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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board (the "Board") of directors (the "Directors") of Artel Solutions Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 (the "Period") together with the comparative figures for the previous corresponding period prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2007

		Six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**20,390**	32,319
Cost of sales	*4*	**(20,067)**	(23,263)
Gross profit		**323**	9,056
Other operating income		**325**	160
Distribution costs		**–**	(94)
Administrative expenses		**(1,226)**	(11,081)
Finance costs	*5*	**(9)**	(13,586)
Share of results of associates		**(245)**	–
Loss on disposal of interests in associates		**(374)**	–
Loss before taxation	*6*	**(1,206)**	(15,545)
Taxation	*7*	**–**	(2)
Loss for the period attributable to equity shareholders of the Company		**(1,206)**	(15,547)
Dividend	*8*	**–**	–
Loss per share (HK cents)	*9*		
– Basic		**(0.08)**	(0.97)

* *for identification purposes only*

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	**30 June 2007 (Unaudited) *HK$'000***	31 December 2006 (Audited) *HK$'000*
Non-current assets			
Plant and equipment		**–**	265
Interests in associates		**–**	245
		–	510
Current Assets			
Trade receivables, rebates receivables, prepayments, deposits and other receivables	*10*	**1,302**	1,326
Amount due from an associate		**–**	874
Bank balances and cash		**1,331**	2,680
		2,633	4,880
Current liabilities			
Trade payables, accrued charges and other payables	*11*	**71,109**	71,536
Amount due to a director		**198**	198
Bank overdrafts and borrowings		**258,254**	259,378
		329,561	331,112
Net current liabilities		**(326,928)**	(326,232)
Net liabilities		**(326,928)**	(325,722)
Capital and reserves			
Share capital		**16,000**	16,000
Reserves		**(342,928)**	(341,722)
Capital deficiencies		**(326,928)**	(325,722)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at 30 June 2007, its parent and ultimate holding company was E-Career Investments Limited, a limited company incorporated in the British Virgin Islands.

The Company is an investment holding company.

The condensed consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of its net liabilities of approximately HK$327 million as at 30 June 2007.

On 25 July 2007, the Company was notified by Mr. Kan Che Kin, Billy Albert ("Mr. Kan") that he had entered into the sale and purchase agreement with Mr. Yu Pen Hung ("Mr. Yu") (the then chairman of the Company and an executive Director) and E-Career Investments Limited, the then major shareholder of the Company holding 75% of the Company's issued share capital and a company wholly owned by Mr. Yu, in relation to the acquisition of 1,200,000,000 shares of the Company (the "Sale Shares") from E-Career Investments Limited for a consideration of HK$16,000,000. Completion of the acquisition of the Sale Shares took place on 25 July 2007. In August 2007, Mr. Kan acquired the bank overdrafts and borrowings due to the Group's bank creditors, which aggregate balance was approximately HK$256 million as at 12 December 2005, for a consideration of HK$30,300,000 by way of assignment. In September 2007, Mr. Kan acquired the amount due to Intel Semiconductor Limited ("Intel"), which balance was approximately US$7,567,000 as at 11 July 2006, for a consideration of US$840,000 by way of assignment.

Following the completion of the aforesaid debt assignments, the Group's indebtedness to the banks and Intel were assigned to Mr. Kan.

Mr. Kan became the Company's major shareholder who intends to maintain the listing status of the Company on the Stock Exchange and the Group will continue with its existing businesses. Mr. Kan was appointed as an executive Director and the chairman of the Company on 10 October 2007. The Directors are of the opinion that Mr. Kan will provide the necessary funding to the Group so that it will be able to continue with its existing businesses and to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual audited consolidated financial statements for the year ended 31 December 2006 except in relation to the following new standards, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are adopted for the first time in the current period:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new HKFRSs did not result in material impact on the accounting policies of the Group's condensed consolidated financial statements.

The Group has not early adopted certain accounting Standards or Interpretations that have been issued but not yet effective. The adoption of such Standards and Interpretations will not result in substantial changes to the Group's accounting policies.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate of the net amounts received and receivable for goods sold to outside customers, less trade discounts and returns, for the Period.

(a) Business segments

The Group's primary format for reporting segment information is business segments:

	Distribution of computer components and information technology products Six months ended 30 June		**Provision of integrated e-enabling solutions Six months ended 30 June**		**Consolidated Six months ended 30 June**	
	2007 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*	**2007 (Unaudited) *HK$'000***	2006 (Unaudited) *HK$'000*	**2007 (Unaudited) *HK$'000***	2006 (Unaudited) *HK$'000*
TURNOVER						
External sales	**20,390**	32,319	**–**	–	**20,390**	32,319
SEGMENT RESULTS	**51**	(1,781)	**–**	(15)	**51**	(1,796)
Other operating income					**325**	–
Unallocated corporate expenses					**(954)**	(163)
Finance costs					**(9)**	(13,586)
Share of results of associates					**(245)**	–
Loss on disposal of interests in associates					**(374)**	–
Loss before taxation					**(1,206)**	(15,545)
Taxation					**–**	(2)
Loss for the period attributable to equity shareholders of the Company					**(1,206)**	(15,547)

(b) Geographical segments

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover by geographical market		
The People's Republic of China (the "PRC")	**–**	32,319
Hong Kong	**20,390**	–
	20,390	32,319

4. COST OF SALES

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of sales comprises:–		
Cost of goods sold	**20,067**	23,295
Rebates	**–**	(32)
	20,067	23,263

5. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank overdrafts and short-term bank borrowings wholly repayable within five years	**–**	13,245
Bank charges	**9**	341
	9	13,586

6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging/(crediting):		
Auditor's remuneration	**60**	–
Depreciation of plant and equipment	**–**	1,519
Gain on disposal of plant and equipment	**(324)**	–
Interest income	**(1)**	(158)

7. TAXATION

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax:		
Current period	**–**	2

No provision for Hong Kong Profits Tax (2006: 17.5%) has been made in the condensed consolidated financial statements for the Period as the Group did not have any assessable profit.

No provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for both periods.

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to equity shareholders of the Company for the Period is based on the net loss for the Period of HK$1,206,000 (2006: HK$15,547,000) and on the 1,600,000,000 (2006: 1,600,000,000) shares in issue.

The calculation of diluted loss per share in both periods does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares during both periods before the suspension of trading in shares of the Company in September 2006.

10. TRADE RECEIVABLES, REBATES RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The credit terms of the Group range from 30 to 180 days.

	30 June	31 December
	2007	2006
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**506,884**	506,884
Less: Allowance for doubtful debts	**(506,884)**	(506,884)
	–	–
Rebates receivables	**–**	–
Prepayments, deposits and other receivables	**1,302**	1,326
	1,302	1,326

The rabates receivables include amount of HK$98,814,000 (31 December 2006 : HK$98,814,000) relating to an allowance for rebates receivables.

11. TRADE PAYABLES, ACCRUED CHARGES AND OTHER PAYABLES

The aged analysis of trade payables as at 30 June 2007 and 31 December 2006 is as follows:

	30 June 2007 (Unaudited) *HK$'000*	31 December 2006 (Audited) *HK$'000*
Trade payables aged over 1 year	**65,498**	65,498
Accrued charges and other payables	**5,611**	6,038
	71,109	71,536

Note: One of the major suppliers, Intel, served a statutory demand against the Group to recover the amounts due by the Group. In September 2007, the amount due to Intel was assigned to Mr. Kan. Details of the debt assignment are disclosed in Note 1 to this announcement.

12. CONTINGENT LIABILITIES

As at 30 June 2007, the Group did not have any significant contingent liabilities.

13. EVENTS AFTER THE BALANCE SHEET DATE

In July 2007, Mr. Kan acquired 75% of the Company's then issued share capital from E-Career Investments Limited, a company wholly-owned by Mr. Yu. Details of the acquisition are disclosed in note 1 to the condensed consolidated financial statements. In October 2007, Mr. Kan, through CIMB-GK Securities (HK) Limited, made cash offers (the "Offers") to acquire all the issued shares of the Company (other than those already owned by him or parties acting in concert with him) and to cancel all the Company's outstanding share options (the "Share Options"). Details of the Offers are set out in the composite document of the Company dated 10 October 2007. During the Offers, two holders of the Share Options exercised their rights under the Share Options to subscribe for 2,330,000 shares of the Company, Holders of the Share Options to subscribe for 29,945,000 shares of the Company accepted the Offers. Following close of the Offers on 31 October 2007, Mr. Kan's interest in the Company's issued share capital increased to approximately 75.99% as at the date of this announcement. All outstanding Share Options as at 31 October 2007 have lapsed. It is the intention of Mr. Kan to place down his shareholding in the Company before the resumption of trading in the shares of the Company in order to maintain the 25% minimum public float as required in the Listing Rules.

In August 2007, Mr. Kan acquired the bank overdrafts and borrowings due to the Group's bank creditors, which aggregate balance was approximately HK$256 million as at 12 December 2005 for a consideration of HK$30,300,000 by way of assignment. In September 2007, Mr. Kan acquired the amount due to Intel, which balance was approximately US$7,567,000 as at 11 July 2006, for a consideration of US$840,000 by way of assignment.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

Working against the challenging period for the six months ended 30 June 2007, the Group was adversely affected by the lack of working capital from banks to finance its trading operation.

The Group recorded a loss of approximately HK$1,206,000 for the six months ended 30 June 2007. The Group's turnover for the six months ended 30 June 2007 amounted to HK$20,390,000. The Group recorded a gross profit of approximately HK$0.3 million for the six months ended 30 June 2007, representing a decrease of approximately 96% compared with that of 2006.

The Group is actively pursuing a number of e-enabling solution projects with higher profit margins. The Directors believe the Group will turnaround and restore to grow in the future.

Liquidity and financial resources

The Group had total cash and bank balances of approximately HK$1.3 million as at 30 June 2007 (31 December 2006: approximately HK$2.7 million). Balance of bank overdrafts and short-term borrowings were approximately HK$258 million as at 30 June 2007 (31 December 2006: approximately HK$259 million).

The Group recorded total current asset value of approximately HK$2.6 million as at 30 June 2007 (31 December 2006: approximately HK$4.9 million) and total current liabilities value of approximately HK$330 million (31 December 2006: approximately HK$331 million). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was about 0.01 as at 30 June 2007 (31 December 2006: approximately 0.01).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007.

TREASURY POLICIES

The Group's major borrowings are in US dollars and HK dollars. All borrowings are based on LIBOR or Hong Kong best lending rates. The Group's bank borrowings were assigned to Mr. Kan after the balance sheet date and the Group currently does not have a foreign currency and interest rate hedging policy. However, the management of the Group monitors foreign exchange and interest rate exposure and will consider hedging significant foreign currency and interest rate exposure should the need arise.

PLEDGE OF ASSETS

The Group had no pledged assets as at 30 June 2007.

INVESTMENTS

The Group had not held any significant investment for the six months ended 30 June 2007.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group disposed all its interests in three associated companies, namely Jet Fidelity Holdings Company Limited, Jet Fidelity Limited and Synergrator Logistics (HK) Limited, 30% of the issued share capital of each of them were held by the Group, in June 2007 at a cash consideration of approximately HK$500,000, resulting in a loss on disposal of approximately HK$374,000 during the six months ended 30 June 2007. Save as disclosed, the Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2007.

SEGMENTAL INFORMATION

Details of segmental information for the six months ended 30 June 2007 are set out in Note 3 to this announcement.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2007.

STAFF AND REMUNERATION POLICIES

The Group remunerated its employees mainly based on industry practice and individual's performance and experience.

Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance. Other benefits include retirement schemes.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased or sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2007.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong.

CORPORATE GOVERNANCE REPORT

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices under Appendix 14 to the Listing Rules throughout the six months ended 30 June 2007 except for the following deviations:

1. Under the Code Provision A.1.1, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the Period, due to the financial difficulties faced by the Group and resignation of some Directors, no Board meeting was held and therefore no minutes were prepared.

2. Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate. The positions of chairman and chief executive officer of the Company are held by Mr. Yu Pen Hung. The Board believes that the holding both the positions of chairman and chief executive officer with the same person allows for more effective planning and execution of business strategies. Also, Mr. Yu possesses extensive valuable experience that is essential for the Group's operations. The Board has full confidence in Mr. Yu and believes that his dual roles will be beneficial to the Group.

3. Under the Code Provision A.3 and pursuant to Rule 3.10 of the Listing Rules, every Board must include at least three independent non-executive Directors. After the resignation of Dr. Liu James Juh and Ms. Hu Gin Ing during the Period, the Board only has one independent non-executive Director until the appointment of Mr. Li Siu Yui and Mr. Ip Woon Lai as independent non-executive Directors on 10 October 2007.

4. Under the Code Provisions A.4.1 and A.4.2, non-executive Director should be appointed for a specific term and each Director should be subject to retirement by rotation at least once every three years. The existing independent non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company at least once every three years.

5. Under the Code Provision B.1.1, a remuneration committee should be established with specific written terms of reference which deal clearly with its authority and duties. The remuneration committee of the Company (the "Remuneration Committee") was formed in December 2005 which consisted of solely independent non-executive Directors. However, due to resignation of some independent non-executive Directors during the Period and the financial difficulties faced by the Group, the Remuneration Committee did not hold any meeting in the year 2006 and during the Period to discharge its responsibilities in accordance with its terms of reference which are set out in accordance with the requirements of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 June 2007.

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

Hong Kong, 14 November 2007

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Kan Che Kin, Billy Albert, Mr. Yu Pen Hung, 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.