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 and 11 November 2014 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") wishes to provide an update on the payment of the additional compensation amounting to RMB 159.5 million (approximately US$ 25.3 million) payable to the Company pursuant to the Disposal. As at 25 May 2015, the Company had received RMB 55.1 million (approximately USD 9.0 million) and a balance of RMB 104.4 million (approximately US$ 16.8 million) of the additional compensation (the "Balance Compensation") was still outstanding from the Purchaser. The Purchaser failed to make the instalment payments due by the end of April 2015. The Company had been following up with the Purchaser for these outstanding instalment payments.

On 15 May 2015, the Company's subsidiary, Lafe Investment Consultancy Limited ("LICL"), received a letter dated 14 May 2015 from the Purchaser (the "Letter") informing LICL that the Purchaser had failed to obtain the requisite government permits from the relevant authorities for re-developing the Panyu Property into a small district commercial-residential estate. The Purchaser also informed LICL that the prevailing pronouncements by the relevant government authorities in 2012 and 2013 had stated that it was their policy not to allow re-development involving private commercial and residential projects in small districts, which applied to the Panyu Property. The Purchaser informed LICL that the policy was mandatory and legally binding without any exceptions. The Purchaser has asserted that due to this government policy, the agreement for the payment of the additional compensation has become unenforceable and should be terminated. The Purchaser has also demanded the refund of RMB 55.1 million in respect of the additional compensation previously paid by the Purchaser under the agreement.

The Company has sought legal advice from its Chinese lawyers on the terms of the agreement with the Purchaser. The Company has been advised by its Chinese lawyers that the Purchaser is entitled to the refund of the sum of RMB 55.1 million (the "Refund") being the amount of the additional compensation paid by it under the agreement, and to terminate its obligations in respect of the sum of RMB 104.4 million (the "Balance Sum"), being the balance sum of the additional compensation not yet paid by the Purchaser. The parties are in the process of negotiating the terms of the Refund, which will be made to the Purchaser by the end of June 2015 or such later date as the parties may agree.

The pro-forma financial effects of the Refund and the reversal of the accounts receivable in respect of the Balance Sum on the Group's audited financial statements as at 31 December 2014 are set out below:

These financial effects are purely for illustration purposes and do not reflect the actual financial position of the Group from the Refund and the reversal of the additional compensation. The effects take into account the fact that the additional compensation is not now re-invested into the Group's operations for its property development and/or property investment businesses and that the payable is repayable by the end of June 2015.

Net Tangible Assets ("NTA")

Assuming that the Refund will be paid over the payment period, its pro-forma effect on the Group's NTA would have been as follows:

	Before the Refund and reversal of the accounts receivable on the additional compensation	After the Refund and the reversal of the accounts receivable on the additional compensation
NTA per share	US 8.03 cents	US 5.82 cents

On the basis of the Company's share consolidation of every fifty (50) ordinary shares in its authorized and issued share capital into one (1) ordinary share with effect from 25 May 2015, its pro-forma effect on the Group's NTA would then have been as follows:

	Before the Refund and reversal of the accounts receivable on the additional compensation	After the Refund and the reversal of the accounts receivable on the additional compensation
NTA per share	US 401.73 cents	US 291.11 cents

Loss Per Share

Assuming that the Refund and the reversal of the additional compensation had been effected on 31 December 2014, its pro- forma effect on the Group's loss per share would have been as follows:

	Before the Refund and reversal of the accounts receivable on the additional compensation	After the Refund and the reversal of the accounts receivable on the additional compensation
Loss per share	(US 4.43 cents)	(US 6.64 cents)

On the basis of the Company's share consolidation of every fifty (50) ordinary shares in its authorized and issued share capital into one (1) ordinary share with effect from 25 May 2015, its pro- forma effect on the Group's loss per share would then have been as follows:

	Before the Refund and reversal of the accounts receivable on the additional compensation	After the Refund and the reversal of the accounts receivable on the additional compensation
Loss per share	(US 221.46 cents)	(US 332.09 cents)

Shareholders and potential investors of the Company are advised to exercise caution in dealing in the Company's securities. When in doubt, shareholders and potential investors are advised to seek independent advice from their professional advisors before trading or making any investment decision on the Company's securities.

By Order of the Board

Paul Francis Gregory Binney
Company Secretary
26 May 2015