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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



Polaris Securities (Hong Kong) Limited

After trading hours on 18 March 2010, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company agreed to place, through the Placing Agent, 400,000,000 Placing Shares at the Placing Price (being HK\$0.52 per Placing Share) to the Placees on a fully underwritten basis. The Placing Agreement is subject to the condition as set out below.

The 400,000,000 Placing Shares represent approximately 8.63% of the issued share capital of Company as at the date of this announcement and approximately 7.95% of the issued share capital of the Company as enlarged by the allotment and issue of the 400,000,000 Placing Shares.

The Placing Price represents (i) a discount of approximately 3.70% to the closing price of HK\$0.540 per Share as quoted on the Stock Exchange on 18 March 2010, being the date of the Placing Agreement; (ii) a premium of approximately 3.17% over the average closing price of HK\$0.504 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 18 March 2010; and (iii) a premium of approximately 12.80% over the average closing price of HK\$0.461 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 18 March 2010.

* For identification purpose only

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

It is expected that the net proceeds from the Placing will amount to approximately HK\$202 million.

PLACING AGREEMENT

Date: 18 March 2010 (after trading hours)

Parties:

(1) **The Company**

(2) **Placing Agent:**

Polaris Securities (Hong Kong) Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of the Group and not connected person (as defined in the Listing Rules) of the Group.

The Placing Agent will charge the Company a placing commission of 2.25% of the gross proceeds from the Placing. The Placing commission was negotiated on arm's length basis between the Company and the Placing Agent and determined with reference to, among other things, the market rate and the price performance of the Shares. The Directors consider the terms of the Placing, including the Placing commission, are fair and reasonable based on the current market conditions.

Number of Placing Shares:

A total of 400,000,000 Placing Shares on a fully underwritten basis. Such 400,000,000 Placing Shares represent approximately 8.63% of the issued share capital of the Company of 4,633,418,081 Shares as at the date of this announcement and approximately 7.95% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the Placing Shares amounts to HK\$4,000,000.

Ranking of the Placing Shares:

The Placing Shares, when allotted and issued, will rank *pari passu* with all other issued Shares as at the date of Completion in all respects, and shall be free from all liens, charges, encumbrances and third party rights of whatsoever nature and together with all rights attaching thereto at the date of Completion.

Placee(s):

The Placing Shares will be placed to not less than six Placees, who will be independent individual, corporate and/or institutional investors selected and procured by the Placing Agent.

It is expected that the Placees (and its ultimate beneficial owner(s), if applicable) will be third party independent of the Group and not connected persons (as defined in the Listing Rules) of the Group and that no Placee will become a substantial Shareholder immediately after Completion. If any of the Placees will become a substantial Shareholder after Completion, further announcement will be made by the Company.

Placing Price:

HK\$0.52 per Placing Share (exclusive of stamp duty, brokerage (if any), Stock Exchange trading fees and SFC transaction levies (if any)). Net Placing Price per Placing Share amounts to HK\$0.51.

The Placing Price has been arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price of the Shares. The Placing Price represents (i) a discount of approximately 3.70% to the closing price of HK\$0.540 per Share as quoted on the Stock Exchange on 18 March 2010, being the date of the Placing Agreement; (ii) a premium of approximately 3.17% over the average closing price of HK\$0.504 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 18 March 2010; and (iii) a premium of approximately 12.80% over the average closing price of HK\$0.461 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 18 March 2010.

Condition of the Placing Agreement:

Completion of the Placing is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares.

In the event the condition is not fulfilled by 17 April 2010 (or such later date as may be agreed by the parties in writing), all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine and neither of the parties shall have any claim against the other in respect of the Placing save for any antecedent breach.

Completion:

Completion shall take place at 12:00 noon on the third business day following the day on which the condition set out above is satisfied (or such later date as may be agreed between the Company and the Placing Agent).

Termination of the Placing Agreement:

Notwithstanding anything contained in the Placing Agreement, the Placing Agent shall be entitled by notice to the Company given prior to 6:00 p.m. on the day immediately preceding the date of Completion to terminate the Placing Agreement if:

- (i) any Specified Event comes to the notice of the Placing Agent; or
- (ii) there develops, occurs or comes into force:
 - (a) any new law or regulation or any change in existing laws or regulations or the interpretation thereof which may in the reasonable opinion of the Placing Agent and in its reasonable discretion may materially and adversely affect the business or financial condition of the Group as a whole; or
 - (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date of the Placing Agreement) of a political, military, economic or other nature (whether or not ejusdem generis with the foregoing) which, in the reasonable opinion of the Placing Agent and in its reasonable discretion will, or may be expected to, have a material adverse effect on the Placing; or
 - (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the reasonable opinion of the Placing Agent and in its reasonable discretion has or may have a material adverse effect on the Placing; or
- (iii) there is any adverse change in the business or in the financial or trading position of the Group taken as a whole which being unaware of by the Placing Agent and in the reasonable opinion of the Placing Agent and in its reasonable discretion is material in the context of the Placing.

If the above notice is given by the Placing Agent, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement.

GENERAL MANDATE TO ISSUE THE PLACING SHARES

The Placing Shares will be allotted and issued under the general mandate granted to the Directors by a resolution of the Shareholders to issue up to 527,719,885 Shares passed at the annual general meeting of the Company held on 18 May 2009. The aforesaid general mandate has not been utilised prior to the date of this announcement.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has outstanding convertible notes (the “**Convertible Notes**”) in the principal amount of HK\$241,000,000 which may be converted into 6,243,523,316 Shares at the initial conversion price of HK\$0.0386 per Share.

Assuming the Placees do not hold any Shares immediately before Completion, the holder(s) of the Convertible Notes do not exercise the conversion rights attached to the Convertible Notes and there is no other change in the shareholding of the Company after the date of this announcement, the shareholding structure of the Company immediately before and after Completion are as follows:

Name of Shareholder	Shareholding as at the date of this announcement		Shareholding immediately after Completion	
	Number of Shares	% of shareholding (approximate)	Number of Shares	% of shareholding (approximate)
Directors				
Kan Che Kin, Billy Albert	3,350,694,403	72.32%	3,350,694,403	66.57%
Li Kai Yien, Arthur Albert	3,000,000	0.06%	3,000,000	0.06%
Li Shu Han, Eleanor Stella	2,000,000	0.04%	2,000,000	0.04%
Ip Woon Lai	1,000,000	0.02%	1,000,000	0.02%
Placees	–	–	400,000,000	7.95%
Other Public Shareholders	1,276,723,678	27.56%	1,276,723,678	25.36%
Total	4,633,418,081	100%	5,033,418,081	100%

REASONS FOR THE PLACING AND USE OF PROCEEDS

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

The Board believes that the Placing represent a good opportunity to raise additional capital for future business development of the Group as they will enhance the capital and shareholders’ base of the Company thereby increasing the liquidity of the Shares.

The gross proceeds from the Placing will amount to approximately HK\$208 million. The net proceeds from the Placing, after the deduction of the Placing commission and other related expenses, are estimated to be approximately HK\$202 million, which will be used mainly for (i) the possible acquisition of 28.01% equity interest in the registered capital of 山西蘭花煤炭實業集團有限公司 (Shanxilanhua Coal Industrial Group Co. Ltd*) (“**Shanxilanhua**”), details of which are set out in the announcements of the Company dated 16 June 2009 and 18 September 2009; and (ii) the potential investment of the 47%-owned joint venture company to be established by the Company, Shanxilanhua and other party, details of which are set out in the announcements of the Company dated 20 November 2009 and 3 February 2010.

The Directors consider the terms of the Placing are fair and reasonable, on normal commercial terms and believe that the Placing is in the best interest of the Company and the Shareholders as a whole.

EQUITY FUND-RAISING CONDUCTED IN THE 12-MONTH PERIOD IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has not conducted any equity fund raising activity in the 12-month period immediately before the date of this announcement.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Placing Shares.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meaning ascribed to them below:

“Board”	the board of Directors
“Director(s)”	director(s) of the Company
“Company”	Artel Solutions Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Placing
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any person(s) or entity(ies) whom the Agent or its agent(s) has procured to subscribe for any of the Placing Shares
“Placing”	placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	Polaris Securities (Hong Kong) Limited

“Placing Agreement”	the agreement dated 18 March 2010 entered into by the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.52 per Placing Share
“Placing Shares”	400,000,000 new Shares
“SFC”	Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Specified Event”	an event occurring or matter arising on or after the date of the Placing Agreement and prior to the date of Completion which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of the undertakings, warranties and representations given by the Company under the Placing Agreement untrue or incorrect and such would have a material adverse impact or effect on the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 18 March 2010

As at the date of this announcement, the executive Directors are 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 the independent non-executive Directors are Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong.