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SINCERE WATCH (HONG KONG) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 444)

ANNOUNCEMENT UPDATES ON THE DISCLAIMER OF OPINION

Reference is made to the annual report of the Company for the year ended 31 March 2024 published on 29 July 2024 (the “**Annual Report**”). Unless the context requires otherwise, capitalized terms used in this announcement shall bear the same meaning as defined in the Annual Report.

As disclosed in the Annual Report, the Company’s auditors expressed a disclaimer of opinion on the Company’s financial statements for the year ended 31 March 2024 relating to going concern (the “**Disclaimer of Opinion**”).

As disclosed the Annual Report, in order to resolve the Disclaimer of Opinion, the Company had prepared forecasts based on the following plans and assumptions (the “**Plans**”):

- (a) the directors of the Company considered that it was more likely than not that the Group had no then present obligation to compensate the alleged losses suffered by Multicontinental. Notwithstanding this, should SBML fail the Arbitration, it was anticipated by the directors of the Company that the compensation and any other related claims and penalties would not be the full amount of counterclaims asserted by Multicontinental in the Arbitration.
- (b) the shareholder providing the shareholder’s loan to the Group had agreed not to recall the shareholder loan upon maturities until the Group has the ability to repay.
- (c) the entering into of an indirect wholly owned subsidiary of the Company in April 2024 a loan agreement with a third party for an amount of RMB62 million (equivalent to approximately HK\$66 million) for a term of two years to provide working capital for the Group.
- (d) active negotiations with a PRC bank for a RMB500 million loan facility.

- (e) broadening the Group's product range by seeking to introduce additional European watch brands.
- (f) management closely monitoring the Group's financial performance and liquidity position.

The purpose of this announcement is to provide you with an update on the implementation of the Plans.

In relation to (a) above, the Arbitration between SBML and Multicontinental is still ongoing as at the date of this announcement. The directors of the Company, based on the information currently available including the relevant legal opinion obtained by the Company and relevant legal contracts, maintain the view that it was more likely than not that the Group had no then present obligation to compensate the alleged losses suffered by Multicontinental. The first stage of the Arbitration hearing has been completed in October 2024 and both parties have also fulfilled the follow-up submission requirements. The result of the Arbitration remains pending as at the date of this announcement. No further hearing and schedule has yet been fixed. It is contemplated that decision to be made by the arbitrator will be available by end of 2025.

In relation to (b) and (c) above, please refer to the interim report of the Company for the six months ended 30 September 2024 for details.

In relation to (d) above, the negotiations with a PRC bank for a RMB500 million loan facility are still ongoing as at the date of this announcement. Although the Group has submitted the relevant application with the bank, due to the recent global interest rates fluctuations, the Group is reviewing the relevant loan terms to ensure that the loan terms will be in the interests of the Company and its shareholders as a whole. It is expected that the loan facility may be granted within six months from the date hereof. The primary focus of the Company is to boost its business performance to generate cash internally. In the event that the bank loan facility cannot be obtained in time, the Company will also explore if there would be other possible equity or debt fund-raising alternatives.

In relation to (e) and (f) above, the Group has broadened its product range with the entering into two agreements with a Swiss watch brand, Corum, in March and April 2024. A distribution agreement was also entered into by the Group with Montres Corum Sarl, a renowned global designer, manufacturer, and marketer of Swiss luxury timepieces to grant the Group exclusive distribution rights in Taiwan for the Corum brand, encompassing the distribution, advertising, promotion, and sale of Corum timepieces and jewelry. The Group's management has also been closely monitoring the Group's financial performance and liquidity position from time to time. In the meantime, the Group is also in negotiations with 4 European watch brands to broaden the Group's product range. The relevant negotiations are in progress and the Group expects to enter into relevant agreement(s) with those watch brands by end of 2025 subject to the terms and conditions, though there is no guarantee that relevant agreement(s) can be entered into as that would depend upon the negotiation results.

With the current global economic uncertainties, there has been less demand for luxury watches and accessories since the second half of 2024. The outbreak of tariff war in early 2025 further caused consumers more prudent in spendings. The Group continues to face a complex landscape in the luxury watch markets and economic activities remain vulnerable to external factors. As such, notwithstanding the management's efforts, the financial performance of the Group did not perform as expected as shown in its interim report for the six months ended 30 September 2024. However, the Group will strive to strengthen its distribution network across Mainland China, Hong Kong, and other key regions, carefully balancing expansion with a cautious outlook given the prevailing economic uncertainties. The Group's management will continue to closely monitor the Group's financial performance and liquidity position, including but not limited to the sales revenue and cashflow position, with tighten costs control measures.

The Company will publish an announcement every 3 months from the date of this announcement until the Disclaimer of Opinion is resolved. Further announcement(s) may also be made by the Company for any material update(s) as and when appropriate.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Sincere Watch (Hong Kong) Limited
Zhang Xiaoliang
Chairman and Chief Executive Officer

Hong Kong, 30 May 2025

As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Xiaoliang (Chairman and Chief Executive Officer), Mr. Yang Guangqiang and Mr. An Muzong; the Non-executive Director of the Company is Ms. Lu Weina; and the Independent Non-executive Directors of the Company are Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Hong Sze Lung.