
CONTINUING CONNECTED TRANSACTIONS

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Upon the Listing, the transactions set forth below will constitute continuing connected transactions (as defined in the Listing Rules) of our Company:

- (i) the Balco Agreement, pursuant to which we outsourced, and licensed the rights of the production of Balco watches to FM Swiss;
- (ii) the tenancy agreement between FM Swiss and Balco Switzerland for the lease of property from FM Swiss to Balco Switzerland;
- (iii) two tenancy agreements between Time Watch Hefei and Ms. Mao Rongxia (毛榮俠) (“**Ms. Mao**”) for the leases of properties by Time Watch Hefei from Ms. Mao;
- (iv) tenancy agreements between each of Winning Asia, Mr. Michael Tung and 鄭州恒地投資有限公司 (Zhengzhou Hengdi Investment Co., Ltd.) (“**Zhengzhou Hengdi**”) (as the case may be) and us for the leases of properties by us from Winning Asia, Mr. Michael Tung and Zhengzhou Hengdi; and
- (v) distribution agreements (the “**Distribution Agreements**”) between each of Fortune Silver and Time Watch Taiwan and our Group for the consignment sale of our Tian Wang and Balco watches at the retail outlet in Hong Kong operated by Fortune Silver, and the distribution of our Tian Wang and Balco watches for retail sales at the retail outlet in Taiwan operated by Time Watch Taiwan.

Relationship between our Group and connected persons

WMP, a company incorporated in Hong Kong with limited liability, is one of our Controlling Shareholders and a substantial Shareholder. It is principally engaged in investment holding, holding interests in our Group and other businesses outside our Group as more particularly summarised in the section headed “Relationship with our Controlling Shareholders” in this prospectus.

Winning Asia, a company incorporated in the BVI with limited liability, is principally engaged in property investment. Winning Asia is a direct wholly-owned subsidiary of WMP, one of our Controlling Shareholders and a substantial Shareholder.

Mr. Michael Tung is the Chairman and one of the executive Directors. He is also one of our Controlling Shareholders and a substantial Shareholder.

Fortune Silver, a company incorporated in Hong Kong with limited liability, is principally engaged in the retail sales of watches and jewellery at, and the operation of, a shop in Hong Kong. Fortune Silver is owned as to 51% by Fine Jade International Limited, a direct wholly-owned subsidiary of WMP.

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Time Watch Taiwan is a company incorporated in Hong Kong with limited liability. Its Taiwan branch is principally engaged in retail sales of watches at, and the operation of, a shop in Taiwan. Time Watch Taiwan is owned as to 51% by Fortune Best International Enterprise Limited, which is owned as to 42% by Prince Success Limited, which, in turn, is wholly-owned by Mr. Michael Tung.

Zhengzhou Hengdi, a company established in the PRC with limited liability, is principally engaged in the property investment, property services and property leasing in the PRC. Zhengzhou Hengdi is wholly and beneficially owned by Mr. Michael Tung.

As Mr. Michael Tung is an executive Director and a substantial Shareholder, WMP is a substantial Shareholder and each of Winning Asia and Fortune Silver is a direct or indirect subsidiary of WMP and Mr. Michael Tung is beneficially interested in each of Time Watch Taiwan and Zhengzhou Hengdi, they are connected persons of our Company. Under the Listing Rules, for so long as each of Mr. Michael Tung, WMP, Winning Asia, Fortune Silver, Time Watch Taiwan and/or Zhengzhou Hengdi remains as a connected person of our Company, the transactions between each of them and our Group as described below would constitute continuing connected transactions of our Company upon the Listing.

FM Swiss, a company incorporated in Switzerland with limited liability, is principally engaged in arranging production and manufacturing of watches. Mr. Antonello Miserino (“**Mr. Antonello**”), who was a director of Balco Switzerland before his resignation on 1 August 2012, is the sole director of FM Swiss.

As Mr. Antonello was a former director of our subsidiary within the preceding 12 months before his resignation on 1 August 2012, and he has control over the board of FM Swiss, FM Swiss is a connected person of our Company. Under the Listing Rules, upon Listing and at any time prior to 1 August 2013, being the date falling 12 months after the date on which Mr. Antonello ceased to be a director of Balco Switzerland, the transactions between FM Swiss and our Group as described below would constitute continuing connected transactions of our Company.

Ms. Mao is the sister of Mr. Mao. As Mr. Mao is a director and a substantial shareholder of Time Watch Hefei holding 49% of the equity interest therein through his interest in Hefei De Sheng Li, Ms. Mao is a connected person of our Company. Under the Listing Rules, for so long as Ms. Mao remains as a connected person of our Company, the transactions between Ms. Mao and Time Watch Hefei as described below would constitute continuing connected transactions of our Company.

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(A) Continuing connected transactions which are exempt from the reporting, announcement and independent shareholders' approval requirements

The Balco Agreement and tenancy agreement with FM Swiss

During the Track Record Period, we sourced our Balco watches from FM Swiss. For each of the three years ended 30 June 2012 and the three months ended 30 September 2012, the transactions amounted to approximately HK\$7.5 million, HK\$19.6 million, HK\$37.0 million and HK\$11.4 million, respectively. On 1 September 2011, Balco Switzerland further entered into the Balco Agreement with FM Swiss, pursuant to which Balco Switzerland authorised FM Swiss to produce Balco watches for a term of three years.

Pursuant to a tenancy agreement dated 1 January 2012 entered into between FM Swiss as lessor and Balco Switzerland as lessee, Balco Switzerland has agreed to lease its office and warehouse premises in Mendrisio, Switzerland from FM Swiss for the period commencing from 1 January 2012 until terminated by any party thereof by serving not less than 12 months prior notice. The annual rental payable by Balco Switzerland under the tenancy agreement shall be CHF29,808 (may be adjusted once a year on 1 January 2014 in accordance with the Swiss Federal Statistical Office Consumer Price Index), payable in advance monthly on the first day of each month. Such annual rent had been arrived at after arm's length negotiation among the parties and had been determined by reference to the then prevailing market rents of the premises. LCH (Asia-Pacific) Surveyors Limited, the property valuer of our Company, has reviewed the rent payable pursuant to the above tenancy agreement and considers that the annual rent under the above tenancy agreement is comparative to market level of similar properties in the locality and is fair and reasonable.

As these transactions between FM Swiss and our Group are continuing connected transactions only because they involve a person who is a connected person of our Company by virtue of its relationship with our subsidiary, Balco Switzerland and the value of Balco Switzerland's total assets, profits and revenue represents less than 5% under the relevant percentage ratios as defined under Rule 14.04(9) of the Listing Rules for the financial year ended 30 June 2012, pursuant to Rule 14A.33(4) of the Listing Rules, these transactions between FM Swiss and us will be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Tenancy Agreements for office and warehouse

Pursuant to two tenancy agreements both dated 15 October 2011 and entered into between Ms. Mao as lessor and Time Watch Hefei as lessee, Time Watch Hefei has agreed to lease from Ms. Mao the following premises on the principal terms and conditions as set out below:

Address	(i) Approx. gross floor area (ii) Use	(i) Date of agreement (ii) Term of lease	Annual rent payable under the respective tenancy agreement	Payment method	Rent for the Track Record Period
Room 102, Block 5, Beihuayuan Area, No. 261 Tanqi East Road, Yaohai District, Hefei City, Anhui Province, the PRC	(i) 123.84 sq.m. (ii) Office	(i) 15 October 2011 (ii) Two years commencing from 1 November 2011 subject to the right for the parties to terminate the agreement by serving not less than one month prior written notice. Our Group shall have an option to renew for successive terms by serving notice to the lessor not less than one month upon expiry of the current term	RMB36,000, exclusive of utility charges but inclusive of management fees	Monthly rent of RMB3,000 payable by our Group to the lessor in advance quarter-annually	RMB24,000 for the period from 1 November 2011 up to 30 June 2012 and RMB9,000 for the period from 1 July 2012 to 30 September 2012
Room 103, Block 5, Beihuayuan Area, No. 261 Tanqi East Road, Yaohai District, Hefei City, Anhui Province, the PRC	(i) 122.65 sq.m. (ii) Warehouse	(i) 15 October 2011 (ii) Two years commencing from 1 November 2011 subject to the right for the parties to terminate the agreement by serving not less than one month prior written notice. Our Group shall have an option to renew for successive terms by serving notice to the lessor not less than one month upon expiry of the current term	RMB36,000, exclusive of utility charges but inclusive of management fees	Monthly rent of RMB3,000 payable by our Group to the lessor in advance quarter-annually	RMB24,000 for the period from 1 November 2011 up to 30 June 2012 and RMB9,000 for the period from 1 July 2012 to 30 September 2012

The respective rents payable by Time Watch Hefei under each of the above tenancy agreements had been arrived at after arm's length negotiation among the parties and had been determined by reference to the then prevailing market rents of the premises. LCH (Asia-Pacific) Surveyors Limited, the property valuer of our Company, has reviewed the rents payable pursuant to each of the above tenancy agreements and considers that the annual rent under each of the tenancy agreements is comparative to market level of similar properties in the locality and is fair and reasonable.

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Given that the applicable percentage ratios (other than the profit ratio) of the leases under the above tenancy agreements, on an aggregated basis, are expected to be less than 0.1% for each of the two financial years ending 30 June 2014, pursuant to Rule 14A.33(3) of the Listing Rules, the leases under the above tenancy agreements will be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempted from independent shareholders' approval requirements

Tenancy Agreements

Pursuant to various tenancy agreements (the "Tenancy Agreements") entered into between each of Winning Asia, Mr. Michael Tung and Zhengzhou Hengdi (as the case may be) as lessor and our Group as lessee, our Group has agreed to lease from the relevant lessors the following premises on the principal terms and conditions as set out below:

Lessor	Address	(i) Approx. gross floor area (ii) Use	(i) Date of agreement (ii) Term of lease	Annual rent payable under respective Tenancy Agreement	Payment method	Rent for the Track Record Period
(1) Winning Asia	Workshops 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 15 and 16, 27th Floor, and car parking spaces Nos. H3, L3, P32 and P33 at CEO Tower, No. 77 Wing Hong Street, Kowloon, Hong Kong	(i) 1,189.61 sq.m. (ii) Head office	(i) 3 July 2012 (ii) Three (3) years commencing from 1 July 2012, subject to the right for our Group to terminate the agreement by serving not less than one month prior written notice. Our Group shall have an option to renew for a successive term of three years upon expiry of the current term	HK\$4,080,000, inclusive of repairing and maintenance fee, government rent and rates, management fees, electricity and water bills and other fees in relation to the use of the premises but exclude other utility charges The rent payable under the extended term upon exercise of the renewal option shall be the then prevailing market rent as at the commencement of the renewed term and shall not exceed 120% of the rent payable under the then current term.	Monthly rent of HK\$340,000 payable by our Group to the lessor in advance each month.	Year ended 30 June (i) 2010: nil (ii) 2011: nil (iii) 2012: nil Three months ended 30 September 2012: HK\$1,020,000

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Lessor	Address	(i) Approx. gross floor area (ii) Use	(i) Date of agreement (ii) Term of lease	Annual rent payable under respective Tenancy Agreement	Payment method	Rent for the Track Record Period
(2) Mr. Michael Tung	Room 1208, Qiaohong Building, No. 103 Jiangnan Avenue Middle, Haizhu District, Guangzhou City, Guangdong Province, the PRC	(i) 141 sq.m. (ii) Representative office	(i) 1 July 2012 (ii) Three (3) years commencing from 1 July 2012, subject to the right for our Group to terminate the agreement by serving not less than one month prior written notice. Our Group shall have an option to renew for a successive term of three years upon expiry of the current term	RMB50,400, exclusive of water, electricity, management fee and other utility charges, rates, management fees and other fees in relation to the use of the premises The rent payable under the extended term upon exercise of the renewal option shall not be higher than the then prevailing market rent and any increment for the extended term shall not exceed 20% of the rent payable under the then current term.	Annual rent of RMB50,400 payable by our Group to the lessor in arrears on 30 June of each year.	Year ended 30 June (i) 2010: RMB36,481 (ii) 2011: RMB40,322 (iii) 2012: RMB32,068 Three months ended 30 September 2012: RMB12,600
(3) Zhengzhou Hengdi	Room 1701, Zijingshan Department Store Building, No.1 Zijingshan Road, Zhengzhou City, Henan Province, PRC	(i) 294 sq.m. (ii) Representative office	(i) 1 June 2012 (ii) Three (3) years commencing from 1 June 2012, subject to the right for our Group to terminate the agreement by serving not less than one month prior written notice. Our Group shall have an option to renew for successive terms of three years upon expiry of the current term	RMB90,000, exclusive of water, electricity, management fee and other utility charges, rates, management fees and other fees in relation to the use of the premises The rent payable under the extended term upon exercise of the renewal option shall not be higher than the then prevailing market rent and any increment for the extended term shall not exceed 20% of the rent payable under the then current term.	Monthly rent of RMB7,500 payable by our Group to the lessor in advance semi-annually on 31 May and 30 November of each year.	Year ended 30 June (i) 2010: RMB118,032 (ii) 2011: RMB115,081 (iii) 2012: RMB83,235 Three months ended 30 September 2012: RMB22,500

CONTINUING CONNECTED TRANSACTIONS

Our Directors confirmed that respective rents payable under each of the Tenancy Agreements had been arrived at after arm's lengths negotiation among the parties and had been determined by the parties by reference to the then prevailing market rents of the premises. LCH (Asia-Pacific) Surveyors Limited, the property valuer of our Company, has reviewed the rents payable pursuant to each of the Tenancy Agreements and considers that the annual rent under each of the Tenancy Agreements is comparative to market level of similar properties in the locality and is fair and reasonable.

Our Directors anticipate that the rent payable by our Group (i) to Winning Asia shall not exceed HK\$4,080,000, HK\$4,080,000 and HK\$4,080,000; (ii) to Mr. Michael Tung shall not exceed RMB50,400, RMB50,400 and RMB50,400; and (iii) to Zhengzhou Hengdi shall not exceed RMB90,000, RMB90,000 and RMB90,000, for each of the years ending 30 June 2013, 2014 and 2015, respectively. The aggregate rent payable by our Group to Winning Asia, Mr. Michael Tung and Zhengzhou Hengdi under the Tenancy Agreements, on an aggregate basis, shall not exceed HK\$4,300,000, HK\$4,300,000 and HK\$4,300,000 for each of the years ending 30 June 2013, 2014 and 2015, respectively. The annual caps represent the actual rent payable by our Group to Winning Asia, Mr. Michael Tung and Zhengzhou Hengdi under each of the Tenancy Agreements, respectively.

Given that the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under each of the Tenancy Agreements, and on an aggregated basis, are expected to be less than 25%, the annual rent payable by our Group under each of the Tenancy Agreements and the aggregate annual rents payable by our Group under the Tenancy Agreements are expected to be less than HK\$10 million, the transactions are subject to the reporting, announcement and annual review requirements but are exempted from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Distribution of watches in Hong Kong and Taiwan

Our Group has been distributing our Tian Wang and Balco watches to be sold in Hong Kong at a shop situated in Tsim Sha Tsui, Hong Kong which is operated by Fortune Silver, which acts as a distributor of our Group's Tian Wang and Balco watches. During the Track Record Period, our Group sold, in aggregate, approximately HK\$5.7 million, HK\$4.9 million, HK\$11.5 million and HK\$3.9 million of our Group's Tian Wang and Balco watches to Fortune Silver for each of the three years ended 30 June 2012 and the three months ended 30 September 2012, respectively, representing approximately 0.6%, 0.4%, 0.8% and 0.8% of our Group's total revenue for each of the three years ended 30 June 2012 and the three months ended 30 September 2012, respectively. Our Group's Tian Wang and Balco watches were sold to Fortune Silver on consignment basis, to be settled monthly, with the purchase price of each watch sold during the relevant month to be determined by reference to a fixed percentage discount to the recommended retail price of such watch in Hong Kong. The discount offered by us to Fortune Silver had been more favourable than that available to our other Independent Third-Party distributors in Hong Kong given the relatively higher sale volume to Fortune Silver.

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To promote the sales of our Balco watches in Hong Kong, we also paid to Fortune Silver a monthly sales commission represented by a fixed percentage of the aggregate selling prices of the Balco watches actually sold by Fortune Silver during each calendar month. During each of the three years ended 30 June 2012 and the three months ended 30 September 2012, the aggregate amount of the sales commission paid by us to Fortune Silver amounted to approximately HK\$77,000, HK\$66,000, HK\$161,000 and nil, respectively. Such sales commission arrangement had been made available to Fortune Silver but not other Independent Third Party distributors in Hong Kong given the relatively higher sale volume of our Balco watches to Fortune Silver.

Our Group has also been distributing its Tian Wang and Balco watches to be sold in Taiwan at a shop situated in Taipei, Taiwan which is operated by Time Watch Taiwan, which acts as a distributor of our Group's Tian Wang and Balco watches. During the Track Record Period, our Group had sold, in aggregate, nil, approximately HK\$0.7 million, HK\$5.6 million and HK\$1.3 million of our Group's Tian Wang and Balco watches to Time Watch Taiwan for each of the three years ended 30 June 2012 and the three months ended 30 September 2012, respectively, representing nil, approximately 0.1%, 0.4% and 0.3% of our Group's total revenue for each of the three years ended 30 June 2012 and the three months ended 30 September 2012, respectively. Our Group's Tian Wang and Balco watches had been sold to Time Watch Taiwan on wholesale basis, with the purchase price of each watch sold to be determined by reference to a fixed percentage discount to the recommended retail price of such watch in Hong Kong. The terms and conditions of these sales had been agreed between our Group and Time Watch Taiwan after arm's length negotiations between the parties.

It is expected that our Group will continue to distribute its Tian Wang and Balco watches through Fortune Silver and Time Watch Taiwan after the Listing. For that purpose, our Group entered into (i) a distribution agreement (the "**Hong Kong Distribution Agreement**") with Fortune Silver on 19 December 2012 pursuant to which our Group has agreed to sell our Group's Tian Wang and Balco watches to Fortune Silver on consignment basis to be settled monthly; and (ii) another distribution agreement (the "**Taiwan Distribution Agreement**") with Time Watch Taiwan on 19 December 2012 pursuant to which our Group has agreed to sell our Group's Tian Wang and Balco watches to Time Watch Taiwan on wholesale basis. Under the Hong Kong Distribution Agreement, the purchase price of each watch sold during the relevant calendar month shall be determined by reference to a variable percentage discount to the recommended retail price of such watch in Hong Kong, in a sliding scale based on the quantity of watches sold during the relevant calendar month. No sales commission will be payable by our Group to Fortune Silver and/or its staff under the Hong Kong Distribution Agreement. Under the Taiwan Distribution Agreement, the purchase price of each watch purchased by Time Watch Taiwan under each purchase order shall be determined by reference to a fixed percentage discount to the recommended retail price of each watch in Hong Kong at the time of the purchase order. Under each of the Distribution Agreements, the parties have agreed that the terms and conditions of each sale and purchase (including the discount percentage scale/rate from time to time applicable) shall in any event be no more favourable to Fortune Silver or Time Watch Taiwan than those offered by our Group to Independent Third-Party distributors of our Tian Wang and Balco watches, and the purchase prices shall be payable by Fortune

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Silver and Time Watch Taiwan within 30 days after the date of the relevant invoice issued by our Group to Fortune Silver (i.e. approximately 60 days from the delivery of products) or, as the case may be, Time Watch Taiwan or such longer period as the parties may agree. The Hong Kong Distribution Agreement will have a term expiring on 30 June 2015 unless terminated earlier by three months' written notice by either party. The Taiwan Distribution Agreement will have a term expiring on 30 June 2013 unless terminated earlier by three months' written notice by either party.

It is expected that for the purchase price receivable by our Group from Fortune Silver for the sales of branded watches by our Group under the Hong Kong Distribution Agreement for each of the three years ending 30 June 2015 will not exceed the annual caps of HK\$15.5 million, HK\$17.1 million and HK\$18.8 million for each of the three years ending 30 June 2015 respectively. It is expected that for the purchase price receivable by our Group from Time Watch Taiwan for the sales of branded watches by our Group under the Taiwan Distribution Agreement will not exceed the annual cap of HK\$6.4 million for the year ending 30 June 2013. The aggregate purchase price receivable by our Group from Fortune Silver for the sales of branded watches by our Group under the Hong Kong Distribution Agreement for each of the three years ending 30 June 2015 and that from Time Watch Taiwan under the Taiwan Distribution Agreement for the year ending 30 June 2013 will not exceed the annual caps of HK\$21.9 million, HK\$17.1 million and HK\$18.8 million respectively.

In arriving at the above annual caps for the sales of branded watches by our Group to each of Fortune Silver and Time Watch Taiwan, the Directors have considered (i) the quantities of branded watches supplied by our Group to each of Fortune Silver and Time Watch Taiwan for the year ended 30 June 2012; (ii) the expected growth in the sales of Tian Wang and Balco watches in Hong Kong at the estimated rates of 25% for the year ending 30 June 2013, which is projected based on the recorded sales between Fortune Silver and our Group for the three months ended 30 September 2012, and assuming no growth in the sales of our Tian Wang and Balco watches to Fortune Silver in the two years ending 30 June 2015 as it is our intention to control our sales through Fortune Silver in order to avoid any undue reliance on any particular distributor; (iii) the expected growth in the sales of Tian Wang and Balco watches in Taiwan at the estimated rate of approximately 5% for the year ending 30 June 2013, which is projected based on the recorded sales between Time Watch Taiwan and our Group for the three months ended 30 September 2012; and (iv) the expected increase in the selling price of our Group's Tian Wang and Balco watches by our Group and inflation generally at an estimated rate of approximately 10% each year.

Given that the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the sales and purchase transactions under each of the Distribution Agreements, and on an aggregate basis, are less than 5%, these transactions are subject to the reporting, annual review, announcement requirements, but are exempted from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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Application for waivers from the announcement requirements

(a) Reason for the application

Given that the transactions under the Tenancy Agreements and the Distribution Agreements were entered into prior to the Listing Date and have been disclosed in this prospectus and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement requirements in respect thereof immediately after the Listing would add unnecessary administrative costs for us. Besides, given that the respective transactions to be entered into under each of the Distribution Agreements will be entered into by our Group from time to time in its ordinary and usual course of business and on a recurring basis, our Directors consider it unduly burdensome, impracticable and would add unnecessary administrative costs for our Company to strictly comply with the announcement requirements as set out in Chapter 14A of the Listing Rules following the Listing.

Accordingly, our Company applied to the Stock Exchange for, and the Stock Exchange has granted, the above-mentioned waivers from strict compliance with the relevant announcement requirements in respect of the leases under the Tenancy Agreements, and respective transactions contemplated under the Distribution Agreements under Chapter 14A of the Listing Rules.

(b) Compliance with applicable rules set out in Chapter 14A of the Listing Rules

Our Company will comply with the applicable requirements under the Listing Rules in respect of the transactions under the Tenancy Agreements and the Distribution Agreements. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of this prospectus relating to the transactions, our Company will take immediate steps to ensure compliance with such requirements within a reasonable period.

(c) Confirmation from the Directors

Our Directors (including independent non-executive Directors) consider that the transactions under the Tenancy Agreements and the Distribution Agreements have been and shall be entered into in the ordinary and usual course of business and on normal commercial terms and that the respective terms of the Tenancy Agreements and the Distribution Agreements and the annual caps set out above are fair and reasonable and in the interests of our Shareholders as a whole.

(d) Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that the Tenancy Agreements and the Distribution Agreements have been and shall be entered into in the ordinary and usual course of business and on normal commercial terms and that the respective terms of the Tenancy Agreements and the Distribution Agreements and the annual caps set out above are fair and reasonable and in the interests of our Shareholders as a whole.