

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your 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 to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF LISTED SECURITIES**

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DEFINITIONS

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

“Acquisition”	the acquisition of the PCCW Shares
“associates”	has the same meaning ascribed thereto under the Listing Rules
“Board”	board of Directors
“China Mobile”	China Mobile Limited, a company incorporated in Hong Kong whose issued shares are listed on the main board of the Stock Exchange (stock code: 941)
“China Telecom”	China Telecom Corporation Limited, a company incorporated in the PRC whose issued shares are listed on the main board of the Stock Exchange (stock code: 728)
“Company”	Artel Solutions Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the main board of the Stock Exchange (stock code: 931)
“Director(s)”	the director(s) of the Company
“First Acquired Shares”	11,000 shares of HK\$0.1 each in the issued share capital of China Mobile
“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 PRC
“Latest Practicable Date”	31 December 2008, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“PCCW”	PCCW Limited, a company incorporated in Hong Kong whose issued shares are listed on the main board of the Stock Exchange (stock code: 008)
“PCCW Share(s)”	2,700,000 shares of HK\$0.25 each in the share capital of PCCW
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Acquisitions”	acquisitions of the First Acquired Shares and the Second Acquired Shares
“Previous Disposals”	disposals of the First Acquired Shares and the Second Acquired Shares
“Previous Transactions”	the Previous Acquisitions and the Previous Disposals
“Purchase Price”	HK\$3.6607 per PCCW Share
“RMB”	Renminbi, the lawful currency of the PRC
“Second Acquired Shares”	150,000 shares of RMB1.00 each in the issued share capital of China Telecom
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning as ascribed thereto under the Listing Rules
“%”	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

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

5 January 2009

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF LISTED SECURITIES**

INTRODUCTION

On 12 December 2008, Key Fit Group Limited, a wholly-owned subsidiary of the Company, acquired the PCCW Shares on the open market at a total consideration of approximately HK\$9.88 million (excluding stamp duty and related expenses). The purpose of this circular is to provide you with information concerning the Acquisition and other information as required under the Listing Rules.

* For identification purposes only

LETTER FROM THE BOARD

THE ACQUISITION

Date of Acquisition : 12 December 2008

Assets acquired

Assets : 2,700,000 PCCW Shares, represented approximately 0.04% of the entire issued share capital of PCCW as at the Latest Practicable Date

Purchase Price : HK\$3.6607 per PCCW Share

Consideration

The consideration of the Acquisition is approximately HK\$9.88 million (excluding stamp duty and related expenses), which had been fully settled in cash by the Group's internal resources on 16 December 2008, that is the second business day immediately after 12 December 2008. As the Acquisition was conducted on the open market, the identity of the counterparty of the Acquisition cannot be ascertained. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the counterparty and the ultimate beneficial owner of the counterparty are third parties independent of the Company and connected persons of the Company.

ACQUISITIONS AND DISPOSALS OF OTHER LISTED SECURITIES CONDUCTED BY THE GROUP IN THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE LATEST PRACTICABLE DATE

On 27 October 2008, the Group acquired the First Acquired Shares and the Second Acquired Shares on the open market at a total consideration of approximately HK\$927,900 (excluding stamp duty and related expenses) and the Group subsequently disposed of the First Acquired Shares and the Second Acquired Shares on the open market at a total consideration of approximately HK\$1,220,400 (excluding stamp duty and related expenses).

Save as disclosed in this circular, the Company has not conducted any other acquisition/disposal of other securities listed on the Stock Exchange in the past 12 months immediately preceding the Latest Practicable Date.

The consideration of each of the Previous Transactions represents less than 5% of the respective applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules), and therefore each of the Previous Transactions did not constitute a discloseable transaction of the Company pursuant to the Listing Rules.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

Given (i) the lack of suitable investment opportunities in the computer components and information technology related business; (ii) the bank balances and cash of the Group amounted to approximately HK\$42.6 million as at 30 June 2008; and (iii) the Purchase Price represented approximately 13% discount to the scheme price of HK\$4.20 of the proposed privatisation of PCCW Limited as announced in the announcement of PCCW Limited dated 4 November 2008, the Directors consider that the Acquisition would enable the Group to generate a better return by investing its surplus cash resources in the PCCW Shares.

Having considered the above, the Directors, including the independent non-executive Directors, consider that the Acquisition will help the Group to capture the potential capital gain. Since the Acquisition was conducted on the open market, the Directors believe that the terms of the Acquisition are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

In addition, the Directors are of view that some quality stocks listed on the Stock Exchange have been undervalued due to the recent fluctuation in the global stock markets and the Company may be able to increase the return to the Shareholders by identifying and investing in those undervalued stocks with its surplus cash resources. Accordingly, the Company will continue to look for such trading opportunity in the future and intends to include the trading of marketable securities as one of the ordinary business of the Group.

FINANCIAL EFFECTS OF THE ACQUISITION

The PCCW Shares acquired by the Group shall be accounted for as financial assets at fair value through profit or loss in the consolidated financial statements of the Company. The consideration for such acquisitions shall be initially recognised as investment cost in the consolidated balance sheet of the Company and any changes in the fair value of the securities acquired by the Group and profit or loss to be realised as a result of the disposal of such securities shall be then recognised in the consolidated income statement of the Company.

BACKGROUND INFORMATION OF THE GROUP AND PCCW

The principal activities of the Group are trading of computer components and the provision of e-enabling solutions and technical services.

PCCW is a company incorporated in Hong Kong with limited liability and its shares are listed on the main board of the Stock Exchange. Through its subsidiaries, PCCW is a leading telecommunications provider in Hong Kong. As the provider of Hong Kong's first quadruple-play experience, PCCW offers a range of innovative media content and services across four platforms: fixed-line, broadband internet, TV and mobile. In addition,

LETTER FROM THE BOARD

PCCW meets the sophisticated needs of the international business community, while supporting network operators with cutting-edge technical services and handling large-scale information technology outsourcing projects for public and private sector organisations.

GENERAL

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5 % but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

ADDITIONAL INFORMATION

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

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares held	Approximate percentage of shareholding
Kan Che Kin, Billy Albert ("Mr. Kan")	The Company	Beneficial Owner	10,047,151,397 Shares (L)	380.78% (Note 1)
Kan Kung Chuen Lai	The Company	Interest of Spouse (Note 2)	10,047,151,397 Shares (L)	380.78%
Li Kai Yien, Arthur Albert	The Company	Beneficial Owner	3,000,000 Shares (L)	0.11%
Li Shu Han, Eleanor Stella	The Company	Beneficial Owner	2,000,000 Shares (L)	0.08%
Ip Woon Lai	The Company	Beneficial Owner	1,000,000 Shares (L)	0.04%

(L) denotes the long position held in the securities

Notes:

- These Shares represent: (i) 1,808,809,429 Shares held by Mr. Kan; and (ii) 8,238,341,968 Shares to be allotted and issued to Mr. Kan upon the exercise in full of the conversion rights attaching to the outstanding convertible notes issued by the Company on 13 February 2008.
- Mrs. Kan Kung Chuen Lai is the spouse of Mr. Kan. Therefore, she is deemed to be interested in the Shares held by Mr. Kan pursuant to the SFO.

Save as disclosed above, none of the Directors or the chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under the provisions of the SFO) or which were recorded in the register required to be kept by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(ii) Director's interest in assets and/or arrangement

As at the Latest Practicable Date, none of the Directors and any proposed Directors had any direct or indirect interests in any assets which had been since 31 December 2007, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there were no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

(iii) Substantial Shareholders and persons having 5% or more interests in securities of the Company

As at the Latest Practicable Date, so far as was known to the Directors, no person (other than a Director or chief executive of the Company) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or who had any options in respect of such capital.

3. COMPETING INTERESTS

To the best knowledge of the Directors, none of the Directors or their respective associates had any interests in any business which competed or might compete with the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors or proposed Directors and the Company or any member of the Group, excluding contracts expiring or determinable by the Group within a year without payment of any compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and trading position of the Group since 31 December 2007, being the date to which the latest published audited consolidated accounts of the Group were made up.

7. GENERAL

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Flat 18, 1/F, Flourish Industrial Building, 33 Sheung Yee Road, Kowloon Bay, Kowloon, Hong Kong.
- (c) The Company's branch share registrar in Hong Kong is Tricor Standard Limited, situated at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary and qualified accountant of the Company is Ms. Seto Ying, who is member of the Hong Kong Institute of Certified Public Accountants.
- (e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.