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ARTEL SOLUTIONS GROUP HOLDINGS LIMITED

宏通集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
FORMATION OF A JOINT VENTURE COMPANY**

The Board announces that the Company entered into the JV Agreement with the JV Partners on 3 February 2010. Pursuant to the JV Agreement, the Company and the JV Partners will set up the JV Company in the PRC.

The entering into of the JV Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

As Deluxe is wholly owned by Mr. Li Kai Yien, Arthur Albert, an executive Director, the entering into of the JV Agreement also constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules (other than the profits ratio) are less than 25% and the total consideration is less than HK\$10 million, the entering into of the JV Agreement is therefore exempt from independent shareholders' approval requirement but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Reference is made to the Company's announcement dated 20 November 2009 in respect of the framework agreement entered into between the Company and Shanxilanhua dated 16 November 2009 for the proposed establishment of a joint venture company in the PRC.

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* For identification purpose only

The principal terms of the JV Agreement are set out below:

THE JV AGREEMENT

Date

3 February 2010

Parties

- (1) the Company;
- (2) Shanxilanhua; and
- (3) Deluxe, which is principally engaged in investment holding and is wholly owned by Mr. Li Kai Yien, Arthur Albert, an executive Director.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Shanxilanhua and its ultimate beneficial owners are third parties independent of and not connected with the Company and connected persons (as defined in the Listing Rules) of the Company.

Scope of business of the JV Company

The JV Company will be principally engaged in the manufacturing and operating of gangue, and investment in projects in relation to the coal, coke and coal chemical industry.

Total investment amount and registered capital

The JV Company will have an initial registered capital of RMB10 million (equivalent to approximately HK\$11.4 million), among which, the Company shall contribute RMB4.7 million (equivalent to approximately HK\$5.4 million) in cash, representing 47% equity interest of the JV Company, Shanxilanhua shall contribute RMB4.8 million (equivalent to approximately HK\$5.5 million) in cash, representing 48% equity interest of the JV Company, and Deluxe shall contribute RMB0.5 million (equivalent to approximately HK\$0.6 million) in cash, representing 5% equity interest of the JV Company. The total investment amount of the JV Company is RMB14.28 million (equivalent to approximately HK\$16.28 million) and shall be contributed by the Company and the JV Partners in proportion to their respective interest in the JV Company.

Parties to the JV Agreement shall make their respective capital contribution within 30 days after the JV Company obtains its business licence.

Upon completion of the capital contribution, the Company, Shanxilanhua and Deluxe will hold 47%, 48% and 5% of the equity interest of the JV Company respectively. The JV Company will be equity accounted for as an associate of the Group.

The Company's contribution of RMB4.7 million (equivalent to approximately HK\$5.4 million) shall be financed by its internal resources.

Term

The JV Company will have an initial operation term of 30 years from the date of issue of the business licence of the JV Company.

Board composition

The board of directors of the JV Company will comprise five members, among which, two directors shall be nominated by the Company, two directors shall be nominated by Shanxilanhua, and the remaining director shall be nominated by Deluxe. The chairman of the board shall be appointed by Shanxilanhua.

Profit sharing

The profit of the JV Company will be shared by the Company, Shanxilanhua and Deluxe in proportion to their respective capital contributions.

INFORMATION OF SHANXILANHUA

Shanxilanhua is principally engaged in coal mining, manufacture and sale of chemical fertilizers, refined chemicals, pharmaceutical products and machinery, property development and tourism business and is currently holding a controlling interest in 山西蘭花科技創業股份有限公司 (Shanxilanhua Sci-Tech Venture Co. Ltd*), a company listed on the Shanghai Stock Exchange, which ranks among the top 10 coal mining companies in the PRC.

REASONS FOR THE FORMATION OF THE JV COMPANY

The Company is an investment holding company and the Group is principally engaged in distribution of computer components and information technology products, provision of integrated e-enabling solutions and trading of securities.

As stated in the annual report of the Company for the financial year ended 31 December 2008, the Group will continue to look for new business opportunities that may provide better returns for the Shareholders. The Board considers that the establishment of the JV Company will enable the Group to leverage on Shanxilanhua's experience, know-how and connections to tap into the coal and energy industry in the PRC, which will help to enhance returns for the Shareholders. It is the current intention of the Group to continue looking for suitable business opportunities for the JV Company and may introduce other strategic investors to increase the total investment amount of the JV Company to up to US\$500 million (equivalent to approximately HK\$3,885 million).

The Board (including the independent non-executive Directors) is of the view that the JV Agreement is on normal commercial terms and fair and reasonable and the formation of the JV Company pursuant to the JV Agreement is in the interest of the Company and the Shareholders as a whole.

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GENERAL

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DEFINITIONS

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

“Board”	the board of the Directors
“Company”	Artel Solutions Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the main board of the Stock Exchange (stock code: 931)
“Deluxe”	Deluxe Full Holdings Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Li Kai Yien, Arthur Albert, an executive Director
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the joint venture agreement dated 3 February 2010 entered into between the Company and the JV Partners in relation to the formation of the JV Company
“JV Company”	山西蘭花宏通礦業有限公司 (Shanxi Lanhua Hong Tong Mining Company Limited*), a sino-foreign equity joint venture company with limited liability to be established in the PRC pursuant to the JV Agreement
“JV Partners”	collectively refer to Shanxilanhua and Deluxe

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement only excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanxilanhua”	山西蘭花煤炭實業集團有限公司 (Shanxilanhua Coal Industrial Group Co. Ltd*), a company established in the PRC in 1997
“Shareholder(s)”	holder(s) of issued share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“US\$”	United States dollars, the lawful currency of United States of America
“%”	per cent.

By Order of the Board
Artel Solutions Group Holdings Limited
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 3 February 2010

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Kan Che Kin, Billy Albert, Mrs. Kan Kung Chuen Lai, Ms. Li Shu Han, Eleanor Stella and Mr. Li Kai Yien, Arthur Albert and three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong.

For the purpose of this announcement, the exchange rates of RMB1.00=HK\$1.14 and US\$1.00=HK\$7.77 have been used.

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