



29th February 2016

Company Announcements Office
ASX Limited

Progress Update on the Haikou Free Trade Zone Project

Construction and Fit-Out Update

Haikou Peace Base Industry Development Co. Ltd ("HPB") is responsible for the construction and operation of the Haikou Project.

Commercial and Administrative Centre

Construction of the external structures of the Commercial and Administrative Centre have been completed. Fit-out of the first floor and the second floor have also been completed. Installation of the fire control system is in progress.

Factories

Construction of the external and internal structures including fit-out of Factory, have been completed. As at 28th December 2015, Factory A had been handed over to the lessee.

Construction of the external structures of Factory B and Factory C have been completed. Installation of the fire control systems are in progress.

Bonded Warehouses

Construction of the external structures of the Bonded Warehouses has been completed. The installation of the elevator systems and ventilation systems for Warehouse A, Warehouse B and Warehouse C are in progress.

Exhibition Centre

Construction of the external structures of the Exhibition Centre had been completed. Installation of the fire control system and other internal works are in progress.

Jewelry Stores

On 30th January 2016, HPB opened its first jewelry store - Fuxing City Store. This store is located in downtown area of Haikou City. It is open to the general public from 9:30am to 10:00pm. As a window of HPB's diamond-related business to Haikou locals and tourists, this store will test market reactions to HPB's several business lines on a long-term basis, mainly imported jewelry, domestically produced jewelry and investment-grade loose diamonds.

E-Commerce Business

HPB has been developing an e-commerce platform for the sale of diamond jewellery at HPB, loose diamonds and imported jewellery. It has realized a real-time connection with the online inventory of one a major supplier of loose diamonds, a prestigious sightholder of De Beers Group of Companies. This means customers of HPB may directly select diamonds from around 20,000 loose diamonds available for sale in this supplier's inventory on a real-time basis.

At this stage, it is planned to launch three business lines by 31st March 2016 – sale of investment-grade loose diamonds, customization of diamond jewelry and sale of domestically produced jewelry. The development of an on-line portal to sell imported jewelry is currently being tested by Customs. It is planned to be launched by 30th April 2016.

Cooperation with HDFC

HPB has signed a Framework Agreement on Strategic Cooperation with Hainan Duty-Free Co., Ltd. ("HDFC"), which is one of the only two companies authorized by the Ministry of Finance of the PRC to operate duty-free shops in Hainan Province. According to this contract, HPB will open Integrated Duty-Free Stores for International Jewelry Brands ("Integrated Duty-Free Stores") in all existing and future duty-free malls operated by HDFC. Each Integrated Duty-Free Store will be able to host multiple jewelry brands. The products sold from each Integrated Duty-Free Store will be mainly from the jewelry makers which set up factories in HPB's Haikou project. HPB and HDFC will further cooperate with each other on other categories of duty-free products.

Lease Commitments

HPB has signed lease agreements for 100% of the leasable area of the factories.

HPB also signed lease agreements for 100% of the leasable area of the Exhibition Centre. However, given HPB's cooperation with HDFC, HPB has recently decided to lease out this 7,005m² to factory tenants for them to set up stores.

HPB signed a lease agreement for approximately 49% of the warehouse area available for lease. The remaining 51% of the warehouse area available for lease will not be reconfigured into factory space as previously intended. Rather, 10,738m² of the remaining area available for lease (i.e., Bonded Warehouse B) is intended to be leased to HDFC and is currently under lease negotiations. 9,820m² of the remaining area available for lease (i.e., Bonded Warehouse C) will be reconfigured into constant-temperature-and-humidity warehouses to accommodate needs of potential tenants which are mainly wine dealers.

A summary of the approximate lease commitments in terms of area (m²) is shown on below.

Building	Approximate Total Built Up Area (m ²)	Approximate Area of Lease Commitment Obtained (m ²)	Approximate Area of Lease Under Negotiations (m ²)
Commercial and Administrative Space	6,080	2,141 ¹	3,939
Factory Space	17,887	17,887	-
Warehouses	41,115	20,000	21,115 ²
Exhibition Centre	22,083	15,078 ³	7,005 ⁴
Total	87,165	55,106	32,059

¹This area will be utilised by the National Gemstone Testing Center and the Customs of Haikou Free Trade Zone.

² 9,820m² will be reconfigured into constant-temperature-and-humidity warehouses and the remaining is under lease negotiations with HDFC.

³ 5,078m² will be utilised by HPB.

⁴ Given HPB's cooperation with HDFC, HPB intends to lease out this 7,005m² to factory tenants for them to set up stores.

