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SINCERE WATCH (HONG KONG) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 444)

CONNECTED TRANSACTION RENEWAL OF TENANCY AGREEMENT

On 22 October 2021, 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 three (3) years commencing from 1 November 2021 to 31 October 2024.

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 Mrs. Chu. Accordingly, the entering into of the Tenancy Agreement constitutes a connected transaction for the Company 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

Reference is made to the announcement of the Company dated 16 April 2019 in relation to the Existing Tenancy Agreement entered into between the Tenant, a wholly-owned subsidiary of the Company, and the Landlord of the Premises regarding the leasing of the Premises. The term of the Existing Tenancy Agreement will expire on 31 October 2021.

On 22 October 2021 (after trading hours of the Stock Exchange), the Tenant entered into the Tenancy Agreement with the Landlord of the Premises in relation to the leasing of the Premises for a term of three (3) years commencing from 1 November 2021 to 31 October 2024.

TENANCY AGREEMENT

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

Date:	22 October 2021
Parties:	(i) Sincere Brand Management Limited, a wholly-owned subsidiary of the Company, as the Tenant; and (ii) The Center (61) Limited as the Landlord
Premises:	Offices Nos. 6101–6103, 61st Floor, The Center, 99 Queen’s Road Central, Hong Kong
Gross floor area:	Approximately 7,115 square feet
Lease term:	3 years from 1 November 2021 to 31 October 2024 (both dates inclusive)
Monthly rent:	HK\$533,625 (or HK\$75 per square feet) (exclusive of rates, Government rent, air-conditioning and management charges and other charges) payable in advance monthly
Rent free period:	three months from 1 November 2021 to 31 January 2022 (both dates inclusive)
Government rent and rates:	The Tenant shall pay in advance monthly the portion of the Government rent and rates being assessed on a quarterly basis on the 61st floor of The Center to be calculated proportionate to the total gross floor area of the Premises
Air-conditioning and charges:	HK\$61,297 per calendar month, subject to review in accordance with the provisions of the Tenancy Agreement
Deposit:	HK\$1,912,836 (equivalent to the aggregate of three months’ of the rent, three months’ air-conditioning and management charges, Government rent and rates payable in respect of the Premises)

The monthly rent was determined after arm's length negotiations between the parties to the Tenancy Agreement with reference to the recent transactions reported by property agents in respect of premises of comparable size at The Center at the time when the Tenancy Agreement was entered into. The sharing of other rates, fees and charges as mentioned above is generally based on the area of the Premises as compared to the total area of the entire 61st floor of The Center.

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\$15.98 million, 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, 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 Mrs. Chu, who is the Director.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENT

The Group has been leasing the Premises from the Landlord as its principal place of business in Hong Kong since 2018. The Company considers that it would be beneficial to lease the Premises as it will enable the Group to secure its stable operation at the Premises without incurring additional costs and expenses in identifying, renovating and relocating to alternative premises and ensure that there will be no disruption to the operations, business and growth of the Group.

Furthermore, given the Premises is located at a well-equipped and well-managed office building which is a landmark building located at the prominent place of the Central financial district, the Board considers that the Premises is suitable to continue for the use as the Group's principal place of business in Hong Kong.

The Board (including all the independent non-executive Directors) considers that the terms of the Tenancy Agreement are fair and reasonable and the lease of the Premises is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its 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 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**”). 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
“Existing Tenancy Agreement”	the tenancy agreement dated 12 October 2018 entered into between the Tenant and the Landlord in relation to the leasing of the Premises
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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”	The Center (61) Limited, a company incorporated under the laws of the British Virgin Islands and wholly-owned by Mrs. Chu
“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”	Offices Nos. 6101–6103, 61st Floor, The Center, 99 Queen’s Road Central, Hong Kong
“Share(s)”	the 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 22 October 2021 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
Zhang Xiaoliang
Deputy Chairman and Chief Executive Officer

Hong Kong, 22 October 2021

As at the date of this announcement, the executive Directors 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 are Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny.