



6th May 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. As of 5 May 2016, the construction progress is as follows:

Commercial and Administrative Centre

Construction of the Commercial and Administrative Centre including the fit-out of the first and second floors have been completed.

Factories

Construction of the Factories has been completed. The fit-out of Factory A has also been completed. Fit out of Factory B and Factory C is the tenant’s responsibility.

Bonded Warehouses

Construction of the external structures of the Bonded Warehouses and construction of the internal structures of Warehouse D has been completed. Installation of the elevator systems for Warehouse A, Warehouse B and Warehouse C are being finalised.

Exhibition Centre

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

Construction Completion Date

Construction of the Haikou Project is expected to be completed by 31 May 2016 (“**Completion**”). After Completion, relevant government agencies will carry out the required final completion inspections. Currently HPB expects to obtain an official Completion Inspection and Acceptance Certificate for the Project within 60 days from the completion of the construction.

Cooperation with Hainan Duty Free Co., Ltd

In December 2015, HPB signed a Framework Agreement on Strategic Cooperation with Hainan Duty-Free Co., Ltd. (“**HDFC**”), which is one of the only two companies authorised by the Ministry of Finance of the PRC to operate duty-free shops in Hainan Province. According to this contract, HPB are to open integrated duty-free stores for international jewellery brands (“**Integrated Duty-Free Stores**”) in all existing and future duty-free malls operated by HDFC. Each Integrated Duty-Free Store will host multiple jewellery brands and the products sourced from the jewellery makers which set up factories in HPB’s Haikou project.



Cooperation with Hainan Duty Free Co., Ltd (continued)

Under this agreement, HPB and CAQ Diamond Network (HK) Limited, a wholly-owned subsidiary of CAQ Holdings Limited entered into a Duty-Free Goods Supply Contract with HDFC. Under this contract, HPB is to open the Zuanxihui Integrated Duty-Free Store at Haikou Meilan Airport Duty-Free Mall in June 2016. This store is to stock products from at least six international jewellery brands. Each brand is to produce its jewellery directly from a HPB Haikou Project factory tenant. All goods eligible for sale from this store will be available on HDFC's online duty-free platform – www.mianshui365.com.

Jewellery Stores

On 30th January 2016, HPB opened its first jewellery store, the Fuxing City Store. This store is located in the downtown area of Haikou City and is open to the general public from 9:30am to 10:00pm.

E-Commerce Business

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

Three business lines on this platform have been launched as of 30 April 2016 which offers investment-grade loose diamonds, customization of diamond jewellery and domestically produced jewellery. The development of an on-line portal to sell imported jewellery is still currently being tested by the Customs of the Haikou Free Trade Zone. This on-line portal is expected to be launched by 31 May 2016, at the request of Customs.

Lease Commitments

HPB has signed lease agreements for 100% of the leasable area of the factories. Factory A has been handed over to the lessee, Hong Kong Hung Mei Co. Ltd. The handover of Factory B and C to the respective lessees is to occur 5 day after Completion.

HPB also signed lease agreements for 99% of the leasable area of the Exhibition Centre.

HPB signed a lease agreement with China Logistics Infrastructures (Holdings) Limited (“CLI”) for approximately 49% of the warehouse area available for lease. CLI has expressed an intention to terminate the lease agreement. HPB will seek to enforce its rights under the lease agreement and recover any compensation payable by CLI.

Of the remaining 51% of the warehouse area available, 10,738m² (i.e., Bonded Warehouse B) is intended to be leased to HDFC and 9,820m² (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.



Lease Commitments (continued)

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
Exhibition Centre	22,083	15,078 ²	7,005 ³
Total	87,165	55,106	32,059

¹1,075m² has been handed over to the National Gemstone Testing Center and the Customs of Haikou Free Trade Zone. The remaining 1,066m² is utilised by HPB.

² 5,078m² will be utilised by HPB.

³ Given HPB's cooperation with HDFC, HPB intends to lease out this 7,005m² to factory tenants for them to set up stores.

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