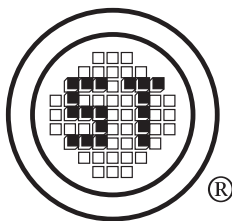


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SEMTECH INTERNATIONAL HOLDINGS LIMITED

先科國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

ANNOUNCEMENT

There has been public speculation arising out of the ICAC Press Release and the Press Reports.

According to the ICAC Press Release and/or the Press Reports, two senior executives of the Company, (one of whom is Mr. Wong) have been arrested by the ICAC and are alleged to have (1) offered bribes as rewards for a bank's senior director to purchase 6,000,000 Shares during the Third Placing; (2) bribed the managing director of a brokerage firm to purchase 5,000,000 Shares in June 2004; and (3) offered bribes to two research analysts of two securities companies for writing favourable reports on a listed company and/or the Company (as the case may be).

The Company confirms that one of the two senior executives of the Company who were arrested by the ICAC and were the subject of the ICAC Press Release and/or the Press Reports, was Mr. Wong. The other was an employee who was not a Director. A secretary formerly employed by the Group was also arrested.

The Company is in possession of limited information concerning the above-mentioned allegations of wrongdoing and is unable to draw any reliable conclusions as to whether those allegations can be substantiated.

The Company and VP entered into a termination agreement on 15th July 2004, pursuant to which the parties thereto have agreed to terminate the CN Agreement.

The Subscription Agreement has lapsed due to the non-fulfilment of conditions precedent and has ceased to have any effect from 1st August, 2004.

Mr. Wong and the other senior executive have today resigned. Mr. Wong, the former chairman and former Director of the Company, remains deemed interested in approximately 27.71% of the issued share capital of the Company through Smart Number, which is owned as to 40% by Mr. Wong, 40% by Ms. Lam Pik Wah and as to 20% by Mr. Lam Hung Kit (both being executive Directors). The other senior executive was a general manager of the Group. The secretary who was arrested by the ICAC in connection with the above-mentioned allegations resigned on 14 July 2004.

The Board (including all independent non executive directors) does not expect that the Matters, the termination of the CN Agreement or the lapse of the Subscription Agreement will have any material impact on the present day-to-day operations or financial position of the Group.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on Monday, 12th July 2004 pending publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 9 September 2004.

Shareholders and potential investors in the Company should exercise caution when dealing in the Shares.

* For identification purposes only

There has been public speculation arising out of the ICAC Press Release and/or the Press Reports. It appears from the ICAC Press Release and/or the Press Reports that the Matters refer to alleged bribery on the part of Mr. Wong and another senior executive who were alleged to have (1) offered bribes as rewards for a bank's senior director to purchase 6,000,000 Shares during the Third Placing; (2) bribed the managing director of a brokerage firm to purchase 5,000,000 Shares in June 2004; and (3) offered bribes to research analysts of two securities companies for writing favourable reports on a listed company and/or the Company (as the case may be). According to the ICAC Press Release, suspected bribe money of over \$1.5 million was seized during the operation.

Mr. Wong, the other former senior executive and a secretary employed by the Group were arrested by the ICAC in connection with the above-mentioned allegations and have been released on ICAC bail, pending further enquiries. As far as the Company is aware, none of the three arrested persons has been charged with any criminal offence. Further announcement will be made to update the Shareholders as and when appropriate.

The Company is in possession of limited information concerning the above-mentioned allegations of wrongdoing and is unable to draw any reliable conclusions as to whether those allegations can be substantiated. No member of the current board of directors knew, before the arrest of the three arrested persons, of the matters that are the subject of the allegations against them and the Board does not condone actions of the type alleged. The Board does not expect that the Matters, the termination of the CN Agreement or the lapse of the Subscription Agreement will have any material impact on the present day-to-day operations or financial position of the Group.

FUND RAISING ACTIVITIES OF THE COMPANY DURING 2004

During 2004, the Company has conducted four fund raising exercises, by way of three placings and the proposed issue of the Convertible Note to VP, an Independent Third Party. The CN Agreement was terminated on 15th July 2004. Pursuant to the Placings, Smart Number sold the Placing Shares by way of a "top-up" placing exercise. Smart Number is the single largest Shareholder holding approximately 27.71% of the issued share capital of the Company, as at the date of this announcement. Smart Number is an investment holding company and is owned as to 40% by Mr. Wong, 40% by Ms. Lam Pik Wah and as to 20% by Mr. Lam Hung Kit (both being executive Directors). The details of the fund raisings are as follows:—

- (1) Smart Number entered into a placing agreement with Kingston Securities Limited on 12th January 2004 for the placing of 30,000,000 existing Shares at HK\$0.63 per Share to not less than six independent investors and a conditional subscription agreement for the subscription of an equal number of Shares with the Company (the "First Placing"). The closing share price as quoted on the Stock Exchange on 12th January 2004, being the trading day last preceding the publication of the announcement regarding the First Placing was HK\$0.67 per Share. The average closing price of the Shares as quoted on the Stock Exchange for the last ten trading days up to and including 12th January 2004 was approximately HK\$0.45 per Share. The proceeds from the First Placing have been used in the manner stated in the announcement of the Company dated 13th January 2004. Further information of the First Placing is set out in the announcement of the Company dated 13th January 2004. The average closing price of the Shares as quoted on the Stock Exchange for the ten trading days after the announcement of the Company dated 13th January 2004 was approximately HK\$0.62 per Share.
- (2) Smart Number entered into a placing agreement with VC Brokerage Limited (formerly known as VC CEF Brokerage Limited) on 12th May 2004 for the placing of 20,000,000 existing Shares at HK\$1.13 per Share to not less than six independent investors and a conditional subscription agreement for the subscription of an equal number of Shares with the Company (the "Second Placing"). The closing share price as quoted on the Stock Exchange on 11th May 2004, being the trading day last preceding the publication of the announcement regarding the Second Placing was HK\$1.19 per Share. The average closing price of the Shares as quoted on the Stock Exchange for the last ten trading days up to and including 11th May 2004 was approximately HK\$1.16 per Share. The proceeds from the Second Placing have been used in the manner stated in the announcement of the Company dated 12th May 2004. Further information of the Second Placing is set out in the announcement of the Company dated 12th May 2004. The average closing price of the Shares as quoted on the Stock Exchange for the ten trading days after the announcement of the Company dated 12th May 2004 was approximately HK\$1.20 per Share.
- (3) Smart Number entered into a placing agreement with VC Brokerage Limited (formerly known as VC CEF Brokerage Limited) on 2nd July 2004 for the placing of 19,000,000 existing Shares at HK\$1.30 per Share to not less than six investors (who were under the terms of the agreement required to be independent of the Company and its directors, chief executive, substantial shareholders and their respective associates) and a conditional Subscription Agreement for the subscription of the equal number of Shares with the Company (the "Third Placing"). The closing share price as quoted on the Stock Exchange on 30th June 2004, being

the trading day last preceding the publication of the announcement regarding the Third Placing was HK\$1.45 per Share. The average closing price of the Shares as quoted on the Stock Exchange for the last ten trading days up to and including 30th June 2004 was approximately HK\$1.35 per Share. Further information on the Third Placing is set out in the Previous Announcement. Due to the non-fulfillment of conditions precedent to the Subscription Agreement, the Subscription Agreement lapsed and ceased to have any effect on 1st August 2004. Details of the lapse of the Subscription Agreement are contained in the paragraph headed "Subscription Agreement" below.

- (4) The Company entered into the conditional CN Agreement with VP, an Independent Third Party so far as the Board is aware, on 5th July, 2004 for the issue of the Convertible Note to VP or its nominee(s) with a principal amount of HK\$25,870,000, which entitled the holder thereof to convert into Shares at any time during a period commencing on the date three (3) months after the date of issue of the Convertible Note up to the date falling two years and six months after the date of the issue of the Convertible Note, at an initial conversion price of HK\$1.30 per Share (subject to adjustments). The closing share price as quoted on the Stock Exchange on 30th June 2004, being the trading day last preceding the publication of the announcement regarding the proposed issue of the Convertible Note was HK\$1.45 per Share. The average closing price of the Shares as quoted on the Stock Exchange for the last ten trading days up to and including 30th June 2004 was approximately HK\$1.35 per Share. Further information on the proposed issue of the Convertible Note is set out in the Previous Announcement. The CN Agreement was terminated on 15th July 2004 pursuant to a termination agreement entered into by the Company and VP on the same day. Details of the termination of the CN Agreement are contained in the paragraph headed "CN Agreement" below.

Kingston Securities Limited and VC Brokerage Limited, the placing agents involved in the Placings, were both Independent Third Parties so far as the Board is aware. Kingston Securities Limited and VC Brokerage Limited have confirmed to the Stock Exchange that the placees and their ultimate beneficial owners (where applicable) are Independent Third Parties and placee lists of the Placings were submitted to the Stock Exchange by the respective placing agents involved in the Placings. The Company was not aware of the identities of the placees who purchased the Placing Shares. The Board has made enquiries with the connected persons of the Company as defined under the Listing Rules and their associates and is not aware of any of those connected persons and their associates having had any interest in the Shares under the Placings. The Company cannot say whether or not the Share price around this time was artificially distorted due to activities of the type alleged in the ICAC Press Release and/or the Press Reports.

Save for the fund raising activities as announced, the Board is not aware of any other material factors which would have affected the share price performance. The Board will comply with the relevant disclosure requirements of the Listing Rules, to the extent that the prevailing circumstances give rise to such disclosure obligations.

CN AGREEMENT

The Company and VP entered into the conditional CN Agreement on 5th July 2004, pursuant to which, amongst other things, the Company conditionally agreed to issue the Convertible Note at the consideration of HK\$25,870,000. Further information on the proposed issue of the Convertible Note is set out in the Previous Announcement. In view of the uncertainties that arose as a result of the ICAC Press Release and/or the Press Reports, the CN Agreement was terminated pursuant to a termination agreement entered into by the Company and VP on 15th July 2004.

SUBSCRIPTION AGREEMENT

The long stop date stipulated in the conditional Subscription Agreement was 31st July 2004. Completion of the Subscription Agreement was conditional upon, amongst other things: (i) listing of, and permission to deal in the new shares of the Company, and (ii) the Executive Director of the SFC granting to Smart Number and parties acting in concert with it a waiver under Note 6 on Dispensation from Rule 26 of the Hong Kong Code on Takeovers and Mergers. Save for the completion of the Third Placing, conditions to the Subscription Agreement had not been fulfilled as of the long stop date. Smart Number did not pursue the application that it had made to the SFC for the granting of the abovementioned waiver under condition (ii). Accordingly, the Subscription Agreement lapsed and ceased to have any effect on 1st August 2004.

As at the date of this announcement, the substantial Shareholders of the Company (under the definition of Listing Rules) are Smart Number, which holds approximately 27.71% of the total issued share capital of the Company, and Forever Gain Profits Limited, which holds approximately 19.83% of the total issued share capital of the Company. Set out below is the current shareholding structure of the Company:

Shareholder	No. of Shares	Approximate % of the total issued share capital of the Company
Smart Number (<i>note 1</i>)	81,050,000	27.71
Forever Gain Profits Limited (<i>note 2</i>)	58,000,000	19.83
Other Shareholders	153,450,000	52.46
	<hr/>	<hr/>
Total	<u>292,500,000</u>	<u>100.00</u>

Notes:

- Smart Number is owned as to 40% by Mr. Wong, 40% by Ms. Lam Pik Wah and as to 20% by Mr. Lam Hung Kit (both being executive Directors);
- According to the Disclosure of Interests filing dated 17th March 2004, Forever Gain Profits Limited is wholly owned by Mr. Wan Bing Hung.

IMPACT OF THE MATTERS, TERMINATION OF THE CN AGREEMENT AND THE LAPSE OF THE SUBSCRIPTION AGREEMENT ON THE GROUP

As stated in the Previous Announcement, the net proceeds from the Subscription Agreement and the CN Agreement were expected to be HK\$50 million, of which approximately HK\$28 million were intended to be used for purchasing of machineries and equipment and the balance of approximately HK\$22 million for general working capital of the Group. As a result of the termination of the CN Agreement and the lapse of the Subscription Agreement, the Company will not be able to expand its operations to the extent contemplated in the Previous Announcement. As stated in the Previous Announcement, the Group had not identified any investment opportunities for the time being. Accordingly, the Board considers that the termination of the CN Agreement and the lapse of the Subscription Agreement will not have any materially adverse impact on the Group's day-to-day operations or its current financial position or its cashflow position. The Board will review its business plan and source of financing available, including but not limited to internally generated cashflows and if necessary, financing from financial institutions.

Mr. Wong and the other senior executive have today resigned pending the outcome of the ICAC investigation. Mr. Wong, the former chairman and a former Director of the Company, remains a shareholder deemed under the Securities and Futures Ordinance to be interested in approximately 27.71% of the total issued share capital of the Company. These Shares are held by Smart Number, which is beneficially owned as to 40% by Mr. Wong, as to 40% by Ms. Lam Pik Wah and as to 20% by Mr. Lam Hung Kit, the latter two of whom are directors of the Company and control Smart Number. The other senior executive was a general manager of the Group. Neither Mr. Wong nor the other senior executive admits any of the allegations made against them and both have advised the Company that they are not aware of any matters that need to be brought to the attention of holders of securities of the Company.

Save for the resignations of the three arrested persons, there have not been any material changes in the total number of employees of the Group since the publication of the ICAC Press Release. The Company is managed by the Board as a whole and supported by a team of senior management staff. Mr. Wong's principal role was strategic planning and investor relations, he was not involved in the day-to-day operations and production of the Group. The Board considers that the day-to-day operations and the decision-making of the Group are not affected by the Matters. The Board has reviewed the management accounts for the period from 1 July 2003 to 30 June 2004 and no material matters were noted. In addition, the Board has reviewed, discussed and made enquiries with the relevant personnel within the Group on, amongst other things, the latest management accounts and the possible impact of the Matters on the operations of the Group. The audit committee has reviewed, discussed and made enquiries with the relevant personnel within the Group on amongst other things, the latest management accounts, sales figures and business prospects. The Board has also reviewed Board minutes of Board meetings held for the period from 13th December 2003 to 25th August 2004. Further, the Board has reviewed the latest correspondences with the Company's creditors, banks, customers, legal advisers, the Stock Exchange as well as the SFC. Physical site visit to the Company's production plant was conducted by one of the independent non executive directors. The Board considers that the Matters concern only the three arrested persons and, in the

opinion of the Board, do not, and will not, affect the normal operations of the Group. The Board considers that the Matters do not have any materially adverse impact on the day-to-day operations or the financial position or the cashflow position of the Group. Based on the Company's latest unaudited management accounts as of 30th June 2004, and the latest accounting records as of 31 July 2004 as well as the bank reconciliations and sales performance report as of 31 August 2004, there are no material matters that should be brought to the public attention.

The Company will make further announcements and keep Shareholders and potential investors in the Company informed, as and when there are further material developments that the Company is at liberty to publish. Such disclosure of information in connection with the Matters will be subject to applicable legal constraints, the extent of the Company's actual knowledge, and the Company's ability to disclose information that is neither speculative and, therefore, possibly misleading, nor potentially prejudicial to the ICAC investigation and/or the three arrested persons. The Company is in possession of limited information concerning the allegations of wrongdoing that have been made against the three arrested persons and is currently unable to provide further information or draw any reliable conclusions as to whether those allegations can be substantiated.

SUSPENSION AND RESUMPTION

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on Monday, 12th July 2004 pending publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 9 September 2004.

Shareholders and potential investors in the Company should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following terms are used with the meaning set opposite them:-

“associate”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors, including all independent non executive Directors
“CN Agreement”	the subscription agreement dated 5th July 2004 entered into between the Company and VP in relation to the subscription of the Convertible Note by VP or its nominee(s)
“Company”	Semtech International Holdings Limited先科國際集團有限公司*, a company whose shares are listed on The Stock Exchange of Hong Kong Limited (stock code: 724)
“Convertible Note”	the convertible notes to be issued by the Company to VP or its nominee(s) pursuant to the terms of the CN Agreement
“Director(s)”	the director(s) of the Company
“First Placing”	the placing of 30,000,000 existing Shares pursuant to the placing agreement entered into by Smart Number and Kingston Securities Limited on 12th January 2004
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People's Republic of China
“ICAC”	the Independent Commission Against Corruption
“ICAC Press Release”	the press release published by the ICAC on 12th July 2004

“Independent Third Parties”	persons who, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquires, are third parties independent of, and are not connected persons of the Company or its subsidiaries, their directors, chief executives, substantial shareholders or their respective associates as defined under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Matters”	the matters alleged and reported in the ICAC Press Release and/or the Press Reports
“Mr. Wong”	Mr. Wong Chong Kwong, Derek, the former chairman of the Company
“Placing Shares”	the aggregate of 69,000,000 existing Shares placed under the Placings
“Placings”	The First Placing, the Second Placing and the Third Placing or any one of them
“Press Reports”	the press reports subsequent to the release of the ICAC Press Release on the matters alleged and/or reported in the ICAC Press Release
“Previous Announcement”	the announcement of the Company dated 6th July 2004
“Second Placing”	the placing of 20,000,000 existing Shares pursuant to the placing agreement entered into by Smart Number and VC Brokerage Limited (formerly known as VC CEF Brokerage Limited) on 12th May 2004
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	the share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Smart Number”	Smart Number Investments Limited, a company incorporated in the British Virgin Islands with limited liability, a substantial Shareholder holding approximately 27.71% of the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 2nd July 2004 entered into between Smart Number and the Company in relation to the subscription of 19,000,000 new Shares by Smart Number
“Third Placing”	the placing of 19,000,000 existing Shares pursuant to the placing agreement entered into by Smart Number and VC Brokerage Limited (formerly known as VC CEF Brokerage Limited) on 2nd July 2004
“VP”	Value Partners Limited, a company incorporated in the British Virgin Islands with limited liability whose principal business is fund management

As at the date of this announcement, the Board comprises Messrs. Lam Yat Keung, Lam Pik Wah and Lam Hung Kit as executive Directors and Messrs. Ho Chi Fai and Pai Te Tsun as independent non-executive Directors.

By Order of the Board
Yu Miu Yee Iris
Company Secretary

Hong Kong, 8 September 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.