

UPDATE ON LITIGATION IN MALAYSIA

1. INTRODUCTION

The Board of Directors of Union Steel Holdings Limited ("**Company**", together with its subsidiaries, "**Group**") refers to the Company's announcement dated 22 January 2016 regarding the lapse of the two sale and purchase agreements dated 29 October 2015 and the asset sale agreement dated 29 October 2015 ("**Agreements**") in relation to the proposed acquisition of (i) two parcels of land and (ii) a scrap metal shredder plant in Malaysia ("**2016 Announcement**") entered into between the Company's wholly-owned subsidiary, Union CHH Sdn Bhd ("**Union CHH**"), and Chye Hup Heng Sdn Bhd (in liquidation) ("**CHH**" or the "**Vendor**").

It was noted in the 2016 Announcement that (i) as the conditions precedent set out in the Agreements were not satisfied during the requisite periods set out in the Agreements, Union CHH, through its lawyers, Cheang & Ariff in Malaysia (now known as Chooi & Company + Cheang & Ariff), had on 7 January 2016, written to the Vendor's lawyers notifying them of the lapse of the Agreements and seeking a refund of the deposit and all other monies paid and (ii) CHH's lawyers, Lee Hishammuddin Allen & Gledhill, responded by way of letter dated 14 January 2016 disputing Union CHH's position.

2. FURTHER DEVELOPMENTS AND TRIAL

Since the 2016 Announcement, CHH had refused to refund the deposits paid pursuant to the Agreements amounting to RM1,650,000.00 ("**Deposits**") and had forfeited the same. Union CHH had on 23 March 2016 filed an application to the High Court in Kuala Lumpur for leave to commence a civil action against CHH to recover the Deposits which Union CHH had successfully obtained on 11 November 2016.

On 12 January 2017, Union CHH filed a civil suit against CHH for the refund of the Deposits at the High Court in Kuala Lumpur. In defending its position, CHH had mounted a counterclaim against Union CHH for alleged outstanding rental for the occupation and use of the following properties ("**Properties**"):

- a) PN 55795, Lot 186580, Mukim Plentong, Daerah Johor Bahru, Negeri Johor Bahru ("**PN 55795**");
- b) H.S. (D) 266013, PTD 148197, Mukim Plentong, Daerah Johor Bahru, Negeri Johor Bahru ("**H.S. (D) 266013**");
- c) PTD No. 151885, Jalan Kampung Maju Jaya, Kempas Lama, 81300 Skudai Johor Bahru, Johor; and
- d) GM 824, Lot 747, Mukim Kapar, Tempat 4th Mile Kapar Road, Daerah Klang, Negeri Selangor.

PN55795 and H.S. (D) 2660013 together with the scrap metal shredder plant are the subject matters under the Agreement. The amount claimed by CHH in its counterclaim is in the sum of RM2,763,000.00.

Union CHH has denied that there was an agreement between the parties for Union CHH to pay rental for the occupation and use of the Properties and that it has always been the parties arrangement that Union CHH to occupy and use the Properties without any costs of whatever nature.

The matter has been fixed for trial on 14 January 2019 with further trial dates to be fixed.

3. IMPACT ON THE COMPANY AND ITS SUBSIDIARIES

The litigation will not have a material impact on the Group's operations or business.

4. FURTHER ANNOUNCEMENTS

The Company will update shareholders when there are material developments relating to the proceedings.

By Order Of The Board

Ang Yu Seng
Executive Chairman and Chief Executive Officer
14 January 2019