

Dear Investors,

Thank you very much for the questions and the opportunity for us to respond. We hope you have a better understanding of our business through this online exchange. Your questions will be reposted in **blue** followed by our **replies in black**.

Regards,  
The Management Team  
ASL Marine Holdings Ltd

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Dear Mitch Loy, you wrote:

Hi Management,

Financials and Outlook seem pretty rosy so far. You have a good business model that maximises capacity of your workforce. Latest results seem better than previous. I was hoping the share price move much higher. How would you view your risks at this juncture? Any changes? Can you comment more on risks especially on the coal concession. Has risk changed?

We do not see our risks at this juncture to be any higher than that as at 30 June 2004. Our risk on the coal concession is mainly limited to the credit risk of our partner in ASL Energy Pte Ltd. Our partner, through Oriental Minerals Corporation (“OMC”) has given an operating cashflow guarantee till June 2009. In the short to medium term, we do not expect the coal concession to contribute more than what is guaranteed by OMC.

Net margins have decreased slightly as compared to HY ending dec 03. How does the company hedge against fuel and raw materials price hike? Has the company been able to pass such cost hike to customers so far?

Thanks in advance for your help!

We allow for fuel and raw material price increase in our budget. In most instances, such price increases are addressed by bunker/raw material fluctuation clauses built into contracts. Otherwise, as and when the contract expires, revised rates will cover for such price hike. Further, for shipbuilding projects, once contracts are confirmed, substantially all the raw materials required will be ordered and the prices locked in.

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Dear Denise Ning, you wrote:

Good day....

Congrats on securing the US\$50m 10-Year Floating Terminal Charter. What are your estimated annual costs for this? Would appreciate your advice....

As the floating terminal will be on bareboat charter, annual costs for operating the floating terminal substantially only includes depreciation and financing costs. This is estimated to be US\$3.5 million

Can you comment how you view Insurance Premiums in the next few years? How much does it affect your biz? Thank You.

Insurance premium have already risen by almost 100% within the last two years. Given recent incidents, insurance premium is likely to rise further within the next few years. However, given a time lag, such cost increase will be reflected in subsequent charter rate.

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Dear Angela Tan, you wrote:

Hi, Margins have dropped. What plans does the company have on margins? Target to improve or remain competitive and focus on Topline?

The company is always looking at improving margin whilst remaining competitive.

Gross margin for shipbuilding of 4.9% in 1H2005 is better than -0.5% in 1H2004 but lower than 9.2% in 2H2004.

Gross margin for shiprepairs have grown from 29.8% in 1H2004 and 19.9% in 2H2004 to 45.9% in 1H2005. This is due to our ability to be more selective in taking on repair jobs due to the limited capacity which has been fully utilised.

Gross margin for shipchartering of 15.0% in 1H2005 is better than 8.6% in 1H2004 but lower than 19.7% in 2H2004.

Going forward, gross margin for shipbuilding projects is expected to improve by at least 50% when compared with 1H2005. Gross margin for shiprepair is expected to revert to the normal margins of approximately 30% unless we continue to be able to secure higher value-added and lucrative retrofitting and conversion jobs. It is, however, important to note that our shiprepair capacity is expected to increase and the scope of our repair capabilities expanded with the commissioning of the 5,000 ton lifting capacity floating dock in 2H2005. Gross margin for shipchartering is expected to improve by at least 20% with the improved charter rates commencing 2H2005.

Can you give an update on the 10 year Charter Contract? Will it be ready to roll by 2005 end?

The 10-year charter contract is a bareboat charter contract signed between our jointly-controlled entity, ASL Energy Pte Ltd (“ASL Energy”) and PT Dermaga Perkasapratama for the charter of the floating terminal for a period of 10 years. The floating terminal is expected to be completed by 1H2006 and commissioned, operational and contributing by early 2H2006.

To what extent is ASL affect by FOREX?

For shipbuilding, we are exposed to different currencies when we sell vessels or purchase equipment. For all projects, we will do a natural hedge followed by a forward hedge for the exposed portion.

For major shiprepairs, we hedge as per normal shipbuilding contracts. For smaller shiprepairs, we only do natural hedge.

For shipchartering, we practice natural hedge and where appropriate and necessary, we will do a forward hedge.

Overall, going forward, realized foreign exchange difference should be kept to a minimum as most exposure should have been covered. However, unrealized exchange differences and translational differences would still affect our accounts.

In the case of our Indonesian subsidiaries and our jointly-controlled entities, as their financial statements are denominated in foreign currency, there will be additional foreign exchange exposures when these financial statements are translated to SGD for reporting purposes.

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Dear Jimmy Chew, you wrote:

Hi, can you provide me with the margin breakdown in terms of Shipbuilding, Chartering and repairs for the latest half year please. Tks.

Please refer to answers to questions raised by Ms Angela Tan

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Dear A L Tai, you wrote:

Dear Management, could you give us an update of the energy business and how soon will it be in swing? Thank you.

ASL Energy is made up of three core businesses, they comprise :

1. Tugboats and barges – carrying of coal
2. Floating terminal – coal handling
3. Tabang coal mine – mining and marketing of coal

1. Tugboats & barges

As at 31 Dec 2004, ASL Energy has in place 30 sets of tugboats and barges operating in Indonesia. An additional 10 sets will be progressively added by 31 Dec 2005. Currently, gross margin in this segment is depressed due to the constant mobilization cost incurred in delivering the newly-acquired vessels to Kalimantan. By FY2007, any intended acquisition of vessels would have been completed and gross margin should be stabilized. At the current moment, our gross margin for this segment is approximately 14%.

2. Floating terminal

The floating terminal is expected to be operational and commissioned by 2H2006. Revenue is US\$5 million p.a. and projected cost is approximately US\$3.5 million p.a., substantially made up of depreciation and bank financing costs. Full year contribution can be expected from floating terminal from FY2007.

3. Tabang coal mine

Gross margin contribution from the coal concession is expected to be limited to the amount of operating cashflow guaranteed by the vendor, Oriental Minerals Corporation, less the amortization of approximately US\$1.2 million p.a.

The operating cashflow guaranteed for FY2005 and FY2006 is US\$2.3 million and US\$3.0 million respectively. The operating cashflow guaranteed from FY2007 to FY2009 is US\$3.6 million p.a. However, as ASL Energy only holds 50.2% of the coal concession, contribution from this segment corresponds with the amount of shareholdings.

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Dear Willy Tong, you wrote:

Dear mgt,

What plans do you have in regards to declining profit margins in Ship Building?

We aim to improve shipbuilding margins by securing new shipbuilding projects with higher margins and making further improvements to our shipbuilding processes to better control cost.

How would you view expanding your operations to take on more ship repairs and chartering in view better margins derived based on previous performances?

We agree fully with your analysis. This is also the reason why we embarked on our expansion plan in Batam, Indonesia and commenced building the 5,000 ton lifting capacity floating dock and 235m x 60m graving drydock. With the improved facilities, we are able to take on a wider range of vessels for repair, both in terms of size and scope. This will ultimately translate into better margins for the shiprepair business.

Is the company considering any investments in upstream or downstream activities in the near future? Cheers!

We are always open to any investments that are synergistic with our existing businesses and hence we do not rule out such possibilities.

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Dear Beng, you wrote:

Hi, Understand the company is undergoing expansion, noted that there was an increase in PP&E of S\$21.5 million during the half year ended 2005, what are the major additions? what would be the estimated capex for 2H2005? Thanks.

The Group's capital expenditure in 1H2005 was S\$21.5 million which includes several items. The Group took delivery of one tugboat and 16 barges worth an aggregate of S\$6.8 million and acquired plant & machinery, office equipment and motor vehicles worth an aggregate of S\$1.6 million. The Group also incurred an additional S\$13.1 million for assets under construction comprising one tugboat, four barges, a floating dock, a graving dry dock, seven cranes and various shipyard developments.

The current projected capital expenditure is approximately S\$39.3 million for FY2005 or approximately another S\$17.8 million for 2H2005. The projected capital expenditure for 2H2005 includes additional cost for the construction of three tugboats, six barges and a floating dock aggregating to S\$10.0 million and S\$7.8 million for the ongoing shipyard developments, construction of cranes and graving dry dock.

In 2H2005, the Group expects to take delivery of three tugboats and six barges worth an aggregate of S\$15.0 million, a floating dock of S\$5.5 million and seven cranes worth approximately S\$5.5 million.

The acquisition of these assets is in line with the Group's focus in capitalizing on the buoyant marine industry and especially the shipchartering market in the region. The addition of new vessels will further enhance our shipchartering revenue and contribute positively to our track record in managing a quality fleet of vessels for charter services.

The 5,000 ton lifting capacity floating dock and the graving drydock will provide additional capacity for our shiprepair operations, when it is operational in later part of 2H2005 and 1H2006 respectively as more types of repair works would be undertaken, while the cranes are part of the Group's ongoing efforts to improve shipyard operations productivity and efficiency.

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Dear Michael See, you wrote:

[Why is the share price fall even after a good set of results. What is the management expectation for FY05 vs other shipping company like Labroy?](#)

We do not wish to speculate on the reason for the decline in share price even after a good set of results. However, if there are any doubts on the Company's performance or strategic plans, we are always open to clear such doubts and are confident that our performance in 2H2005 will speak for itself.

We regret that we are not in a position to comment on the expected performance of other shipping companies.

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Dear Investors,

Thank you for all your questions and interest in ASL Marine Holdings Ltd. We have come to the end of this Q&A session and hope that you have a better insight of our company and our operations.

Regards,  
The Management Team  
ASL Marine Holdings Ltd