



28<sup>th</sup> October 2016

Company Announcements Office  
ASX Limited

## **Progress Update on the Haikou Free Trade Zone Project**

The Company's wholly-owned subsidiary, Haikou Peace Base Industry Development Co. Ltd ("HPB") is responsible for the construction and operations of the Haikou Project. In addition to this, HPB is also involved in retail sales of diamonds and diamond jewellery. An update is as follows:

### **Construction and Fit-Out Update**

#### *Commercial and Administrative Centre*

Construction of the Commercial and Administrative Centre including the fit-out of the first and second floors have been completed. Installation of low current security systems has 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. Installation of low current security systems has been completed.

#### *Bonded Warehouses*

Construction of the Bonded Warehouses has been completed. Installation of low current security systems has been completed.

#### *Exhibition Centre*

Construction of the Exhibition Centre has been completed. Installation of low current security systems has been completed.

#### *Overall Progress Update*

Final inspection of the elevator systems, fire protection systems, lightning protection systems, security systems, power supply systems, water systems, energy saving systems and termite protection systems in all the buildings have been completed. Construction of the roads and landscaping has been completed. HPB is continuing to arrange relevant government agencies to carry out the required final completion inspections and expect to obtain an Official Inspection and Acceptance Certificate for the Project by the end of November 2016.

### **Bank Loan Facility**

In August 2016, HPB obtained a RMB 15 million bank loan facility (approximately AUD2.9 million) to be used for working capital and other costs such as fit-outs and landscaping of the Haikou Project. To date, HPB has drawn down the facility by RMB 2 million (approximately AUD \$400,000).

### **Jewellery Stores**

To date, HPB has opened the following physical stores:

- Zuanxihui Integrated Duty-Free Store located in the Haikou Meilan Airport Duty-Free Mall; and
- Zuanxihui Store located in Mission Hills Centreville, Haikou.

Zuanxihui is HPB's own brand.

### **Jewellery Stores (continued)**

The Fuxing City Store has now been closed due to the planned closure of the Fuxing Shopping Mall by 31 October 2016.

### **E-Commerce Business**

To date, HPB has an e-commerce platform, [www.zuanxh.com](http://www.zuanxh.com) which markets HPB's loose diamonds and diamond jewellery.

HPB is currently working towards opening a Zuanxihui e-store by mid-November 2016 on JingDong Mall ([www.jd.com](http://www.jd.com)), an e-commerce platform.

### **Lease Commitments**

HPB have 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 days after obtaining the Official Inspection and Acceptance Certificate for the Project.

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 and CLI are currently negotiating amended terms of the lease agreement.

Of the remaining 51% of the warehouse area available, 10,738m<sup>2</sup> (i.e., Bonded Warehouse B) is intended to be leased to HDFC and 9,820m<sup>2</sup> (i.e., Bonded Warehouse C) will be reconfigured into constant-temperature-and-humidity warehouses to accommodate needs of potential tenants who are mainly wine dealers.

A summary of the approximate lease commitments in terms of area (m<sup>2</sup>) is shown on below.

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

<sup>1</sup> 1,075m<sup>2</sup> has been handed over to the National Gemstone Testing Centre and the Customs of Haikou Free Trade Zone. The remaining 1,066m<sup>2</sup> is utilised by HPB.

<sup>2</sup> 5,078m<sup>2</sup> will be utilised by HPB.

<sup>3</sup> Given HPB's cooperation with HDFC, HPB intends to lease out this 7,005m<sup>2</sup> to factory tenants for them to set up stores.

**End**