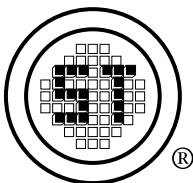


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SEMTECH INTERNATIONAL HOLDINGS LIMITED

先科國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 724)

(1) PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES, (2) PROPOSED ISSUE OF CONVERTIBLE NOTE AND (3) RESUMPTION OF TRADING

Placing Agent



VC Brokerage Limited

Placing of existing Shares and subscription of new Shares

On 2 July 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, 19,000,000 Placing Shares to not less than six independent investors at a price of HK\$1.30 each. After taking into account all the related expenses of the Placing and the Subscription payable by the Company, the net placing price is about HK\$1.27 per Placing Share. 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\$1.30 each. Completion of the Subscription is conditional upon the fulfillment of the conditions set out under the section headed "Conditions of the Subscription Agreement" below.

* *For identification purposes only*

The Placing Shares represent about 6.50% of the existing issued share capital of the Company and about 6.10% 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 about 34.20% 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 27.70%. Smart Number, its associates and parties acting in concert with it (if any) will hold about 32.12% of the enlarged issued share capital of the Company immediately after the Placing and the Subscription. 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.

Proposed issue of Convertible Note

On 5 July 2004, the Company entered into the conditional CN Agreement with VP for the issue of the Convertible Note. Completion of the CN Agreement is conditional upon the fulfillment or waiver of the conditions set out under the section headed “Conditions of the CN Agreement” below.

Upon full conversion of the Convertible Note, a total of 19,900,000 new Shares will be issued at an initial conversion price of HK\$1.30 per Share, subject to adjustments, which represent about 6.80% of the existing issued share capital of the Company and about 6.01% of the issued share capital of the Company as enlarged by the Subscription and the full conversion of the Convertible Note at the initial conversion price of HK\$1.30 per Share.

The net proceeds from the Subscription and the issue of the Convertible Note are about HK\$50 million. The Company intends to use approximately HK\$28 million of the net proceeds for purchase of machineries and equipment and the balance of HK\$22 million will be used for general working capital of the Group.

General

A circular containing further details of the CN Agreement together with the notice of the special general meeting will be despatched to the Shareholders as soon as practicable.

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 9:49 a.m. on 2 July 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 7 July 2004.

THE PLACING AGREEMENT

1. Placing Agreement

The Placing Agreement was entered into between Smart Number and the Placing Agent on 2 July 2004. Pursuant to the Placing Agreement, Smart Number agreed to place, through the Placing Agent, 19,000,000 Placing Shares to not less than six independent investors at a price of HK\$1.30 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 or its subsidiaries or any of their respective associates. 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\$1.30 per Placing Share. After taking into account all the related expenses of the Placing and the Subscription payable by the Company, the net placing price is about HK\$1.27 per Placing Share. The placing price represents a discount of about 10.34% to the closing price of HK\$1.45 per Share as quoted on the Stock Exchange on 30 June 2004, being the last trading day before the publication of this announcement, a discount of about 5.80% to the average closing price of the Shares of about HK\$1.38 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 30 June

2004, and a discount of about 3.70% to the average closing price of the Shares of about HK\$1.35 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 30 June 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

19,000,000 existing Shares are to be placed, representing about 6.50% of the existing issued share capital of the Company of 292,500,000 Shares and about 6.10% of the issued share capital of the Company of 311,500,000 Shares as enlarged by the Subscription.

5. Completion of the Placing

The Placing Agreement is unconditional. Completion of the Placing will take place on 9 July 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 2 July 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\$1.30 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 about 34.20% 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 27.70%. Smart Number, its associates and parties acting in concert with it (if any) will hold about 32.12% 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\$1.30 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

19,000,000 new Shares will be subscribed, which is the same as the number of Shares placed by Smart Number and represent about 6.50% of the existing issued share capital of the Company of 292,500,000 Shares and about 6.10% of the issued share capital of the Company of 311,500,000 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 were granted authority to allot, issue and deal with 39,000,000 Shares at the said special general meeting and only 20,000,000 Shares have been issued pursuant to the subscription agreement dated 12 May 2004 entered into between Smart Number and the Company. The Directors may allot and issue an addition of 19,000,000 Shares pursuant to the said 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 Smart Number and parties acting in concert with it (if any) a waiver of the obligation to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by Smart Number 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 16 July 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.

THE CN AGREEMENT

1. CN Agreement

On 5 July 2004, the Company entered into the CN Agreement with VP pursuant to which the Company conditionally agreed to issue, and VP conditionally agreed to subscribe or procure subscription for the Convertible Note at a consideration of HK\$25,870,000. The holder of the Convertible Note has the right to convert the Convertible Note into new Shares during a period commencing on the date after three (3) months from the date of issue of the Convertible Note and ending on the Maturity Date, at an initial conversion price of HK\$1.30 per Share, subject to adjustments. Upon full conversion of the Convertible Note at the initial conversion price, 19,900,000 new Shares will be issued, which represent about 6.80% of the existing issued share capital of the Company and about 6.01% of the issued share capital of the Company as enlarged by the Subscription and the full conversion of the Convertible Note at the initial conversion price of HK\$1.30 per Share.

2. The subscriber

VP is a company incorporated in the British Virgin Islands with limited liability whose principal business is fund management. VP will procure a fund under its management to subscribe for the Convertible Note. Both VP and the ultimate subscriber procured by VP

are independent third parties, not connected with the directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries or their respective associate(s) (as defined in the Listing Rules). Neither VP nor the ultimate subscriber procured by VP are parties acting in concert with Smart Number.

3. Principal terms of the Convertible Note

Issuer:	the Company
Conversion price:	HK\$1.30 per Share, subject to adjustments in certain events, including but not limited to, share consolidation and subdivision, capitalisation issue, capital distribution and rights issue
Interest:	2% above 3-months HIBOR (Hong Kong Inter-bank Borrowing Rate)
Conversion right:	the Convertible Note may be converted by the holder in whole or in part (in an amount not less than HK\$258,700 at any one time), at any time during a period commencing on the date after three (3) months from the date of issue of the Convertible Note and ending on the Maturity Date
Maturity:	the Company shall, unless the Convertible Note has previously been converted, repay the outstanding principal amount of the Convertible Note, together with accrued interest thereon up to and including the Maturity Date, to the noteholder on the Maturity Date. Neither the CN Agreement nor the Convertible Note contain any provision for early redemption of the Convertible Note, whether by the Company or the holder of the Convertible Note save that if the Company commits any event of default, the holder may request for an early redemption
Transfer:	the Convertible Note is freely transferable. The Company will undertake to inform the Stock Exchange if it comes to its notice that there is any dealing in the Convertible Note by any connected person(s) of the Company (as defined in the Listing Rules) or their respective associate(s)

Listing: no application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange. Application will be made to the Stock Exchange for the listing of, and permission to, deal in the Shares, which may fall to be issued upon exercise of the conversion right attaching to the Convertible Note. Shares issued upon conversion will rank pari passu in all respects with all other existing Shares in issue at the exercise date of the conversion right and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the conversion notice

4. Initial conversion price

The initial conversion price of HK\$1.30 per Shares was determined after arm's length negotiation between the Company and VP with reference to the prevailing market price of the Shares. Such price represents a discount of about 10.34% to the closing price of HK\$1.45 per Share as quoted on the Stock Exchange on 30 June 2004, being the last trading day before the publication of this announcement, a discount of about 5.80% to the average closing price of the Shares of about HK\$1.38 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 30 June 2004, and a discount of about 3.70% to the average closing price of the Shares of about HK\$1.35 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 30 June 2004.

5. Conditions of the CN Agreement

Completion of the CN Agreement is conditional upon:

- (i) the Placing Agreement becoming unconditional;
- (ii) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and VP have no reasonable objection) listing of and permission to deal in the Shares falling to be issued upon conversion of the Convertible Note;

- (iii) the Shareholders having approved the transactions contemplated in the CN Agreement and the issue of the Convertible Note and the issue and allotment of the Shares falling to be issued upon conversion of the Convertible Note or otherwise pursuant to the terms and conditions of the Convertible Note at a special general meeting;
- (iv) if required, the Bermuda Monetary Authority having approved the issue and transferability of the Convertible Note and the Shares falling to be issued upon conversion of the Convertible Note or otherwise pursuant to the terms and conditions of the Convertible Note;
- (v) there being no event existing or having occurred and no condition being existing which would be an event of default as defined in the CN Agreement; and
- (vi) the Company delivering to VP a Bermuda legal opinion confirming the legality, enforceability, validity and due execution of the Convertible Note, that the issue of the Convertible Note and the issue and allotment of the Shares falling to be issued upon conversion of the Convertible Note or otherwise pursuant to the terms and conditions of the Convertible Note comply with the requirements of applicable Bermuda law, and such other matters as VP may reasonably require.

Under the CN Agreement, there is no provision entitling any of the parties to the CN Agreement to waive conditions (ii), (iii) and (iv). If the conditions are not fulfilled (or, in respect of conditions (i), (v) and (vi) waived by VP) on or before 20 August 2004 (or such later date as may be agreed between the Company and VP), the CN Agreement shall lapse and become null and void and the parties shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

6. Completion

Subject to the fulfillment of the above conditions, completion of the CN Agreement will take place on the third business day after fulfillment or waiver (as the case may be) of all the conditions set out in the CN Agreement.

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 and the Shares falling to be issued upon conversion of the Convertible Note.

EFFECTS ON SHAREHOLDING STRUCTURE

The following table sets out the changes in the Company's shareholding structure after the Placing, the Subscription and upon full conversion of the Convertible Note at the initial conversion price of HK\$1.30 per Share.

	Shareholding before		Shareholding after		Shareholding after		Shareholding after	
	the Placing and		the Placing but		the Placing and		the Placing, the Subscription	
	the Subscription		before the Subscription		the Subscription		and upon conversion of	
	<i>No. of</i>		<i>No. of</i>		<i>No. of</i>		<i>No. of</i>	
	<i>Shares</i>	<i>App. %</i>	<i>Shares</i>	<i>App. %</i>	<i>Shares</i>	<i>App. %</i>	<i>Shares</i>	<i>App. %</i>
Smart Number, its associates and parties acting in concert with it (if any)	100,050,000	34.20	81,050,000	27.70	100,050,000	32.12	100,050,000	30.19
Public	192,450,000	65.80	192,450,000	65.80	192,450,000	61.78	192,450,000	58.07
Placees and/or the Placing Agent	N/A	N/A	19,000,000	6.50	19,000,000	6.10	19,000,000	5.73
VP or subscriber procured by VP	N/A	N/A	N/A	N/A	N/A	N/A	19,900,000	6.01
Total	<u>292,500,000</u>	<u>100.00</u>	<u>292,500,000</u>	<u>100.00</u>	<u>311,500,000</u>	<u>100.00</u>	<u>331,400,000</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 27.70% to 32.12%. 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 about HK\$700,000 in connection with the Placing, the Subscription and the issue of the Convertible Note. The net proceeds from the Subscription and the issue of the Convertible Note are about HK\$50 million. In order to increase the production capacity of its production facilities in respect of high-end electronics components, the Company intends to use approximately HK\$28 million of the net proceeds for purchase of machineries and equipment and the balance of HK\$22 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, THE SUBSCRIPTION AND THE ISSUE OF THE CONVERTIBLE NOTE

The Company considers that the Placing, the Subscription and the issue of the Convertible Note are necessary for the Company to raise capital to fund its ongoing business plans, which involve increasing the production capacity of its production facilities and that the Group, with the additional funds from the Subscription and the issue of the Convertible Note, would have additional working capital to expand its operation in relation to the manufacturing and trading of high-end electronics components. In addition, the Directors consider that the Placing, the Subscription and the issue of the Convertible Note 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, the Subscription and the issue of the Convertible Note 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 the issue of the Convertible Note and after considering and

exploring other methods of funding such as bank borrowings, the Directors consider that the Subscription and the issue of the Convertible Note will allow the Company to obtain an additional source of finance which is less costly than bank borrowings with the benefit of strengthening the asset base of the Company. As such, the Board considers that the Placing, the Subscription and the issue of the Convertible Note is in the interests of the Company and the Shareholders as a whole. The Directors consider that the terms of the Placing Agreement (including a placing and underwriting commission of 2%), the Subscription Agreement and the CN 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 two capital raising activities during the past 12 months immediately before the date of this announcement. Such capital raising activities related to the placing of existing Shares and subscription for new Shares and were announced on 13 January 2004 and 12 May 2004 respectively. The net proceeds derived from such capital raising activities of about HK\$40.5 million have been utilised by the Company as to HK\$9 million for reduction of certain revolving loan facilities provided by banks which stood at about HK\$22.3 million as at 31 December 2003, as to HK\$6 million for payment of deposit for acquiring machineries and equipment relating to the manufacturing of high-end electronics components and as to HK\$12.5 million for general working capital. The Company will apply another HK\$4 million for payment of balance for acquiring machineries and equipment and the remaining unutilised HK\$9 million is now placed with an interest bearing account of a financial institution as set out in the announcements. Shareholders should refer to the said announcements for further details.

To capture the opportunities arising from the improved investing environment in the stock market as compared with that in May 2004, the Directors decided to carry out this capital raising exercise to raise extra funding for the Group. There has not been any change to the business plans of the Company since its last capital raising exercise. The Company has always been seeking opportunities to expand its operations.

A circular containing further details of the CN Agreement together with the notice of the special general meeting will be despatched to the Shareholders as soon as practicable.

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 9:49 a.m. on 2 July 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 7 July 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
“CN Agreement”	the subscription agreement dated 5 July 2004 entered into between the Company and VP in relation to the subscription of the Convertible Note
“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
“Convertible Note”	the convertible note to be issued by the Company to VP or its nominee(s) with a principal amount of HK\$25,870,000, which entitles the holder thereof to convert into Shares at any time during a period commencing on the date after three (3) months from the date of issue of the Convertible Note up to the Maturity Date at an initial conversion price of HK\$1.30 per Share (subject to adjustments)
“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 and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling two (2) years and six (6) months after the date of issue of the Convertible Note
“Placing”	the placing of 19,000,000 existing Shares under the Placing Agreement
“Placing Agent”	VC 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 2 July 2004 entered into between Smart Number and the Placing Agent in relation to the Placing
“Placing Shares”	19,000,000 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 34.20% 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
“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 2 July 2004 entered into between Smart Number and the Company in relation to the Subscription
“Subscription Shares”	19,000,000 new Shares to be subscribed under the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“VP”	Value Partners Limited, a company incorporated in the British Virgin Islands with limited liability whose principal business is fund management
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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, 6 July 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.

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