing Shares to be placed pursuant to the Placing
“SFC”	the Securities and Futures Commission of Hong Kong
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Smart Number”	Smart Number Investments Limited, a company incorporated in the British Virgin Islands with limited liability, being the controlling Shareholder interested in about 36.72% of the existing issued share capital of the Company. Smart Number is owned as to 40% by Mr. Wong Chong Kwong Derek, as to 40% by Ms. Lam Pik Wah and as to 20% by Mr. Lam Hung Kit, all of whom are directors of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Smart Number pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 12 May 2004 entered into between Smart Number and the Company in relation to the Subscription
“Subscription Shares”	20,000,000 new Shares to be subscribed under the Subscription Agreement

“Takeovers Code”

the Hong Kong Code on Takeovers and Mergers

By order of the Board
Semtech International Holdings Limited
Derek Wong
Chairman

As at the date of this announcement, the Board composition is set out below:

Executive Directors:

Mr. Derek WONG (*Chairman*)

Mr. LAM Yat Keung

Ms. LAM Pik Wah

Mr. LAM Hung Kit

Independent non-executive Directors:

Mr. HO Chi Fai

Mr. PAI Te Tsun

Hong Kong, 12 May 2004

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement herein misleading.

* *For identification purposes only*

Please also refer to the published version of this announcement in The Standard.