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**EXPERT
EXPERT SYSTEMS HOLDINGS LIMITED**

思博系統控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8319)

**DISCLOSEABLE TRANSACTION:
JOINT VENTURE AGREEMENT**

JOINT VENTURE AGREEMENT

The Board is pleased to announce that on 21 June 2022 (after trading hours), Party A, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Party B and the Joint Venture Company pursuant to which, Party B agreed to subscribe for, and the Joint Venture Company agreed to allot and issue to Party B, 300 Shares at US\$300 (equivalent to HK\$2,340). Completion has taken place after the signing of the Joint Venture Agreement.

Immediately before Completion, the Joint Venture Company was wholly-owned by Party A. After Completion, the Joint Venture Company has been owned as to 70% by Party A and 30% by Party B and the Joint Venture Company has become an indirect non wholly-owned subsidiary of the Company. The financial results of the Joint Venture Company will continue to be consolidated into those of the Group after Completion.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios under the GEM Listing Rules in respect of the Transactions are more than 5% but all are less than 25%, the Transactions constitute discloseable transactions of the Company under the GEM Listing Rules and are subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

THE JOINT VENTURE AGREEMENT

The Board is pleased to announce that on 21 June 2022 (after trading hours), Party A, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Party B and the Joint Venture Company pursuant to which, Party B agreed to subscribe for, and the Joint Venture Company agreed to allot and issue to Party B, 300 Shares at US\$300 (equivalent to HK\$2,340). Completion has taken place after the signing of the Joint Venture Agreement.

The principal terms of the Joint Venture Agreement are set out below:

Date

21 June 2022

Parties

- (i) Party A: a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability;
- (ii) Party B: Mr. Chan Chun Chung; and
- (iii) Joint Venture Company: a company incorporated in the British Virgin Islands with limited liability.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Party B was an Independent Third Party immediately before Completion.

Consideration and payment terms

Pursuant to the Joint Venture Agreement, Party B has paid Consideration of US\$300 (equivalent to HK\$2,340) in cash to the Joint Venture Company for the Subscription upon Completion.

The following table illustrates the shareholding structure of the Joint Venture Company (i) immediately before Completion; and (ii) immediately upon Completion.

Shareholders	Aggregate number of Shares held before the Subscription	Number of Subscription Shares subscribed	Consideration	Aggregate number of Shares held after the Subscription
Party A	700 (<i>Note</i>)	Not applicable	Not applicable	700
Party B	0	300	US\$300 (equivalent to HK\$2,340)	300
Total	700	300	US\$300 (equivalent to HK\$2,340)	1,000

Note: These Shares were issued at the total consideration of US\$700 (equivalent to HK\$5,460).

Basis of the determination of the amount of the Consideration

The Consideration was determined after arm's length negotiations between Party A and Party B having taken into account the issued number of Shares immediately before Completion and the intended shareholding of Party A and Party B upon Completion.

The Directors consider that the amount of the Consideration is fair and reasonable. The Consideration is intended to be used as the working capital of the Joint Venture Company.

Completion

Completion has taken place immediately after the signing of the Joint Venture Agreement.

Immediately before Completion, the Joint Venture Company was wholly-owned by Party A. After Completion, the Joint Venture Company has been owned as to 70% by Party A and 30% by Party B and the Joint Venture Company has become an indirect non wholly-owned subsidiary of the Company. The financial results of the Joint Venture Company will continue to be consolidated into those of the Group after Completion. The Transactions will not result in a loss of control by the Group in the Joint Venture Company and thus it is expected that the Company will not record any gain or loss from the Transactions in its consolidated profit and loss.

Shareholder Loan to the Joint Venture Company

Pursuant to the Joint Venture Agreement, Party A agrees that after Completion during the continuance of the Joint Venture Agreement and so long as it remains a Shareholder, it shall provide to the Joint Venture Company the Shareholder Loan up to HK\$21,000,000, subject to the following conditions:

- (a) the Interest shall be charged on the Shareholder Loan or any outstanding balance thereof from the date of advance of the Shareholder Loan up to (and inclusive of) the date of repayment at the interest rate of 1.5% per annum or at such rate agreed by Party A and the Joint Venture Company with reference to the prevailing market practice and market condition;
- (b) the Interest shall accrue daily and be calculated on the basis of the actual number of days lapsed and a 365-day year and shall be payable on a monthly basis. Interest payment date is on the last Business Day of each calendar month;
- (c) Party A shall advance the Shareholder Loan to the Joint Venture Company within 10 Business Days after it receives a written request from the Joint Venture Company, provided such request has been duly approved by the board of the Joint Venture Company, which has taken into account the actual cashflow requirement and the business plan of the Joint Venture Company and its subsidiaries and which have been duly approved by the board of the Joint Venture Company. The amount of the Shareholder Loan to be advanced by Party A in the first year after the date of Completion shall be not less than HK\$8,000,000;
- (d) the Shareholder Loan shall be repaid by the Joint Venture Company first and in priority to any declaration of dividends to the Shareholders, but subject to any reserves necessary or appropriate for the future development of the business of the Joint Venture Company and its subsidiaries; and
- (e) the performance of Party A under the clause governing the Shareholder Loan in the Joint Venture Agreement shall be subject to compliance with the requirements under the GEM Listing Rules by Party A and/or the Company.

Board composition of the Joint Venture Company after Completion

Pursuant to the Joint Venture Agreement, after Completion, the board of directors of the Joint Venture Company shall consist of three directors, among which two shall be nominated by Party A and one shall be nominated by Party B. Any one of the directors nominated by Party A may act as the chairman of the board meetings of the Joint Venture Company and who shall be entitled to a second or casting vote.

Restrictions on transfer of Shares after Completion

Pursuant to the Joint Venture Agreement, after Completion, except with the prior written consent of the other Shareholder, if any Shareholder intends to sell, transfer or otherwise dispose of its Shares (which must relate to the whole of its Shares but not part only thereof) to any third party, the other Shareholder shall have the pre-emptive right to purchase all but not part of such share interest under the same terms as set out in the Joint Venture Agreement.

Issue of new shares of the Joint Venture Company

Pursuant to the Joint Venture Agreement, any proposal for the issue of new shares by the Joint Venture Company shall require the affirmative vote or written approval of the shareholders of the Joint Venture Company holding not less than 90% of the issued shares.

Employment agreement

Immediately after Completion, Party B has entered into an employment agreement with the Joint Venture Subsidiary pursuant to which Party B, a director of each of the Joint Venture Company and the Joint Venture Subsidiary, shall be employed by the Joint Venture Subsidiary as the Chief Technology Officer for a term of three years and be responsible for setting the technology directions for the Joint Venture Subsidiary's product development and service offering; formulating and executing the Joint Venture Subsidiary's strategic business plans; overseeing the Joint Venture Subsidiary's operation and overseeing and managing the financial performance of the Joint Venture Subsidiary (including its revenue and profit).

INFORMATION ABOUT THE JOINT VENTURE GROUP

The Joint Venture Company is a company incorporated in the British Virgin Islands with limited liability in January 2022 and an investment holding company. As at the date of this announcement, the Joint Venture Company has a wholly-owned subsidiary, i.e. the Joint Venture Subsidiary, which was incorporated in Hong Kong with limited liability and has not commenced business. The Joint Venture Company, via the Joint Venture Subsidiary, is intended to be principally engaged in the business to develop and provide products, tools, solutions, services and trainings to enable the use of artificial intelligence in the Greater China Area (i.e. Hong Kong, Macau, Taiwan and all other parts of the PRC) and the Asia-Pacific region (including Japan, Korea, Singapore, Malaysia and Australia) after Completion.

As each of the Joint Venture Company and the Joint Venture Subsidiary was only incorporated in January 2022 and March 2022 respectively, the financial information of the Joint Venture Group for the two previous financial years are not applicable.

The unaudited consolidated total assets and net liabilities of the Joint Venture Group as at 31 May 2022 were approximately HK\$33,000 and HK\$18,000, respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Company is an exempted company incorporated in the Cayman Islands with limited liability and its shares have been listed on GEM since 12 April 2016. The Group is principally engaged in (i) the IT infrastructure solutions business, which the Group assesses, designs and implements IT infrastructure solutions for its customers by integrating hardware and/or software sourced from third party suppliers to satisfy various information technology requirements and needs of its customers; and (ii) the IT infrastructure management services, which includes IT outsourcing, helpdesk, IT hardware maintenance, and workflow automation services to end-users in the Greater China Area (i.e. Hong Kong, Macau, Taiwan and all other parts of the PRC) and the Asia-Pacific region (including Japan, Korea, Singapore, Malaysia and Australia).

In view of the strong growth trends of artificial intelligence business, it is expected that the knowledge and experience of Party B in the development of artificial intelligence, together with the fund to be advanced by Party A pursuant to the Joint Venture Agreement, will facilitate the growth and business development of the Joint Venture Group which will be principally engaged in the development of artificial intelligence products and services, and allows the Group to expand its IT business into the field of artificial intelligence, which is in line with the business development strategy of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Joint Venture Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

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DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Business Day(s)”	any day (other than Saturdays and Sundays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Expert Systems Holdings limited, a company incorporated in the Cayman Islands as an exempted company with limited liability, the shares of which are listed on GEM
“Completion”	completion of the Subscription

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	amount payable by Party B for the Subscription Shares pursuant to the Joint Venture Agreement
“Director(s)”	the director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Interest”	interest to be charged on the Shareholder Loan
“Joint Venture Agreement”	the agreement dated 21 June 2022 entered into between Party A, Party B and the Joint Venture Company in relation to the formation and management of the Joint Venture Company
“Joint Venture Company”	Expert Systems Technology Limited, a limited liability company incorporated under the laws of the British Virgin Islands
“Joint Venture Group”	the Joint Venture Company and its subsidiaries from time to time, including the Joint Venture Subsidiary
“Joint Venture Subsidiary”	Expert AI Enabling Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Joint Venture Company
“Party A”	Expert Systems Group Limited, a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding and is a wholly-owned subsidiary of the Company
“Party B”	Mr. Chan Chun Chung
“PRC”	the People’s Republic of China

“Share(s)”	share(s) of the Joint Venture Company
“Shareholder(s)”	the holder of the Share(s)
“Shareholder Loan”	shareholder loan to be advanced by Party A to the Joint Venture Company pursuant to the Joint Venture Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares
“Subscription Share(s)”	300 Share(s) to be subscribed by Party B pursuant to the Joint Venture Agreement
“Transactions”	the transactions contemplated under the Joint Venture Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

In this announcement, for the purpose of illustration only, amounts quoted in US\$ have been converted into HK\$ at the rate of US\$1 to HK\$7.8. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

On behalf of the Board of
Expert Systems Holdings Limited
Wong Chu Kee Daniel
Chairman and non-executive Director

Hong Kong, 21 June 2022

As at the date of this announcement, the Board composition is as follows:

Chairman and non-executive Director:

Mr. Wong Chu Kee Daniel

Chief executive officer and executive Director:

Mr. Lau Wai Kwok

Executive Directors:

Mr. Chan Kin Mei Stanley

Ms. Lau Tsz Yan

Mr. So Cheuk Wah Benton

Non-executive Director:
Mr. Chu Siu Sum Alex

Independent non-executive Directors:
Mr. Au Yu Chiu Steven
Mr. Chung Fuk Wing Danny
Mr. Ko Man Fu
Mr. Mak Wai Sing

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk on the "Latest Listed Company Information" page for at least seven days from the date of its posting and the Company's website at www.expertsystems.com.hk.