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## **SINCERE WATCH (HONG KONG) LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 444)**

### **CONNECTED TRANSACTION SUPPLEMENTAL AGREEMENT TO THE TENANCY AGREEMENT**

On 29 August 2020, the Tenant, a wholly-owned subsidiary of the Company, and the Landlord entered into a supplemental agreement to the Tenancy Agreement to amend certain terms of the Tenancy Agreement.

#### **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 Supplemental Agreement. Accordingly, the lease transaction under the Supplemental 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 the Director under the Listing Rules. Accordingly, the entering into of the Supplemental 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 Supplemental Agreement falls within the thresholds prescribed in Rule 14A.76(2)(a) of the Listing Rules, the entering into of the Supplemental 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.

References are made to the announcements of Sincere Watch (Hong Kong) Limited (the “**Company**”) dated 1 July 2020 and 3 July 2020 in relation to the Tenancy Agreement (collectively, the “**Announcements**”). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

## INTRODUCTION

On 29 August 2020, the Tenant, a wholly-owned subsidiary of the Company, and the Landlord entered into a supplemental agreement to the Tenancy Agreement (the “**Supplemental Agreement**”) to amend certain terms of the Tenancy Agreement.

## SUPPLEMENTAL AGREEMENT

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

Date:	29 August 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:	a term of five (5) years commencing from 1 September 2020 to 31 August 2025 (both days inclusive), with a first renewal option to renew for a further five (5) years commencing from 1 September 2025 to 31 August 2030 (both days inclusive) and a second renewal option to renew for a further five (5) years commencing from 1 September 2030 to 31 August 2035 (both days inclusive), which may be terminated with three (3) months prior notice if both Mrs. Chu and Mr. Chu, Kingston Chun Ho cease to be directors of the Tenant
Rent:	HK\$434,600 per month (excluding management charges and Government rent and rates), with a first rent-free period of four (4) months commencing from 1 September 2020 to 31 December 2020, a second rent-free period of three (3) months commencing from 1 September 2021 to 30 November 2021 and a third rent-free period of two (2) months commencing from 1 September 2022 to 31 October 2022
Management charges:	HK\$15,211 per month
Deposit:	HK\$1,453,737, equivalent to three (3) months’ of rent and management charges, and estimated Government rent and rates by the Tenant to the Landlord on the date of the Supplemental Agreement

Based on the revised monthly rent and management charges, and taking into account the aggregate rent-free period of nine (9) months, the aggregate amount payable by the Tenant under the Supplemental Agreement will be approximately HK\$23.1 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 Supplemental Agreement amounts to approximately HK\$14.4 million, which is the present value of aggregated lease payments to be made under the Supplemental 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, 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 Mr. Lee who is Mrs. Chu’s father, an associate of the Director under the Listing Rules.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT**

In light of the economy in the midst of the COVID-19 pandemic, the Tenant and the Landlord further negotiated and the Landlord agreed to give more favourable terms under the lease, reducing the monthly rent and extending the aggregate rent-free period.

The Supplemental 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 Supplemental Agreement was arrived after arm’s length negotiation between the parties to the Supplemental 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) consider that the terms of the Supplemental 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 Supplemental Agreement. Accordingly, the lease transaction under the Supplemental 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 Mr. Lee who is Mrs. Chu's father, an associate of the Director under the Listing Rules. Accordingly, the entering into of the Supplemental 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 Supplemental Agreement and each of them was required to abstain from voting on the board resolution of approving the Supplemental 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 Supplemental 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 Supplemental 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 Supplemental Agreement falls within the thresholds prescribed in Rule 14A.76(2)(a) of the Listing Rules, the entering into of the Supplemental 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.

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

Hong Kong, 31 August 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.*