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Artel Group
宏通集團
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)

DISCLOSEABLE TRANSACTION
INVESTMENT IN JOINT VENTURE

AND

GENERAL DISCLOSURE OBLIGATION
UNDER RULE 13.13 OF THE LISTING RULES

On 21 November 2005, Party A, an Independent Third Party entered into the Shareholders' Agreement with the Company to record their respective rights and obligations with respect to the ownership, management and operations of the Joint Venture. There is no condition precedent to be fulfilled by Party A and the Company pursuant to the Shareholders' Agreement.

The Joint Venture is established by Party A and the Company for the purpose of setting up of the WOFE, a wholly owned foreign enterprise for engaging in rental and development of rental finance business of IPTV and digital set-top-box terminal facilities in the PRC.

Pursuant to the terms of the Shareholders' Agreement, the paid up capital of the Joint Venture is US\$50,000 (approximately HK\$390,000). Party A contributes US\$25,000 (approximately HK\$195,000) and the Company contributes US\$25,000 (approximately HK\$195,000) to the Joint Venture as capital.

The total cost of establishment of the WOFE is currently estimated to be US\$10,000,000 (approximately HK\$78,000,000). Pursuant to the Shareholders' Agreement, the working capital requirement for the Joint Venture and setting up of the WOFE shall be funded by means of advances from the shareholders of the Joint Venture in proportion to their respective shareholdings.

The advance of US\$5,000,000 made by the Company to the Joint Venture exceeds 8% of the total assets and the market capitalization of the Company and is subject to the disclosure obligation under Rule 13.13 of the Listing Rules. The Shareholders' Agreement also constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules. A circular containing, among other things, further details of the Shareholders' Agreement will be despatched to the Shareholders as soon as possible.

SHAREHOLDERS' AGREEMENT

Date: 21 November 2005

Parties: (1) Joint Venture
(2) Party A
(3) The Company

On 21 November 2005, Party A, an Independent Third Party entered into the Shareholders' Agreement with the Company to record their respective rights and obligations with respect to the ownership, management and operations of the Joint Venture. There is no condition precedent to be fulfilled by Party A and the Company pursuant to the Shareholders' Agreement.

The Joint Venture is incorporated in British Virgin Islands with limited liability and is principally engaged in the rental and development of rental finance business of IPTV and digital set-top-box terminal facilities in the PRC. The Joint Venture is owned as to 50% by Party A and 50% by the Company. The Joint Venture is and will be treated as a jointly controlled entity by Party A and the Company.

Party A is incorporated in the British Virgin Islands with limited liability and is principally engaged in leasing of set-top-box terminal facilities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Party A and their respective ultimate beneficial owners are Independent Third Parties.

INFORMATION ON THE JOINT VENTURE

The Joint Venture and its business

The Joint Venture is incorporated in British Virgin Islands with limited liability on 12 August 2002 by the Company and subsequently pursuant to the Shareholders' Agreement, the parties agree the Company to transfer 50% of its shareholding to Party A. The issued share capital of the Joint Venture is therefore owned as to 50% by Party A, as to 50% by the Company. Pursuant to the Shareholders' Agreement, there is no specific term for the Joint Venture, and the parties' obligation will continue unless and until the termination of the Shareholders' Agreement.

Party A and the Company respectively contribute US\$25,000 (approximately HK\$195,000) to the Joint Venture as capital. The contribution by the Company is satisfied by the internal resources of the Group.

Pursuant to the Shareholders' Agreement, the Joint Venture is established by Party A and the Company for the purpose of setting up of the WOFE, a wholly owned foreign enterprise for engaging in rental and development of rental finance business of IPTV and digital set-top-box terminal facilities in the PRC and provide exclusive IPTV and digital set-top-box facilities and facilities to broadcasting and telecommunication companies. The total cost of establishment of the WOFE is currently estimated to be US\$10,000,000 (approximately HK\$78,000,000). Pursuant to the Shareholders' Agreement, the working capital requirement for the Joint Venture and setting up of the WOFE shall be funded by means of advances from the shareholders of the Joint Venture in proportion to their respective shareholdings.

Pursuant to the Shareholders' Agreement, the Company agrees to advance to the Joint Venture a sum of US\$5,000,000 (approximately HK\$39,000,000), representing 50% of the total capital commitment of the Joint Venture, which will be funded by the internal resources of the Company i.e. the cash flow generated from the operation of the Company. Party A agrees to advance to the Joint Venture a sum of US\$5,000,000 (approximately HK\$39,000,000), representing 50% of the total capital commitment of the Joint Venture.

* for identification purpose only

All the above shareholders' loans are unsecured and carry no interest and have no fixed term of repayment.

The contributions to be made by Party A and the Company would be as follows:

Shareholders of the Joint Venture	Contribution to be made (HK\$)
Party A	39,000,000
The Company	39,000,000
Total:	<u>78,000,000</u>

Composition of board of directors of the Joint Venture

Pursuant to the terms of the Shareholders' Agreement, the board of directors of the Joint Venture shall consist of four directors, two of which to be nominated by Party A and the remaining two be nominated by the Company. The quorum for a meeting of the directors shall be two, one of which must be nominated by Party A and the other by the Company.

Regarding the management of the WOFE, Party A shall be permanently responsible to appoint the chairman/ president (the chief executive officer) and one executive vice president; whereas the Company shall be permanently responsible to appoint one executive vice president and the chief financial officer. The term of appointment for the chairman/ president (chief executive officer); executive vice presidents and the chief financial officer shall be three years. Subsequent appointment of other senior management shall be approved by both Party A and the Company.

Financial position of the Joint Venture

The Joint Venture has not yet commenced operation as at the date of this announcement. Based on the unaudited management accounts of the Joint Venture for the period commencing from 12 August 2002 (the date of incorporation) to 31 October 2005, the unaudited net asset value of the Joint Venture as at 31 October 2005 was approximately HK\$390,000 (equivalent to US\$50,000). As the Joint Venture has not yet commenced operation, there is no profit or loss recorded as at 31 October 2005.

The profit sharing arrangement between Party A and the Company shall be subject to their respective shareholdings to the Joint Venture, which is 50% to Party A and 50% to the Company.

The fund invested by both parties in the Joint Venture shall be used for the purpose of setting up of the WOFE and internal operation of the Joint Venture.

REASONS FOR INVESTMENT IN JOINT VENTURE

The Group is principally engaged in distribution of computer components and IT products, and provision of e-enabling solutions and technical support services.

The Group is committed to serve the genuine need for computing, multimedia, and networking solutions in the high-tech community. It dedicated to providing cutting edge solutions – complete, concise, and always current with reliable services. In 2004, it invested a great deal of effort in cultivating the new sales channels and expanded its marketing scope from a hardware distributor to a high tech solution provider. It now have solid personal computer, do it yourself channel, original equipment manufacturer channel, consumer electronic, I-Café channel, value added reseller networking channel and online channel.

The Group foresees a strong economic growth in the PRC and is keen to identify business opportunities to grow in this market. In the long run, it will benefit from the synergy that will be generated from the combination of the vertical and horizontal segments. As the concept of IPTV and digital TV is rather new and it is expecting that this new concept will be able to fortify the Group's market share in the PRC and expand its business opportunities.

The Directors consider that investment in the Joint Venture offers the Group a good business opportunity to diversify its existing business by expanding into the IPTV and digital TV market.

Taking into consideration of the aforesaid, the Directors consider that the terms and conditions of the Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL DISCLOSURE OBLIGATION UNDER RULE 13.13

As at 21 November 2005, there were 1,600,000,000 Shares of the Company in issue. Based on the average closing price of the Company's Shares of HK\$0.1254 as stated in the Stock Exchange's daily quotation sheets for the trading days from 14 November 2005 to 18 November 2005 (both days inclusive), being the five business days immediately preceding 21 November 2005, the total market capitalisation of the Company was approximately HK\$200,640,000.

In addition, the value of the total assets being acquired is HK\$78,390,000, the consolidated total assets of the Company was approximately HK\$968,545,000.

The advance of US\$5,000,000 made by the Company to the Joint Venture exceeds 8% of the total assets and the market capitalization of the Company and therefore gives rise to a disclosure obligation of the Company under Rules 13.13 of the Listing Rules.

LISTING RULES IMPLICATION

The advance of US\$5,000,000 made by the Company to the Joint Venture exceeds 8% of the total assets and the market capitalization of the Company and is subject to the disclosure obligation under Rule 13.13 of the Listing Rules. The Shareholders' Agreement also constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

GENERAL INFORMATION

A circular containing, among other things, details of the Shareholders' Agreement will be despatched to the Shareholders within 21 days after the publication of this announcement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

"Board"	the board of Directors
"Company"	Artel Solutions Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
"Directors"	directors (including the independent non-executive directors) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party (Parties)"	(an) independent third party(ies) not being connected person(s) (as defined in the Listing Rules) of the Company and not connected with the Directors, chief executive and substantial Shareholders of the Company and any of its subsidiaries or their respective associates
"IPTV"	internet protocol television
"Joint Venture"	China Artel Golden Safe Digital Leasing Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the issued share capital of which is owned as to 50% by Party A and 50% by the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Party A"	Golden Safe Holdings Group Limited, a company incorporated in the British Virgin Islands with limited liability, an Independent Third Party
"PRC"	the People's Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Shareholder(s)"	shareholder(s) of the Company
"Shareholders' Agreement"	the shareholders' Agreement dated 21 November 2005 and entered into between Party A and the Company recording their respective rights and obligations with respect to the ownership, management and operations of the Joint Venture
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"WOFE"	a wholly owned foreign enterprise to be set up by the Joint Venture
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"US\$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

Translations of US\$ into HK\$ are for illustration purpose only, at the rate of US\$1.00 to HK\$7.80. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at that rate or at any other rate or at all.

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

Hong Kong, 23 November 2005

As at the date of this announcement, the Board comprises Mr. Yu Pen Hung and Mr. Yen Chung Chuan being the executive directors, Dr. Liu James Juh, Ms. Hu Gin Ing and Mr. Yim Hing Wah being the independent non-executive directors.