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SINCERE WATCH (HONG KONG) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0444)

CONNECTED TRANSACTION TENANCY AGREEMENT

On 1 July 2020, the Tenant, a wholly-owned subsidiary of the Company, entered into the Tenancy Agreement with the Landlord of the Premises in relation to the leasing of the Premises for a term of five (5) years commencing from 1 July 2020 to 30 June 2025.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Company will recognise a right-of-use asset on its consolidated statement of financial position in connection with the lease of the Premises under the Tenancy Agreement. Accordingly, the lease transaction under the Tenancy Agreement will be regarded as an acquisition of asset by the Group for the purpose of the Listing Rules.

As at the date of this announcement, the ultimate beneficial owner of the Landlord is an associate of a Director. Accordingly, the entering into of the Tenancy Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios are more than 0.1% but less than 5%, the value of the right-of-use asset to be recognised by the Group under the Tenancy Agreement falls within the thresholds prescribed in Rule 14A.76(2)(a) of the Listing Rules, the entering into of the Tenancy Agreement is exempt from circular and independent shareholders’ approval requirements, but is subject to the annual review and reporting and announcement requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 1 July 2020, the Tenant, a wholly-owned subsidiary of the Company, entered into the Tenancy Agreement with the Landlord of the Premises in relation to the leasing of the Premises for a term of five (5) years commencing from 1 July 2020 to 30 June 2025.

TENANCY AGREEMENT

A summary of the principal terms of the Tenancy Agreement is as follows:

Date:	1 July 2020
Parties:	(i) Sincere Brand Management Limited, a wholly-owned subsidiary of the Company, as the Tenant; and (ii) Modern Day Limited as the Landlord
Premises:	Ground Floor, 35 QRC, 35 Queen's Road Central, Central, Hong Kong
Term:	fixed term of five (5) years commencing from 1 July 2020 to 30 June 2025 (both days inclusive), with an option to renew for a further five (5) years commencing from 1 July 2025 to 30 June 2030 (both days inclusive)
Rent:	HK\$543,250 per month (excluding management charges and Government rent and rates), with a rent-free period of four (4) months commencing from 1 July 2020 to 31 October 2020 and a further rent-free period of four (4) months commencing from 1 July 2021 to 31 October 2021
Management charges:	HK\$15,211 per month
Deposit:	HK\$1,805,763, equivalent to three (3) months' of rent, management charges and estimated Government rent and rates by the Tenant to the Landlord on the date of the Tenancy Agreement

Based on the monthly rent and management charges, and taking into account the aggregate rent-free period of eight (8) months under the Tenancy Agreement, the aggregate amount payable by the Tenant under the Tenancy Agreement will be approximately HK\$29 million and is expected to be financed by the internal resources of the Group.

RIGHT-OF-USE ASSET

The value of the right-of-use asset to be recognised by the Company under the Tenancy Agreement amounts to approximately HK\$18,337,000, which is the present value of aggregated lease payments to be made under the Tenancy Agreement in accordance with HKFRS 16 "Leases".

INFORMATION ON THE GROUP, THE TENANT AND THE LANDLORD

The Company acts as an investment holding company. The Group is principally engaged in distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan, Korea and the PRC, dining business and property investments. The Tenant is a wholly-owned subsidiary of the Company and is principally engaged in watch distribution business.

The Landlord is principally engaged in holding properties. As at the date of this announcement, the ultimate beneficial owner of the Landlord is an associate of Mrs. Chu, who is the Director.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENT

The Tenancy Agreement was entered into in the ordinary and usual course of business of the Group. The Premises will be used as a boutique for the Group's watch distribution business. The aggregate amount payable by the Tenant under the Tenancy Agreement was arrived after arm's length negotiation between the parties to the Tenancy Agreement and determined with reference to, amongst other things, the prevailing market rent of similar comparable properties in the nearby areas. The Directors (including the independent non-executive Directors) considers that the terms of the Tenancy Agreement are fair and reasonable, on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 "Leases", the Company will recognise a right-of-use asset on its consolidated statement of financial position in connection with the lease of the Premises under the Tenancy Agreement. Accordingly, the lease transaction under the Tenancy Agreement will be regarded as an acquisition of asset by the Group for the purpose of the Listing Rules.

As at the date of this announcement, the ultimate beneficial owner of the Landlord is an associate of Mrs. Chu, who is the Director. Accordingly, the entering into of the Tenancy Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules.

As Mr. Chu, Kingston Chun Ho, being an executive Director, is an associate of Mrs. Chu, each of Mrs. Chu and Mr. Chu, Kingston Chun Ho is considered to be interested in the Tenancy Agreement and each of them was required to abstain from voting on the board resolution of approving the Tenancy Agreement and the transaction contemplated thereunder (the "**Board Resolution**"). In addition, Ms. Lo, Miu Sheung Betty, being an independent non-executive Director, is a consultant of the law firm involved in the preparation of the Tenancy Agreement and therefore abstained from voting on the Board Resolution. Save as disclosed above, to the best of knowledge of the Directors, having made all reasonable enquiries, no other Directors had a material interest in the Tenancy Agreement and therefore was required to abstain from voting on the Board Resolution.

Given that one or more of the applicable percentage ratios are more than 0.1% but less than 5%, the value of the right-of-use asset to be recognised by the Group under the Tenancy Agreement falls within the thresholds prescribed in Rule 14A.76(2)(a) of the Listing Rules, the entering into of the Tenancy Agreement is exempt from circular and independent shareholders' approval requirements, but is subject to the annual review and reporting and announcement requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Sincere Watch (Hong Kong) Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 444)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Landlord”	Modern Day Limited, a company incorporated in Hong Kong with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mrs. Chu”	Mrs. Chu Yuet Wah, an executive Director and the Chairman of the Company
“PRC”	the People’s Republic of China
“Premises”	Ground Floor, 35 QRC, 35 Queen’s Road Central, Central, Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.02 each in the capital of the Company

“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 1 July 2020 entered into between the Tenant and the Landlord in relation to the leasing of the Premises
“Tenant”	Sincere Brand Management Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board
Sincere Watch (Hong Kong) Limited
Chu Yuet Wah
Chairman

Hong Kong, 1 July 2020

As at the date of this announcement, the Executive Directors of the Company are Mrs. Chu Yuet Wah (Chairman), Mr. Zhang Xiaoliang (Deputy Chairman and Chief Executive Officer), Mr. Chu, Kingston Chun Ho, Mr. Yang Guangqiang and Mr. An Muzong; and the Independent Non-executive Directors of the Company are Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny.