

Union Steel Holdings Limited
(Company Registration Number: 200410181W)

**RESPONSE TO SGX QUERY ON THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND
ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2009**

The Board of Directors of Union Steel Holdings Limited (the “Company”) wishes to announce the following response to query raised by Singapore Exchange Securities Trading Limited (“SGX-ST”) in its e-mail on 19 May 09 (“SGX Query”) on the announcement of the third quarter financial statement and dividend announcement for the period ended 31 March 2009.

SGX’s Query

(1) We note that the Group incurred a net foreign exchange loss of S\$2.9m for the 9 months ended 31 March 2009 as compared to a net foreign exchange gain of \$2.2m for the 9 months ended 31 March 2008. Please provide reasons to explain the swing from a net foreign exchange gain of S\$2.2m to a net foreign exchange loss of S\$2.9m. To also disclose the underlying items and whether the factors which caused the loss has ceased to exist or whether further losses may be incurred.

Our response as follow:

The swing from a net foreign exchange gain of S\$2.2m for the 9 months ended 31 March 2008 to a net foreign exchange loss of S\$2.9m for the 9 months ended 31 March 2009 is attributable to the appreciation of the US\$ against S\$ during the 9 months period. A large portion of the foreign exchange loss was incurred in 1Q FY2009 (July 2008 – September 2008) before narrowing in 2Q FY2009 and 3Q FY2009. Please note that the Interbank Cross Rate as shown in the Table below is for reference only:

Period	Foreign Exchange Loss	Interbank Cross Rate* (S\$ against US\$)
-	-	1.360 published on 1 Jul 08
1Q FY2009	S\$1.9m	1.428 published on 2 Oct 08
2Q FY2009	S\$0.6m	1.439 published on 1 Jan 09
3Q FY2009	S\$0.4m	1.520 published on 1 Apr 09

*Interbank Cross Rate extracted from The Business Times

The Group is exposed to currency translation risk when (1) goods are purchased in US\$ while payments are made by local customers in S\$; and (2) there is significant foreign exchange fluctuations occurring during the time between both purchases/sales recognition and payment/receipt of proceeds. Such exposure forms part of the underlying risks inherent in the Group’s recycling and trading business. The Group endeavours to mitigate its foreign exchange risk using forward foreign exchange contracts whenever applicable.

(2) The Group's trade receivables balance as at 31 March 2009 increased by 38.6% to S\$38.6m despite a decrease in revenue of 14.4% during the 9 months period ended 31 March 2009. In this regard, please provide reasons for the increase in the trade receivable balance; to disclose whether there are any issues with debt collection; and to disclose the debtor turnover days.

Our response as follow:

The increase in the Group's trade receivables balance as at 31 March 2009 was mainly due to prepayments of S\$9.2 million to our suppliers at the end of March 2009 for goods delivered and received in April 2009. This prepayment was recorded under Other Receivables and Prepayment as shown in the Table below:

	31 Mar 2009	31 Mar 2008	Change
Trade Receivables	S\$28.8m	S\$26.6m	S\$2.2m
Other Receivables & Prepayments	S\$9.8m	S\$1.2m	S\$8.6m
Total Trade and Other Receivables	S\$38.6m	S\$27.8m	S\$10.8m

Given the deteriorating credit environment, the Group has exercised caution and vigilance in managing its debts and to date it has not experienced any significant variation to its collection pattern.

Trade debtor turnover days (excluding other receivables and prepayments) for the Group were 43 days for 3QFY2009 compared to 35 days for 3QFY2008.

By Order of the Board

Ang Yu Seng
CEO / Executive Director