

LAFE CORPORATION LIMITED

(Company Registration Number: 26304)
(Incorporated in Bermuda)

UPDATE ON ADDITIONAL COMPENSATION ON THE DISPOSAL OF INVESTMENT PROPERTY AT PANYU DISTRICT IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PANYU PROPERTY")

Unless otherwise defined all capitalised terms and references used herein shall bear the same meaning ascribed to them in the announcements dated 17 December 2010, 9 March 2012, 14 March 2012, 11 November 2014 and 26 May 2015 in relation to the Disposal.

The Board of Directors (the "Board" or the "Directors") of Lafe Corporation Limited (the "Company" and together with its subsidiaries, the "Group") sets out below the Board's response to questions from the SGX-ST, namely:

Q1. SGX-ST Query: Provide the basis of the Chinese lawyers' opinion of the Refund.

Response: *The Chinese lawyers advised as follows:*

1. *The Agreement dated 10 December 2010 (the "Agreement") entered into between Guangzhou Lafe Electronics Co., Ltd. (hereinafter referred to as "Lafe Electronics") and the Purchaser for the acquisition of the Panyu Property, Lafe Industrial Compound, expressly stated two methods for the price valuation, namely (i) a base price of RMB 550 million which is a fixed amount; and (ii) a floating price term depending on the plot ratio eventually approved by the Government in accordance with the applicable policy, namely the San-jiu Recreation Directive for important redevelopment projects. Under the Agreement, the final amount payable would be the calculated valuation or RMB 550 million, whichever was the higher. However, because of the recent adjustments in the real estate economic policy of the People's Republic of China, the Guangzhou Municipal government had clearly stated that the private redevelopment directives under the San-jiu Reconstruction were not applicable to commercial and residential projects in small districts and therefore did not approve the redevelopment plan by the Purchaser. Therefore, the provision in the Agreement which provided for a floating price term depending on the plot ratio eventually approved by the Government in accordance with the San-jiu Reconstruction directive for important redevelopment projects now could not be implemented and executed and the Purchaser therefore had a right to demand a refund the sums paid other than the fixed base price of RMB 550 million.*

2. *The present Guangzhou Municipal government had based its policy on the spirit of (i) the Supplementary Exposure Draft (SUI Fu [2012] No. 20) on the Local Authorities in Guangzhou in 2012 and (iii) the Supplementary Draft in 2013 on Accelerating the San-jiu Reconstruction Directive by the Guangzhou City San-jiu Reconstruction Work Office and Urban Village in Guangzhou Transformation Plan of Action for Three Years (2013-2016). According to the provisions of the foregoing and applicable Chinese Law, the Purchaser had*

the right to request the Refund. Furthermore, the pronouncement in June 2014 from Panyu District as contained in their official document (so called "Red Head document) (番城改函【2014】145 号) had explicitly suspended 9 plots of commercial residential redevelopment including the Panyu Property.

Q2. SGX-ST Query: How will the Company finance for the Refund?

Answer: The Company intends to obtain funding for the Refund by way of an interest-bearing loan from Accolade (PTC) Inc, the ultimate holding company of the Company. The loan will be on arms-length commercial terms no less favourable to the Company than if such loan had been provided by an independent third party.

By Order of the Board

Paul Francis Gregory Binney
Company Secretary
29 May 2015