

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Artel Solutions Group Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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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)

**(1) PROPOSED GRANT OF GENERAL MANDATES
TO ISSUE NEW SHARES
AND REPURCHASE BY THE COMPANY OF ITS OWN SHARES;
(2) PROPOSED RE-ELECTION OF DIRECTORS
AND
(3) NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an annual general meeting of Artel Solutions Group Holdings Limited to be held at Flat 18, 1/F, Flourish Industrial Building, 33 Sheung Yee Road, Kowloon Bay, Hong Kong on 20 December 2007 at 11:00 a.m. is set out on pages 18 to 21 of this circular. A form of proxy for use at the annual general meeting is also enclosed.

Whether or not you are able to attend the annual general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's Hong Kong branch share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the annual general meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the annual general meeting or any adjourned meeting in person should you so wish.

* for identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM Notice”	notice of the Annual General Meeting which is set out on pages 18 to 21 of this circular;
“Annual General Meeting”	the annual general meeting of the Company to be held at Flat 18, 1/F, Flourish Industrial Building, 33 Sheung Yee Road, Kowloon Bay, Hong Kong on 20 December 2007 at 11:00 a.m. or any adjournment thereof;
“Articles of Association”	the articles of association of the Company, and “Article” shall mean an Article of the Articles of Association;
“associate(s)”	has the same meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Code”	the Hong Kong Code on Takeovers and Mergers;
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company”	Artel Solutions Group Holdings Limited 宏通集團控股有限公司*, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Existing Issue Mandate”	a general mandate granted to the Directors at the annual general meeting of the Company held on 16 June 2006 to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at 16 June 2006;
“Existing Repurchase Mandate”	a general mandate granted to the Directors at the annual general meeting of the Company held on 16 June 2006 to repurchase Shares not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at 16 June 2006;
“Group”	the Company and its subsidiaries;

* for identification purposes only

DEFINITIONS

“HK\$”	Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	22 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Ordinary Resolutions”	the ordinary resolutions to be proposed and passed at the Annual General Meeting as set out in the AGM Notice;
“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Proposed Issue Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of relevant resolution granting such proposed issue mandate;
“Proposed Repurchase Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase Shares not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of relevant resolution granting such proposed repurchase mandate;
“Retiring Directors”	Mr. Kan Che Kin, Billy Albert, Mrs. Kan Kung Chuen Lai, Ms. Li Shu Han, Eleanor Stella, Mr. Li Kai Yien, Arthur Albert, Mr. Yu Pen Hung, Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	share(s) in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.



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)

Executive Directors:

Mr. Kan Che Kin, Billy Albert
Mrs. Kan Kung Chuen Lai
Ms. Li Shu Han, Eleanor Stella
Mr. Li Kai Yien, Arthur Albert
Mr. Yu Pen Hung

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent Non-executive Directors:

Mr. Li Siu Yui
Mr. Ip Woon Lai
Mr. Lee Kong Leong

*Principal place of business
in Hong Kong:*

Flat 18, 1/F
Flourish Industrial Building
33 Sheung Yee Road
Kowloon Bay
Hong Kong

27 November 2007

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED GRANT OF GENERAL MANDATES TO ISSUE NEW SHARES
AND REPURCHASE BY THE COMPANY OF ITS OWN SHARES;
(2) PROPOSED RE-ELECTION OF DIRECTORS
AND
(3) NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the Ordinary Resolutions to be proposed at the Annual General Meeting for the approval of (a) the proposed re-election of the Retiring Directors; (b) the grant to the Directors of the Proposed Issue Mandate; (c) the grant to the Directors of the Proposed Repurchase Mandate; and (d) the extension of the Proposed Issue Mandate by adding to it the aggregate amount of issued Shares repurchased under the Proposed Repurchase Mandate, as well as the AGM Notice.

* for identification purposes only

LETTER FROM THE BOARD

PROPOSED RE-ELECTION OF RETIRING DIRECTORS

According to Article 87(1), one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office by rotation at every annual general meeting of the Company. A retiring Director shall be eligible for re-election.

It is further provided in Article 86(3) that the Board had power from time to time to appoint any person as a Director either to fill a causal vacancy on the Board or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. According to Article 87(2), any Director appointed pursuant to Article 86(2) or 86(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Pursuant to Article 86(3), Mr. Kan Che Kin, Billy Albert, Mrs. Kan Kung Chuen Lai, Ms. Li Shu Han, Eleanor Stella and Mr. Li Kai Yien, Arthur Albert are executive Directors, and Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong are independent non-executive Directors being appointed by the Board to fill the casual vacancy during the year who shall hold the office only until the Annual General Meeting. All of them, being eligible, will offer themselves for re-election at the Annual General Meeting.

In addition, pursuant to Article 87(1), Mr. Yu Pen Hung, being an executive Director, shall retire from office and, being eligible, will offer himself for re-election at the Annual General Meeting.

Brief biography of the Retiring Directors to be re-elected at the Annual General Meeting are set out in Appendix I to this circular.

PROPOSED GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company held on 16 June 2006, ordinary resolutions were passed granting the Existing Issue Mandate and the Existing Repurchase Mandate to the Directors.

In accordance with the provisions of the Listing Rules and the terms of the Existing Issue Mandate and the Existing Repurchase Mandate, the Existing Issue Mandate and the Existing Repurchase Mandate shall lapse if, inter alia, they are revoked or varied by ordinary resolutions of the Shareholders in general meeting.

Resolutions to consider, and if thought fit, to approve the Proposed Issue Mandate and the Proposed Repurchase Mandate as set out in resolutions 4 and 5 in the AGM Notice respectively will be proposed at the Annual General Meeting. With reference to the Proposed Issue Mandate and the Proposed Repurchase Mandate, the Directors wish to state that they have no immediate plans to issue or repurchase any Shares pursuant thereto. As at the Latest Practicable Date, the number of Shares in issue were 1,602,330,000 Shares. Subject to the passing of the resolution granting the Proposed Issue Mandate and on the

LETTER FROM THE BOARD

basis that no further Shares will be issued or repurchased before the Annual General Meeting, the Company will be allowed to issue a maximum of 320,466,000 Shares, representing 20% of the 1,602,330,000 issued Shares, upon the exercise of the Proposed Issue Mandate.

The Proposed Issue Mandate and the Proposed Repurchase Mandate will expire at the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; and (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the Proposed Issue Mandate and the Proposed Repurchase Mandate.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the Proposed Repurchase Mandate is set out in the Appendix II to this circular. The explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution at the Annual General Meeting in relation to the Proposed Repurchase Mandate.

ANNUAL GENERAL MEETING

A notice convening the Annual General Meeting to be held at Flat 18, 1/F, Flourish Industrial Building, 33 Sheung Yee Road, Kowloon Bay, Hong Kong on 20 December 2007 at 11:00 a.m. is set out on pages 18 to 21 of this circular.

A form of proxy for use by the Shareholders at the Annual General Meeting is enclosed with this circular. Whether or not you intend to attend and vote at the Annual General Meeting in person, you are requested to complete the form of proxy and return it to the office of the Company's Hong Kong branch share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the Annual General Meeting or any adjourned meeting should you so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 66, at any general meeting a resolution put to vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in case of the Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (c) by a Shareholder or Shareholders present in person or in case of the Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in case of the Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

RECOMMENDATION

The Directors consider that the proposed Ordinary Resolutions for approval of (a) the proposed re-election of the Retiring Directors; (b) the grant to the Directors of the Proposed Issue Mandate; (c) the grant to the Directors of the Proposed Repurchase Mandate; and (d) the extension of the Proposed Issue Mandate by adding to it the aggregate amount of issued Shares repurchased under the Proposed Repurchase Mandate are in the interests of the Company, the Shareholders and, in particular, the Group as a whole. The Directors therefore recommend the Shareholders to vote in favour of the Ordinary Resolutions.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Artel Solutions Group Holdings Limited
Kan Che Kin, Billy Albert
Chairman

This Appendix sets out the information, as required to be disclosed by the Listing Rules, on the Retiring Directors proposed to be re-elected at the Annual General Meeting.

EXECUTIVE DIRECTORS

Mr. Kan Che Kin, Billy Albert (“Mr. Kan”)

Mr. Kan Che Kin, Billy Albert, aged 55, was appointed as an executive Director and the chairman of the Company on 10 October 2007. Save for being an executive Director and the chairman of the Company, Mr. Kan did not hold any other position with any member of the Group.

Mr. Kan 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) (“**Interchina**”) and Greater China Holdings Limited (stock code: 431). Mr. Kan resigned as a director of Interchina in September 2000 and of Greater China Holdings Limited in June 2004. Save as disclosed, Mr. Kan did not hold any directorship in listed public companies in the last three years.

As at the Latest Practicable Date, Mr. Kan was interested in 1,217,558,000 Shares, representing 75.99% of the issued share capital of the Company, within the meaning of Part XV of the SFO. Mrs. Kan Kung Chuen Lai is the wife of Mr. Kan, Ms. Li Shu Han, Eleanor Stella is a niece of Mr. Kan and Mr. Li Kai Yien, Arthur Albert is a nephew of Mr. Kan. Save as disclosed, Mr. Kan does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

The Company has not entered into any service contract with Mr. Kan and he has not been appointed for a specific term, but he is subject to retirement by rotation and re-election in accordance with the Articles of Association. Mr. Kan is entitled to an annual remuneration of HK\$10,000. His remuneration was determined with reference to his duties and responsibilities.

Mr. Kan was appointed as a director of Interchina, the shares of which are listed on the Stock Exchange, with the aim to rescue Interchina and its subsidiaries (“**Interchina Group**”) from its financial difficulties. As at 24 November 1999, Interchina Group had a total indebtedness of approximately HK\$1,147,791,000 and a net deficit in shareholders’ equity of approximately HK\$322,329,000. Interchina Group underwent debt restructuring with its creditors and scheme of arrangement with its shareholders in 2000 (details of which please refer to the circular issued by Interchina dated 27 July 2000). Interchina is a company incorporated in Hong Kong with limited liability and it was principally engaged

in property development and investment in Hong Kong and the PRC. Mr. Kan resigned as a director of Interchina in September 2000 after the successful restructuring of Interchina Group. Interchina Group is now principally engaged in the investment in environmental and water treatment operation and city development and investment operation as well as strategic investment in Hong Kong and the PRC.

Mr. Kan had been involved in the following offences:

The offence	The penalty (if any)* imposed	The date of conviction	The name of the court which tried the offence
1. Fail to perform a duty of disclosure to notify the Stock Exchange of the cessation of his interest in 3,800,000 shares comprised in the relevant share capital of Sino Prosper Holdings Limited (“Sino Prosper”), the shares of which are listed on the Stock Exchange, within the period specified in section 325(1)(a) of the SFO.	HK\$1,500.00	19 April 2007	Eastern Magistrate
2. Fail to perform a duty of disclosure to notify Sino Prosper of the cessation of his interest in 3,800,000 shares comprised in the relevant share capital of Sino Prosper within the period specified in section 325(1)(a) of the SFO.	HK\$1,500.00	19 April 2007	Eastern Magistrate
3. Fail to perform a duty of disclosure to notify the Stock Exchange of the cessation of his interest in 10,000,000 shares comprised in the relevant share capital of Sino Prosper within the period specified in section 325(1)(a) of the SFO.	HK\$1,500.00	19 April 2007	Eastern Magistrate
4. Fail to perform a duty of disclosure to notify Sino Prosper of the cessation of his interest in 10,000,000 shares comprised in the relevant share capital of Sino Prosper within the period specified in section 325(1)(a) of the SFO.	HK\$1,500.00	19 April 2007	Eastern Magistrate
5. Fail to perform a duty of disclosure to notify the Stock Exchange of the cessation of his interest in 7,000,000 shares comprised in the relevant share capital of Sino Prosper within the period specified in section 325(1)(a) of the SFO.	HK\$1,500.00	19 April 2007	Eastern Magistrate

The offence	The penalty (if any)* imposed	The date of conviction	The name of the court which tried the offence
6. Fail to perform a duty of disclosure to notify Sino Prosper of the cessation of his interest in 7,000,000 shares comprised in the relevant share capital of Sino Prosper within the period specified in section 325(1)(a) of the SFO.	HK\$1,500.00	19 April 2007	Eastern Magistrate
7. Fail to perform a duty of disclosure to notify Sino Prosper of the cessation of his interest in 11,400,000 shares comprised in the relevant share capital of Sino Prosper within the period specified in section 325(1)(a) of the SFO.	HK\$1,500.00	19 April 2007	Eastern Magistrate
8. Fail to perform a duty of disclosure to notify the Stock Exchange of the cessation of his interest in 11,400,000 shares comprised in the relevant share capital of Sino Prosper within the period specified in section 325(1)(a) of the SFO.	HK\$1,500.00	19 April 2007	Eastern Magistrate

* *Apart from the fine of HK 1,500 per offence as mentioned above, Mr. Kan was also ordered to pay investigation costs in the sum of HK\$17,443.*

Since Mr. Kan had successfully assisted and led Interchina Group in its debt restructuring with its creditors and scheme of arrangement with its shareholders in 2000 and the offences mentioned above did not involve fraud or dishonesty, the Board is of the view that Mr. Kan has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a director and the chairman of the Company.

Save as disclosed, there is no information in relation to the re-election of Mr. Kan which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other matters in relation to the re-election of Mr. Kan that need to be brought to the attention of the Shareholders.

Mrs. Kan Kung Chuen Lai ("Mrs. Kan")

Mrs. Kan Kung Chuen Lai, aged 57, was appointed as an executive Director on 10 October 2007. Save for being an executive Director, Mrs. Kan does not hold any other position with any member of the Group.

Mrs. Kan is a director of BK Capital Limited, a private company engaged in merchandise trading, properties investment and securities trading, for over 10 years. Mrs. Kan is the wife of Mr. Kan. Save as disclosed, Mrs. Kan does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mrs. Kan, being the wife of Mr. Kan, is deemed to be interested in 1,217,558,000 Shares, representing 75.99% of the issued share capital of the Company, held by Mr. Kan within the meaning of Part XV of the SFO. As at the Latest Practicable Date, save for being an executive Director, Mrs. Kan did not hold any directorship in listed public companies in the last three years.

The Company has not entered into any service contract with Mrs. Kan and she has not been appointed for a specific term, but she is subject to retirement by rotation and re-election in accordance with the Articles of Association. Mrs. Kan is entitled to an annual remuneration of HK\$10,000. Her remuneration was determined with reference to her duties and responsibilities.

Save as disclosed, there is no information in relation to the re-election of Mrs. Kan which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other matters in relation to the re-election of Mrs. Kan that need to be brought to the attention of the Shareholders.

Ms. Li Shu Han, Eleanor Stella (“Ms. Li”)

Ms. Li Shu Han, Eleanor Stella, aged 38, was appointed as an executive Director on 10 October 2007. Save for being an executive Director, Ms. Li does not hold any other position with any member of the Group.

Ms. Li holds a Bachelor of Science Accounting degree from University of South California. Ms. Li was admitted as a member of American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants in 1995. She has experience in accounting and corporate finance. Ms. Li is currently a director of Wealth Loyal Development Limited, a private company engaged in investment holding.

Ms. Li is a niece of Mr. Kan and sister of Mr. Li Kai Yien, Arthur Albert. Save as disclosed, Ms. Li does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, save for being an executive Director, Ms. Li did not hold any directorship in listed public companies in the last three years and she was not interested in any Shares within the meaning of the SFO.

The Company has not entered into any service contract with Ms. Li and she has not been appointed for a specific term, but she is subject to retirement by rotation and re-election in accordance with the Articles of Association. Ms. Li is entitled to an annual remuneration of HK\$10,000. Her remuneration was determined with reference to her duties and responsibilities.

Save as disclosed, there is no information in relation to the re-election of Ms. Li which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other matters in relation to the re-election of Ms. Li that need to be brought to the attention of the Shareholders.

Mr. Li Kai Yien, Arthur Albert (“Mr. Li”)

Mr. Li Kai Yien, Arthur Albert, aged 35, was appointed as an executive Director on 10 October 2007. Save for being an executive Director, Mr. Li does not hold any other position with any member of the Group.

Mr. Li graduated from University of Southern California with a Bachelor of Science degree in 1995. Mr. Li has been a Certified Public Accountant since 2001 and has more than 9 years’ experience in accounting and securities trading. Mr. Li is currently a dealer representative of Phillip Securities (HK) Ltd.

Mr. Li is a nephew of Mr. Kan and brother of Ms. Li. Save as disclosed, Mr. Li does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, save for being an executive Director, Mr. Li did not hold any directorship in listed public companies in the last three years and he was not interested in any Shares within the meaning of the SFO.

The Company has not entered into any service contract with Mr. Li and he has not been appointed for a specific term, but he is subject to retirement by rotation and re-election in accordance with the Articles of Association. Mr. Li is entitled to an annual remuneration of HK\$10,000. His remuneration was determined with reference to his duties and responsibilities.

Save as disclosed, there is no information in relation to the re-election of Mr. Li which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other matters in relation to the re-election of Mr. Li that need to be brought to the attention of the Shareholders.

Mr. Yu Pen Hung (“Mr. Yu”)

Mr. Yu Pen Hung, aged 44, is the founder of the Group and an executive Director and the chief executive officer of the Company. Mr. Yu is also a director of Artel International Holdings Limited, Elite City International Limited, Wisdom Best Trading Limited, Cyber King Group Limited, Yiu Fai Trading Limited, Advance Great Limited, Artel Computer Solutions Limited, Ariel International Technology Co., Limited, Artel e-Solutions Limited, Artel International Investments Limited, ASEP Solutions Limited, Artel Industries Limited, Best Hero Limited, Hashan Development Company Limited and Artel Computer International Trade (Shanghai) Co., Ltd., all being subsidiaries of the Company. Save as disclosed, Mr. Yu does not hold any other position with any member of the Group.

Before founding the Group in 1995, Mr. Yu has been engaged in the distribution of computer components in Taiwan. Mr. Yu has been engaged in the distribution of computer components business in Taiwan, the PRC and Hong Kong for around 17 years.

As at the Latest Practicable Date, save for being an executive Director, Mr. Yu did not hold any directorship in listed public companies in the last three years and he was not interested in any Shares within the meaning of the SFO. He is not related to any Director, senior management or substantial or controlling shareholders of the Company.

The Company has entered into a service contract with Mr. Yu for an initial term of two years commencing from 1 September 2001 and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term unless terminated by not less than three months' notice in writing served by either party expiring at the end of the initial term or at any time thereafter, and he is subject to retirement by rotation and re-election in accordance with the Articles of Association. Mr. Yu is entitled to an annual remuneration of HK\$10,000. His remuneration was determined with reference to his duties and responsibilities.

Save as disclosed, there is no information in relation to the re-election of Mr. Yu which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other matters in relation to the re-election of Mr. Yu that need to be brought to the attention of the Shareholders.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Siu Yui

Mr. Li Siu Yui, aged 37, was appointed as an independent non-executive Director on 10 October 2007. Save for being an independent non-executive Director, Mr. Li Siu Yui does not hold any other position with any member of the Group.

Mr. Li Siu Yui holds a Master degree in Business Administration from University of Wales. He has over 9 years' experience in the area of investment. He was working in securities companies during the period from 1997 to 2002. He has been engaged as an investment manager of two private companies since 2002.

As at the Latest Practicable Date, save for being an independent non-executive Director, Mr. Li Siu Yui did not hold any directorship in listed public companies in the last three years and he was not interested in any Shares within the meaning of the SFO. He is not related to any Director, senior management or substantial or controlling shareholders of the Company.

The Company has not entered into any service contract with Mr. Li Siu Yui and he has not been appointed for a specific term, but he is subject to retirement by rotation and re-election in accordance with the Articles of Association. Mr. Li Siu Yui is entitled to an annual remuneration of HK\$50,000. His remuneration was determined with reference to his duties and responsibilities.

Save as disclosed, there is no information in relation to the re-election of Mr. Li Siu Yui which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other matters in relation to the re-election of Mr. Li Siu Yui that need to be brought to the attention of the Shareholders.

Mr. Ip Woon Lai (“Mr. Ip”)

Mr. Ip Woon Lai, aged 37, was appointed as an independent non-executive Director on 10 October 2007. Save for being an independent non-executive Director, Mr. Ip does not hold any other position with any member of the Group.

Mr. Ip holds a Bachelor of Commerce in Accounting and Finance degree from the University of New South Wales and was admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants in 1998. He began his career with Arthur Andersen & Co. in Hong Kong in 1994. Mr. Ip has corporate finance and investment banking experience and had worked for various investment banks and companies including Warburg Dillon Read, ING Bank N.V. and CEL Management Services Limited. He had also worked in Hysan Development Company Limited where he served as the deputy head of corporate finance from 2005 to 2006. In 2006, he joined Lotus Capital Management Limited, a private equity investment fund.

As at the Latest Practicable Date, save for being an independent non-executive Director, Mr. Ip did not hold any directorship in listed public companies in the last three years and he was not interested in any Shares within the meaning of the SFO. He is not related to any director, senior management or substantial or controlling shareholders of the Company.

The Company has not entered into any service contract with Mr. Ip and he has not been appointed for a specific term, but he is subject to retirement by rotation and re-election in accordance with the Articles of Association. Mr. Ip is entitled to an annual remuneration of HK\$50,000. His remuneration was determined with reference to his duties and responsibilities.

Save as disclosed, there is no information in relation to the re-election of Mr. Ip which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other matters in relation to the re-election of Mr. Ip that need to be brought to the attention of the Shareholders.

Mr. Lee Kong Leong (“Mr. Lee”)

Mr. Lee Kong Leong, aged 43, was appointed as an independent non-executive Director on 7 December 2006. Save for being an independent non-executive Director, Mr. Lee does not hold any other position with any member of the Group.

Mr. Lee holds a Bachelor of Commerce in Accounting and Information Systems degree from the University of New South Wales, Australia. He began his professional career with Coopers & Lybrand in Malaysia in 1988. From 1989 to 1995, he held senior positions with PriceWaterhouseCoopers and C.P. Pokphand Ltd. in Hong Kong. He is a

certified practicing accountant with the Australian Society of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants. From 2001 to 2004, he was a director of Harbin Brewery Group Limited, the issued shares of which were listed on the Stock Exchange from 2002 to 2004. Save as disclosed, Mr. Lee did not hold any directorship in listed public companies in the last three years.

As at the Latest Practicable Date, Mr. Lee was not interested in any Shares within the meaning of the SFO. He is not related to any Director, senior management or substantial or controlling shareholders of the Company. The Company has not entered into any service contract with Mr. Lee and he has not been appointed for a specific term, but he is subject to retirement by rotation and re-election in accordance with the Articles of Association. Mr. Lee is entitled to an annual remuneration of HK\$50,000. His remuneration was determined with reference to his duties and responsibilities.

Save as disclosed, there is no information in relation to the re-election of Mr. Lee which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other matters in relation to the re-election of Mr. Lee that need to be brought to the attention of the Shareholders.

APPENDIX II EXPLANATORY STATEMENT ON SHARE REPURCHASE MANDATE

This Appendix contains the particulars that are required by the Listing Rules to be included in an explanatory statement to enable the Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the Annual General Meeting in relation to the Proposed Repurchase Mandate.

(1) SHARE CAPITAL

As at the Latest Practicable Date, the number of Shares in issue were 1,602,330,000 Shares. Subject to the passing of the resolution granting the Proposed Repurchase Mandate and on the basis that no further Shares will be issued or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 160,233,000 Shares, representing 10% of the 1,602,330,000 issued Shares, during the period ending on the earliest of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

(2) SOURCE OF FUNDS

Repurchases must be funded out of fund legally available for the purpose and in accordance with the Articles of Association and the laws of the jurisdiction in which the company is incorporated or otherwise established.

(3) REASONS FOR REPURCHASE

The Directors believe that it is in the best interests of the Company and the Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase its Shares on the Stock Exchange. Such repurchases may, depending on market conditions, and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and, or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

The Directors have no present intention to repurchase any Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company. The Directors consider that if the general mandate to repurchase Shares were to be exercised in full at the currently prevailing market value, it would have a material adverse impact on the working capital position and gearing position of the Company, as compared with the positions disclosed in the audited consolidated accounts of the Company for the year ended 31 December 2006, being the date to which the latest published audited accounts of the Company were made up. The Directors do not propose to exercise the mandate to repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

(4) SHARE PRICES

Trading in the Shares on the Stock Exchange has been suspended since 7 September 2006 until further notice. In this regard, no reference is made to the closing price per Share as quoted on the Stock Exchange in each of the 12 months immediately preceding the Latest Practicable Date. The closing price per Share as at 6 September 2007, being the full trading day immediately prior to the suspension of trading in Shares on the Stock Exchange, was HK\$0.037.

(5) DISCLOSURE OF INTERESTS AND MINIMUM PUBLIC HOLDING

To the best of their knowledge, having made all reasonable enquiries, none of the Directors nor any of their associates currently intend to sell any Shares to the Company or its subsidiaries in the event that the Proposed Repurchase Mandate is approved.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Proposed Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell any Shares to the Company, or has undertaken not to do so, in the event that the Proposed Repurchase Mandate is approved.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Code. Accordingly, a Shareholder, or group of Shareholders acting in concert (as defined in the Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, the following Shareholder was interested in more than 10% of the issued Shares:

Name	Number of Shares	Percentage of shareholding
Kan Che Kin, Billy Albert	1,217,558,000 Shares	75.99%

Pursuant to Rule 8.08 of the Listing Rules, the Company is required to have not less than 25% of the issued share capital of the Company in the public hands. Mr. Kan Che Kin, Billy Albert has undertaken to take appropriate steps to place down his interests and to maintain the minimum public float requirement under the Listing Rules.

In the event that the Directors shall exercise the Proposed Repurchase Mandate in full and assuming there is no change in the issued share capital of the Company as at the date of passing of relevant resolution granting the Proposed Repurchase Mandate, the interest of the above Shareholder would be increased to approximately 84.43%. Such

APPENDIX II EXPLANATORY STATEMENT ON SHARE REPURCHASE MANDATE

increase would further reduce the issued share capital in public hands to less than 25%. The Directors do not have present intention to exercise the Repurchase Mandate to the extent that the number of Shares held by the public would be further reduced to less than 25% of the issued Shares. On the basis of the current shareholding of Mr. Kan Che Kin, Billy Albert, an exercise of the Repurchase Mandate in full will not result in it becoming obliged to make a mandatory offer under Rule 26 of the Code.

The Company has not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that the annual general meeting of Artel Solutions Group Holdings Limited (the “**Company**”) will be held at Flat 18, 1/F, Flourish Industrial Building, 33 Sheung Yee Road, Kowloon Bay, Hong Kong on Thursday, 20 December 2007 at 11:00 a.m. to transact the following ordinary business:

1. to receive and consider the audited consolidated financial statements and reports of the directors (the “**Directors**”) and auditors of the Company for the year ended 31 December 2006;
2. to re-elect Directors and to authorise the board of Directors to fix the Directors’ remuneration;
3. to re-appoint auditors and to authorise the board of Directors to fix their remuneration;

and as special business and, if thought fit, passing the following resolutions as ordinary resolutions:

4. “**THAT:**
 - (a) subject to paragraph (c) below, pursuant to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with unissued Shares and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

* for identification purposes only

NOTICE OF ANNUAL GENERAL MEETING

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
- (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
- (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

- (d) for the purpose of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”) or any other applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

NOTICE OF ANNUAL GENERAL MEETING

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

5. “**THAT:**

- (a) the exercise by the Directors during the Relevant Period of all powers of the Company to purchase the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the Companies Law and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law or any other applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”

NOTICE OF ANNUAL GENERAL MEETING

6. “**THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.”

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

Hong Kong, 27 November 2007

Principal place of business in Hong Kong:

Flat 18, 1/F
Flourish Industrial Building
33 Sheung Yee Road
Kowloon Bay
Hong Kong

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share in the capital of the Company (“Share”), any one such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share(s) shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy for use at the meeting must be deposited together with a power of attorney or other authority, if any, under it is signed or a notarially certified copy of that power or authority, at the office of the Company’s branch share registrar in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not less than 48 hours before the time for holding the meeting.
4. As at the date of this notice, the board of directors of the Company consists of Mr. Kan Che Kin, Billy Albert, Mrs. Kan Kung Chuan Lai, Ms. Li Shu Han, Eleanor Stella, Mr. Li Kai Yien, Arthur Albert and Mr. Yu Pen Hung (all being executive Directors), and Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong (all being independent non-executive Directors).