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**KAN CHE KIN, BILLY ALBERT**      **ARTEL SOLUTIONS GROUP HOLDINGS LIMITED**  
**宏通集團控股有限公司\***  
*(incorporated in Cayman Islands with limited liability)*  
**(stock code: 931)**

**JOINT ANNOUNCEMENT**

**UNCONDITIONAL MANDATORY CASH OFFERS**  
**BY**  
**CIMB-GK SECURITIES (HK) LIMITED**  
**ON BEHALF OF**  
**KAN CHE KIN, BILLY ALBERT**  
**TO ACQUIRE ALL ISSUED SHARES IN**  
**ARTEL SOLUTIONS GROUP HOLDINGS LIMITED**  
**(OTHER THAN THOSE SHARES ALREADY OWNED BY**  
**KAN CHE KIN, BILLY ALBERT**  
**AND PARTIES ACTING IN CONCERT WITH HIM)**  
**AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS,**

**CHANGE IN AUDITORS,**

**EARLIER RESIGNATION OF DIRECTOR,**

**CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

**AND**

**STATUS UPDATE OF THE COMPANY**

**Financial adviser to Kan Che Kin, Billy Albert**



**CIMB-GK Securities (HK) Limited**

*\* for identification purpose only*

## **The Sale and Purchase Agreement**

On 25 July 2007, the Company was notified by the Offeror that he had entered into the Sale and Purchase Agreement with the Vendor and Mr. Yu on the same date to acquire the Sale Shares, representing 75% of the issued share capital of the Company as at the date of this joint announcement, for a consideration of HK\$16,000,000. Completion of the Sale and Purchase Agreement took place on 25 July 2007. The Sale Shares which were previously pledged to the Bank Creditors for the Bank Debts were released to the Offeror upon completion of the assignment of the Bank Debts to the Offeror for a consideration of HK\$30,300,000 on 31 August 2007.

## **The Offers**

Following completion of the Sale and Purchase Agreement, the Offeror was interested in 1,200,000,000 Shares, representing 75% of the issued share capital of the Company as at the date of this joint announcement, and is required under Rule 26.1 and Rule 13 of the Takeovers Code to make the Offers, being the Share Offer to acquire all issued Shares (other than those already owned by the Offeror and parties acting in concert with him) and the Option Offer to cancel all outstanding Share Options.

The principal terms of the Offers are set out under the section headed “The Offers” of this joint announcement. CIMB-GK, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

## **Despatch of the Composite Document**

Under Rule 8.2 of the Takeovers Code, the Offeror is required to despatch the offer document containing the terms of the Offers, together with the forms of acceptance, to the Shareholders and the Optionholders within 21 days of the date of this joint announcement or such later date as the Executive may approve.

In accordance with the Takeovers Code, the Company is required to send the offeree document in relation to the Offers to the Shareholders and the Optionholders within 14 days of the posting of the offer document or such later date as the Executive may approve. It is the intention of the Company that the offeree document will be combined with the offer document and a composite offer document containing details of the Offers, and, among other things, the recommendations from the independent non-executive Director and the advice from Optima Capital Limited as the independent financial adviser to the independent non-executive Director on the Offers, will be despatched to the Shareholders and the Optionholders.

## **Change in auditors**

The Board announced that Deloitte Touche Tohmatsu had resigned as auditors of the Company with effect from 22 December 2006 and the Board proposed to appoint PKF as the new auditors of the Company to fill the vacancy following the resignation of Deloitte Touche Tohmatsu and to hold office until the next annual general meeting of the Company. The appointment of PKF is subject to the approval of the Shareholders at the EGM. A circular containing details of the proposed appointment of PKF as auditors of the Company and the notice of the EGM will be despatched to the Shareholders in due course.

### **Earlier resignation of Director**

The Board announced that Dr. Liu James Juh resigned as an independent non-executive Director with effect from 13 March 2007. Dr. Liu resigned on his own accord, in particular, due to his busy schedule, and the Board confirms that there is no disagreement between Dr. Liu and the Board and there is no matter in respect of the resignation of Dr. Liu that needs to be brought to the attention of the Shareholders.

### **Change of principal place of business in Hong Kong**

The Board announced that the Company's principal place of business in Hong Kong had been changed to Flat 18, 1/F, Flourish Industrial Building, 33 Sheung Yee Road, Kowloon Bay, Hong Kong with effect from 13 July 2007.

### **Status update of the Company**

Trading in the Shares on the Stock Exchange has been suspended since 7 September 2006 at the request of the Company. On 22 September 2006, the Company announced that on 7 September 2006, it had received a petition for winding up of the Company by the Petitioner due to the Company's failure to repay certain outstanding debts. On 15 November 2006, the Company announced that the said petition had been dismissed.

On 22 May 2007, the Company received a letter from the Stock Exchange dated 22 May 2007 stating that in view of the prolonged suspension of trading in the Shares and the Company's failure to demonstrate its compliance with Rule 13.24 of the Listing Rules, the Stock Exchange would place the Company in the second stage of the delisting procedures pursuant to Practice Note 17 to the Listing Rules and the Company was required to submit viable resumption proposals to the Stock Exchange within six months from the date of the letter. The Stock Exchange further stated that it would, after considering any proposal to be made by the Company, determine whether to proceed to the third stage of the delisting procedures at the end of such six month period. The Company is in the process of preparing the Resumption Proposal and it is expected that the Resumption Proposal will be submitted to the Stock Exchange in October 2007.

The Company was informed by the Offeror that he had acquired the Bank Debts (with an aggregate balance of approximately HK\$256 million as at 12 December 2005) from the Bank Creditors by way of assignment for a consideration of HK\$30,300,000 on 31 August 2007. The Company was also informed by the Offeror that he had acquired the Intel Debt (with a balance of approximately US\$7,567,165 as at 11 July 2006) from Intel by way of assignment for a consideration of US\$840,000 (equivalent to approximately HK\$6,552,000) on 5 September 2007.

**Trading in the Shares on the Stock Exchange will remain suspended until further notice.**

## **BACKGROUND**

Trading in the Shares on the Stock Exchange has been suspended since 7 September 2006 at the request of the Company.

On 22 May 2007, the Company received a letter from the Stock Exchange dated 22 May 2007 stating that the Stock Exchange would place the Company in the second stage of the delisting procedures pursuant to Practice Note 17 to the Listing Rules and the Company was required to submit viable resumption proposals to the Stock Exchange within six months from the date of the letter.

On 25 July 2007, the Company was notified by Mr. Yu that he had entered into the Sale and Purchase Agreement with the Offeror and the Vendor on the same date to dispose of the Sale Shares, representing 75% of the issued share capital of the Company as at the date of this joint announcement, to the Offeror for a consideration of HK\$16,000,000. The Company then met and discussed with Mr. Yu, the Offeror and the financial and legal advisers to the Offeror in order to ascertain all necessary information before informing the Stock Exchange of the Offers on 14 August 2007.

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

25 July 2007

### **Parties**

- (1) Mr. Kan Che Kin, Billy Albert, as the purchaser
- (2) E-Career Investments Limited, as the Vendor
- (3) Mr. Yu, as the guarantor of the Vendor's obligations under the Sale and Purchase Agreement

### **Sale Shares**

1,200,000,000 Shares, representing 75% of the issued share capital of the Company as at the date of this joint announcement

### **Consideration**

HK\$16,000,000 in cash, which shall be payable as follows:

- (i) HK\$3,108,000 upon signing of the Sale and Purchase Agreement (which was paid by the Offeror on 25 July 2007); and
- (ii) the balance of HK\$12,892,000 shall be paid on or before the resumption in trading in the Shares on the Stock Exchange.

The consideration was determined between the Offeror and the Vendor after arm's length negotiations with reference to the financial position of the Group and taking into account the fact that trading in the Shares has been suspended since 7 September 2006.

## Completion

Completion shall be conditional upon:

- (i) the Offeror depositing a sum of HK\$30,000,000 immediately to the coordinating bank of the Bank Creditors or its agent so as to discharge all the payment obligations of the Group with respect to the Bank Debts; and
- (ii) the Offeror depositing a sum of US\$840,000 by 31 July 2007 to Intel or its agent so as to discharge all the payment obligations of the Group with respect to the Intel Debt.

Completion of the Sale and Purchase Agreement took place on 25 July 2007 as the above conditions were confirmed by the Vendor to have been fulfilled by the Offeror through the delivery of a bank cheque in the amount of HK\$30,000,000 payable to the escrow agent of the Bank Creditors and a bank cheque in the amount of US\$840,000 payable to the escrow agent of Intel. The Sale Shares which were previously pledged to the Bank Creditors for the Bank Debts were released to the Offeror upon completion of the assignment of the Bank Debts to the Offeror for a consideration of HK\$30,300,000 on 31 August 2007.

## THE OFFERS

Following completion of the Sale and Purchase Agreement, the Offeror and parties acting in concert with him was interested in 1,200,000,000 Shares, representing 75% of the issued share capital of the Company as at the date of this joint announcement. Under Rule 26.1 and Rule 13 of the Takeovers Code, the Offeror is obliged to make the Offers, being the Share Offer to acquire all issued Shares (other than those already owned by the Offeror or parties acting in concert with him) and the Option Offer to cancel all outstanding Share Options. The Offers will be made solely in cash.

### Terms of the Offers

CIMB-GK will, on behalf of the Offeror, make the Share Offer to acquire all issued Shares (other than those already owned by the Offeror or parties acting in concert with him) and the Option Offer to cancel all outstanding Share Options on the following basis:

**For each Share ..... HK\$0.0386 in cash**

### For cancellation of outstanding Share Option

**(with a right to subscribe for one Share) ..... HK\$0.0001 in cash**

### Basis of the Offers

The Share Offer Price of HK\$0.0386 per Share is equivalent to sum of the consideration payable by the Offeror under the Sale and Purchase Agreement (being HK\$16,000,000) and the assignment of the Bank Debts (being HK\$30,300,000) divided by the total number of Sale Shares (being 1,200,000,000 Shares).

As at the date of this joint announcement, the Company has outstanding Share Options entitling the holders thereof to subscribe for up to an aggregate of 114,095,000 new Shares, of which Share Options entitling the holders thereof to subscribe for 69,095,000 Shares may be exercised at an exercise price of HK\$0.3810 per Share and Share Options entitling the holders thereof to subscribe for 45,000,000 Shares may be exercised at an exercise price of HK\$0.2166 per Share. As at the date of this joint announcement,

save for the outstanding Share Options and the Sale and Purchase Agreement, (i) the Company has no convertible securities, options, derivatives or warrants outstanding and has not entered into any agreement with the Offeror or parties acting in concert with him for the issue of any convertible securities, options, warrants or derivatives of the Company; (ii) there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the securities of the Company and which may be material to the Offers; and (iii) there are no agreements or arrangements to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers. Except for the acquisition of the Sale Shares from the Vendor, the Offeror and parties acting in concert with him have not dealt in the Shares during the period commencing from the date falling six months prior to the date of the Sale and Purchase Agreement and up to the date of this joint announcement.

### **Comparison of value**

The Share Offer Price of HK\$0.0386 per Share represents:

- (a) a premium of approximately 4.32% over the closing price of Shares of HK\$0.0370 per Share on 6 September 2006, being the full trading day immediately prior to the suspension of trading in the Shares on the Stock Exchange;
- (b) a premium of HK\$0.1290 per Share over the audited consolidated net liabilities per Share of approximately HK\$0.0904 as at 31 December 2005 (based on the Group's audited consolidated net liabilities of approximately HK\$144.6 million as at 31 December 2005 and 1,600,000,000 Shares in issue); and
- (c) a premium of HK\$0.1387 per Share over the unaudited consolidated net liabilities per Share of approximately HK\$0.1001 as at 30 June 2006 (based on the Group's unaudited consolidated net liabilities of approximately HK\$160.1 million as at 30 June 2006 and 1,600,000,000 Shares in issue).

The price for the Option Offer is determined with reference to the exercise prices of the outstanding Share Options which ranged from HK\$0.2166 to HK\$0.3810 per Share, which is substantially higher than the Share Offer Price of HK\$0.0386 per Share. Accordingly, the price for the Option Offer is equivalent to a nominal value of HK\$0.0001 per Share to be subscribed under the Share Options.

### **The highest and lowest Share prices**

Trading in the Shares has been suspended since 7 September 2006. The closing price per Share on 6 September 2006 was HK\$0.0370.

### **Total consideration for the Offers**

Based on the total number of 1,600,000,000 Shares in issue as at the date of this joint announcement and the Share Offer Price of HK\$0.0386 per Share, the entire issued share capital of the Company is valued at approximately HK\$61.8 million. In the event that the Share Offer is accepted in full, the aggregate amount payable by the Offeror will be approximately HK\$15.4 million. Assuming all the outstanding Share Options entitling the holders thereof to subscribe for 114,095,000 Shares are surrendered pursuant to the Option Offer at the option cancellation price of HK\$0.0001 per Share to be subscribed under the Share Options, the consideration of the Option Offer payable by the Offeror is HK\$11,409.50.

Assuming that all outstanding Share Options entitling holders thereof to subscribe for 114,095,000 Shares are fully exercised prior to the close of the Option Offer, there will be 1,714,095,000 Shares in issue and the entire issued share capital of the Company will be valued at approximately HK\$66.2 million based on the Share Offer Price of HK\$0.0386 per Share. In the event that the Share Offer is accepted in full, the aggregate amount payable by the Offeror will be approximately HK\$19.8 million.

CIMB-GK, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptance of the Offers.

### **Effect of accepting the Offers**

Acceptance of the Share Offer by any Shareholder will be deemed to constitute a warranty by such Shareholder that all Shares sold by such Shareholder under the Share Offer are free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of despatch of the Composite Document.

By accepting the Option Offer, the Optionholders will agree to the cancellation of their Share Options and all rights attached thereto with effect from the date of despatch of the Composite Document.

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Shareholders and Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

### **Payment**

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but, in any event, within ten days of the date of receipt of a duly completed acceptance.

### **Stamp duty**

Seller's ad valorem stamp duty arising in connection with the acceptance of the Offers amounting to 0.1% of the amount payable in respect of the relevant acceptance will be deducted from the amount payable to the Shareholders or Optionholders who accept the Offers (as the case may be). The Offeror will then pay the seller's ad valorem stamp duty to the stamp duty office on behalf of the accepting Shareholders or Optionholders (as the case may be).

## **INFORMATION ON THE GROUP**

### **Business**

The Group is principally engaged in the distribution of computer components and information technology products, and the provision of integrated e-enabling solutions.

## Financial information

Certain financial information of the Group, as extracted from the annual report of the Company for the year ended 31 December 2005, the date to which the latest audited consolidated financial statements of the Group were made up, and the interim report of the Company for the six months ended 30 June 2006, is set out below:

	<b>For the year ended 31 December 2004</b> (Audited) <i>HK\$'000</i>	<b>For the year ended 31 December 2005</b> (Audited) <i>HK\$'000</i>	<b>For the six months ended 30 June 2006</b> (Unaudited) <i>HK\$'000</i>
Turnover	1,658,830	1,198,229	32,319
Profit/(loss) before taxation	33,807	(595,716)	(15,545)
Profit/(loss) attributable to equity holders	33,222	(596,450)	(15,547)

  

	<b>As at 31 December 2004</b> (Audited) <i>HK\$'000</i>	<b>As at 31 December 2005</b> (Audited) <i>HK\$'000</i>	<b>As at 30 June 2006</b> (Unaudited) <i>HK\$'000</i>
Net assets (liabilities)	451,853	(144,597)	(160,141)

## Shareholding structure

The following table sets out the shareholding structure of the Company as at the date of this joint announcement:

	<b>As at the date of this joint announcement</b>	
	<i>No. of Shares</i>	<i>%</i>
The Offeror	1,200,000,000	75.00
The public	400,000,000	25.00
Total	<u>1,600,000,000</u>	<u>100.00</u>

As at the date of this joint announcement, the Company has outstanding Share Options entitling the holders thereof to subscribe up to an aggregate of 114,095,000 new Shares.

## Status update of the Company

Trading in the Shares on the Stock Exchange has been suspended since 7 September 2006 at the request of the Company. On 22 September 2006, the Company announced that on 7 September 2006, it had received a petition for winding up of the Company by the Petitioner due to the Company's failure to repay certain outstanding debts. On 15 November 2006, the Company announced that said petition had been dismissed.



On 22 May 2007, the Company received a letter from the Stock Exchange dated 22 May 2007 stating that in view of the prolonged suspension of trading in the Shares and the Company's failure to demonstrate its compliance with Rule 13.24 of the Listing Rules, the Stock Exchange would place the Company in the second stage of the delisting procedures pursuant to Practice Note 17 to the Listing Rules and the Company was required to submit viable resumption proposals to the Stock Exchange within six months from the date of the letter. The Stock Exchange further stated that it would, after considering any proposal to be made by the Company, determine whether to proceed to the third stage of the delisting procedures at the end of such six month period. The Resumption Proposal should, among other things, demonstrate that (i) the Company has a sufficient level of operations or has assets of sufficient value to warrant the continued listing of the Shares as required under Rule 13.24 of the Listing Rules; (ii) compliance by the Company with the Listing Rules and all applicable laws and regulations; (iii) the Company has published all outstanding financial results of the Group as required under the Listing Rules; (iv) the Company has addressed the concerns raised by its auditors through the qualification of the Company's auditors' report on the Group's financial statements for the year ended 31 December 2005 and any subsequent financial year(s) and period(s); and (v) the Company has adequate financial reporting system and internal control procedures to enable it to meet its obligations under the Listing Rules. The Company is in the process of preparing the Resumption Proposal and it is expected that the Resumption Proposal will be submitted to the Stock Exchange in October 2007.

The Company was informed by the Offeror that he had acquired the Bank Debts (with an aggregate balance of approximately HK\$256 million as at 12 December 2005) from the Bank Creditors by way of assignment for a consideration of HK\$30,300,000 on 31 August 2007. The Company was also informed by the Offeror that he had acquired the Intel Debt (with a balance of approximately US\$7,567,165 as at 11 July 2006) from Intel by way of assignment for a consideration of US\$840,000 (equivalent to approximately HK\$6,552,000) on 5 September 2007.

The Sale Shares which were previously pledged to the Bank Creditors for the Bank Debts were released to the Offeror upon completion of the assignment of the Bank Debts to the Offeror on 31 August 2007. Save for the said security, neither the Bank Debts nor the Intel Debt is guaranteed by the Vendor, Mr. Yu or any parties related to them.

## **INFORMATION ON THE OFFEROR**

Mr. Kan Che Kin, Billy Albert, the Offeror, graduated from the University of East Anglia with a Bachelor of Science degree. He is an associate of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and Hong Kong Securities Institute. Mr. Kan had worked with Deloitte Touche Tohmatsu and KPMG and is equipped with extensive experience in accountancy, taxation and corporate finance. In addition, Mr. Kan has over 20 years of experience in serving on the board of directors of financial institutions and listed companies in Hong Kong, including Security Pacific Finance Limited, Burlingame International Company Limited (now renamed as Interchina Holdings Company Limited) (stock code: 202) and Greater China Holdings Limited (stock code: 431). Mr. Kan resigned as a director of Interchina Holdings Company Limited in September 2000 and of Greater China Holdings Limited in June 2004.

Prior to the completion of the Sale and Purchase Agreement, the Offeror and the parties acting in concert with him did not have any interest in the Shares or any outstanding derivatives in respect of the securities of the Company.

## **INTENTIONS OF THE OFFEROR REGARDING THE GROUP**

### **Business**

The Offeror intends that the Group will continue with all of its existing businesses. The Offeror does not intend to make any material changes to the businesses of the Group or to redeploy any fixed assets of the Group following the closing of the Offers.

### **Directors and management**

The Board is currently made up of two Directors, comprising one executive Director and one independent non-executive Director. The Offeror intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement will be made upon any appointment of new Directors.

Other than the proposed nomination of new Directors referred to above, the Offeror does not intend that there would be any material changes to the existing management and employees of the Group following the closing of the Offers.

### **Compulsory acquisition**

The Offeror does not intend to apply any right which may be made available to it to acquire compulsorily any Shares outstanding after the closing of the Offers.

### **Maintaining of listing status of the Company**

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the closing of the Offers. The Directors have undertaken and the Offeror and the new Directors to be nominated by the Offeror and to be appointed to the Board will undertake that following the closing of the Offers, appropriate steps will be taken as soon as possible to ensure that not less than 25% of the issued Shares will be held by public hands.

**The Stock Exchange has stated that if, at the closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading of the Shares; or**
- **there are insufficient Shares in public hands to maintain an orderly market,**

**it will consider exercising its discretion to suspend trading in the Shares.**

## **CHANGE IN AUDITORS**

The Board announced that Deloitte Touche Tohmatsu had resigned as auditors of the Company with effect from 22 December 2006. Due to an inadvertent oversight, the Company failed to publish an announcement in accordance with the Listing Rules at the time of the resignation of Deloitte Touche Tohmatsu.

In their resignation letter to the Company, Deloitte Touche Tohmatsu stated that in reaching the decision to resign as auditors of the Company, they had taken into account many factors including the professional risk associated with the audit, the level of audit fees and their available resources in the light of current work flows and in the case of the Company, they had also taken into account the fact that they had encountered limitation in the evidence available to them during their audit of the consolidated financial statements of the Company for the year ended 31 December 2005, details of which were set out in their auditors' report dated 27 April 2006 and which, together with the fundamental uncertainty relating to the going concern basis of the Company also set out in their auditors' report dated 27 April 2006, required them to issue a disclaimer of opinion. In addition, the fees owing to them by the Company in respect of their services as auditors of the Company and its subsidiaries for the financial year ended 31 December 2005 had been outstanding since July 2006. As these circumstances have a negative impact on their ability to perform an independent audit for the financial year ended 31 December 2006, Deloitte Touche Tohmatsu decided to tender their resignation as auditors of the Company. They also confirmed in their resignation letter that there were no matters in addition to those stated above that need to be brought to the attention of holders of securities of the Company.

In their clearance letter to PKF, the proposed new auditors of the Company, Deloitte Touche Tohmatsu confirmed that other than the fees owing to them by the Company, they were not aware of any professional reason or circumstance why PKF should not accept the appointment as auditors of the Company.

To fill the vacancy following the resignation of Deloitte Touche Tohmatsu, the Board proposed to appoint PKF as auditors of the Company to hold office until the next annual general meeting of the Company. The appointment of PKF is subject to the approval of the Shareholders at the EGM. A circular containing details of the proposed appointment of PKF as auditors of the Company and the notice of the EGM will be despatched to Shareholders in due course.

## **EARLIER RESIGNATION OF DIRECTOR**

The Board announced that Dr. Liu James Juh resigned as an independent non-executive Director with effect from 13 March 2007. Dr. Liu resigned on his own accord, in particular, due to his busy schedule, and the Board confirms that there is no disagreement between Dr. Liu and the Board and there is no matter in respect of the resignation of Dr. Liu that needs to be brought to the attention of the Shareholders.

Due to an inadvertent oversight, the Company failed to publish an announcement in accordance with the Listing Rules at the time of Dr. Liu's resignation.

According to Rule 3.10 of the Listing Rules, a listed issuer must have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise. As at the date of this joint announcement, the Company has only one independent non-executive Director. The Company is in the process of identifying suitable candidates to be appointed as independent non-executive Directors. Further announcement will be made upon any appointment of independent non-executive Directors.

## **CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

The Board announced that the Company's principal place of business had been changed to Flat 18, 1/F, Flourish Industrial Building, 33 Sheung Yee Road, Kowloon Bay, Hong Kong with effect from 13 July 2007. As the Company was busy in relocating its office in the past few weeks, it failed to promptly publish an announcement in relation to the change of principal place of business in accordance with the Listing Rules.

## **DESPATCH OF COMPOSITE DOCUMENT**

Under Rule 8.2 of the Takeovers Code, the Offeror is required to despatch the offer document containing the terms of the Offers, together with the forms of acceptance, to the Shareholders and the Optionholders within 21 days of the date of this joint announcement or such later date as the Executive may approve.

In accordance with the Takeovers Code, the Company is required to send the offeree document in relation to the Offers to the Shareholders and the Optionholders within 14 days of the posting of the offer document or such later date as the Executive may approve. It is the intention of the Company that the offeree document will be combined with the offer document and a composite offer document containing details of the Offers and, among other things, the recommendations from the independent non-executive Director and the advice from Optima Capital Limited as the independent financial adviser to the independent non-executive Director on the Offers, will be despatched to the Shareholders and the Optionholders.

As at the date of this joint announcement, the Board only has two members, namely Mr. Yu and Mr. Lee Kong Leong, an independent non-executive Director. Mr. Lee Kong Leong will advise the Shareholders and the Optionholders in respect of the Offers. Mr. Lee Kong Leong has approved the appointment of Optima Capital Limited as the independent financial adviser to advise him in respect of the Offers.

## **DEALINGS DISCLOSURE**

The respective associates of the Offeror and the Company are reminded to disclose their dealings in the securities of the Company in accordance with Rule 22 of the Takeovers Code.

Stockbrokers, banks and others who deal in relevant securities of the Company on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules pursuant to the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquires. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

## SUSPENSION OF TRADING IN THE SHARES

Trading in the Shares has been suspended since 7 September 2006. Trading in the Shares will remain suspended until further notice.

### Definitions

In this joint announcement, unless the context otherwise requires, the following terms shall have the respective meanings set out opposite to them:

“acting in concert”	has the same meaning ascribed to it in the Takeovers Code
“Bank Creditors”	a total of 13 banks which have extended banking facilities to the Group prior to the assignment of the Bank Debts to the Offeror on 31 August 2007
“Bank Debts”	all the right, title, interest and benefit in the amounts originally due to the Bank Creditors by the Group, which aggregate balance was approximately HK\$256 million as at 12 December 2005, and which had been assigned by the Bank Creditors to the Offeror on 31 August 2007
“Board”	the board of Directors
“CIMB-GK”	CIMB-GK Securities (HK) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Company”	Artel Solutions Group Holdings Limited, a company incorporated in Cayman Islands with limited liability whose shares are listed on the Stock Exchange
“Composite Document”	the composite offer document (with the forms of acceptance and transfer in respect of the Offers) to be issued by or on behalf of the Offeror and the Company to all Shareholders and Optionholders in accordance with the Takeovers Code containing, amongst other things, details of the Offers, the recommendations from the independent non-executive Director and the advice of the independent financial adviser to the independent non-executive Director
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for considering and, if thought fit, approving the appointment of PKF as auditors of the Company

“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission from time to time and any delegate of such Executive Director
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Intel”	Intel Semiconductor Limited
“Intel Debt”	all the rights, title and interest in the amount originally due to Intel by the Group, which balance was approximately US\$7,567,165 as at 11 July 2006, and which had been assigned by Intel to the Offeror on 5 September 2007
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yu”	Mr. Yu Pen Hung, the chairman of the Company and an executive Director
“Offeror”	Mr. Kan Che Kin, Billy Albert
“Offers”	collectively, the Share Offer and the Option Offer
“Optionholders”	holders of the Share Options
“Option Offer”	the offer to be made by CIMB-GK on behalf of the Offeror to cancel all outstanding Share Options at HK\$0.0001 per Share to be subscribed under the Share Options
“Petitioner”	HSH Nordbank AG, Hong Kong Branch
“PRC”	the People’s Republic of China
“Resumption Proposal”	the proposal in relation to the resumption of trading in the Shares to be submitted to the Stock Exchange
“Sale and Purchase Agreement”	the conditional agreement dated 25 July 2007 entered into among the Offeror, the Vendor and Mr. Yu in relation to the sale and purchase of the Sale Shares
“Sale Shares”	1,200,000,000 Shares, representing 75% of the issued share capital of the Company as at the date of this joint announcement
“Share(s)”	share(s) of HK\$0.01 each in the issued share capital of the Company

“Share Offer”	the unconditional mandatory cash offer to be made by CIMB-GK on behalf of the Offeror to acquire all issued Shares (other than those already owned by the Offeror or parties acting in concert with him) at HK\$0.0386 per Share
“Share Offer Price”	the amount of HK\$0.0386 payable by the Offeror to the Shareholders for each Share accepted under the Share Offer
“Share Option(s)”	share option(s) which have been granted by the Company pursuant to the share option scheme adopted by the Company on 29 August 2001 (as amended on 30 May 2003)
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	E-Career Investments Limited, the entire issued share capital of which is owned by Mr. Yu
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of United States of America
“%”	per cent.

*For the purpose of illustration, amounts demoninated in US\$ in this joint announcement have been translated into HK\$ at the rate of US\$1:HK\$7.80. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.*

*As at the date of this joint announcement, the Board comprises one executive Director, namely Mr. Yu Pen Hung, and one independent non-executive Director, namely Mr. Lee Kong Leong.*

**Kan Che Kin, Billy Albert**

By order of the Board  
**Artel Solutions Group Holdings Limited**  
**Yu Pen Hung**  
*Chairman*

Hong Kong, 19 September 2007

*The Offeror accepts full responsibility for the accuracy of the information (other than information relating to the Group, the Vendor and Mr. Yu) contained in this joint announcement and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this joint announcement (other than those relating to the Group, the Vendor and Mr. Yu) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement (other than those relating to the Group, the Vendor and Mr. Yu), the omission of which would make any statement in this joint announcement misleading.*

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