





**ANNUAL STOCKHOLDER'S MEETING  
OF  
HARBORSTAR SHIPPING SERVICES, INC.**

**AGENDA**

**30 July 2025**

**TO ALL STOCKHOLDERS:**

1. Call to Order
2. Certificate of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 17 July 2024
4. Management Report
5. Approval of Audited Financial Statements as of 31 December 2024
6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business, since the 17 July 2024 Annual Stockholders' Meeting up to 30 July 2025
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment



## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please be informed that the Annual Meeting of the Stockholders of **HARBOR STAR SHIPPING SERVICES, INC.** ("HSSSI") will be held and conducted virtually<sup>1</sup> via the Zoom online meeting platform on **Wednesday, 30 July 2025, at 3 p.m.** for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 17 July 2024
4. Management Report
5. Approval of Audited Consolidated Financial Statements of HSSSI and its subsidiaries as of 31 December 2024
6. Ratification of all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business since the 17 July 2024 Annual Stockholders' Meeting up to 30 July 2025
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

The Board of Directors has fixed 30 June 2025 as the record date for the determination of stockholders entitled to be notified, participate, and vote at the Annual Stockholders' Meeting ("Stockholders of Record").

Stockholders of Record may only attend/participate via proxy, remote communication or vote in absentia, subject to validation procedures.<sup>2</sup> Only validated stockholders will be provided access to the Zoom meeting platform and can cast their votes in absentia on or before 23 July 2025 via the Corporation's secure online voting facility.

Stockholders who wish to participate in the meeting via the Zoom online meeting platform and to vote in absentia should notify the Office of the Corporate Secretary through a Letter of Intent to be sent via e-mail to [asm-2025@harborstar.com.ph](mailto:asm-2025@harborstar.com.ph) or fill up the registration form at [www.harborstar.com.ph/asm2025registrationform](http://www.harborstar.com.ph/asm2025registrationform) on or before 15 July 2025.

HSSSI is not soliciting proxies. Stockholders who are unable to join the meeting but wish to vote on items in the agenda by proxy must submit their duly accomplished proxy forms via email to [asm-2025@harborstar.com.ph](mailto:asm-2025@harborstar.com.ph) on or before 23 July 2025.

Stockholders may send their queries and comments to the Management Report and other items in the Agenda to [asm-2025@harborstar.com.ph](mailto:asm-2025@harborstar.com.ph) on or before 24 July 2025.

The Definitive Information Statement containing the attendance, voting, and election procedures, along with the Notice, Agenda, Proxy, Management Report, SEC Form 17-A, SEC Form 17-Q and other information related to the Annual Stockholders' Meeting can be accessed at [http://www.harborstar.com.ph/investors/pse\\_disclosures](http://www.harborstar.com.ph/investors/pse_disclosures).

Very truly yours,

  
CHARLENE O. ANG  
Corporate Secretary

<sup>1</sup> During the meeting, the presiding officer will be at HSSSI's principal office located at 2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233.

<sup>2</sup> For the detailed registration and voting procedures, please visit <http://www.harborstar.com.ph/> and refer to the "Guidelines for Participation via Remote Communication and Voting in Absentia and through Proxy".

## EXPLANATION AND RATIONAL OF EACH ITEM IN THE AGENDA

### 1. Call to order

The Chairman of the Board (the "Board"), Mr. Geronimo P. Bella, Jr., will call the meeting to order.

### 2. Certification of notice and quorum

The Corporate Secretary will certify that notice requirements for the 2025 Annual Stockholders' Meeting have been complied with in accordance with the By-Laws, Revised Corporation Code, and issuances of the SEC.

The Corporate Secretary will further certify the presence of a quorum. The stockholders representing a majority of the outstanding voting capital stock of the Corporation, present in person or by proxy, shall constitute a quorum for the transaction of business.

### 3. Approval of the Minutes of the Annual Stockholders Meeting held on 17 July 2024

The minutes are available at the Corporation website, <http://www.harborstar.com.ph/>.

A motion for the approval of the following resolution will be presented:

*"RESOLVED, that the Minutes of the Annual Stockholders' meeting held on 17 July 2024 as appearing in the Minutes Book of the Corporation be approved."*

The affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the Corporation present at the meeting is necessary to approve the resolution.

### 4. The Management Report

The President, Mr. Geronimo P. Bella, Jr., shall render the Management Report, which provides the highlights of the performance of the Corporation for the year 2024 and the outlook of the Corporation for the year 2025.

The President shall also report on the significant operational and financial performance as well as the milestones and achievements of the Corporation for the year 2024.

The Annual Report will also be posted on the Corporation's website, <http://www.harborstar.com.ph/>. A resolution noting the Annual Report will be presented to the stockholders for adoption.

A motion for the approval of the following resolution will be presented:

*"RESOLVED, that that the Management Report for 2024 be noted and approved."*

The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Corporation present at the meeting is necessary to approve the resolution.

### 5. Approval of the Audited Consolidated Financial Statements of the Corporation and its subsidiaries as of December 31, 2024

The approval of the Audited Consolidated Financial Statements as of December 31, 2024 audited by Isla Lipana & Co. (FS), contained in the published version of the Annual Report will be presented to the stockholders. The FS will also be embodied in the Information Statement to be sent to the stockholders at least fifteen (15) business days prior to the meeting. The Audit Committee has recommended, and the Board has approved, the FS.

A resolution approving the FS will be presented to the stockholders, who will be given the opportunity to ask questions on the Annual Report and the FS.

A motion for the approval of the following resolution will be presented:

*“RESOLVED, that the Audited Consolidated Financial Statements of the Corporation and its subsidiaries for the period ending 31 December 2023 as discussed in the Annual Report be noted and approved.”*

The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Corporation present at the meeting is necessary to approve the resolution.

6. Ratification of all legal acts, resolutions, and proceedings of the Board of Directors and of Management since the 17 July 2024 Annual Stockholders’ Meeting up to 30 July 2025. A list of the corporate acts to be ratified is enumerated in Item 16, page 21 of the 20-IS.

A motion for the approval of the following resolution will be presented:

*“RESOLVED, that all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business, since the 17 July 2024 Annual Stockholders’ Meeting up to 30 July 2025 be approved, confirmed and ratified.”*

The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Corporation present at the meeting is necessary to approve the resolution.

7. Election of directors, including independent directors

In accordance with Section 16, Article II of the Corporation’s By-Laws and the 2017 Manual on Corporate Governance, the deadline for nominations to the Board was on 31 May 2024. After the deadline, the Corporate Governance Committee evaluated the nominees to the Board and determined that all the nominees, including the nominees for independent directors, have all the qualifications of a director pursuant to the By-Laws and applicable laws. Copies of the curriculum vitae and profiles of the candidates to the Board are provided in the Information Statement.

The election of the directors shall be by plurality of votes. Every stockholder may vote the number of shares owned by him for as many persons as there are directors to be elected or cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal or distribute such votes on the same principle among as many candidates as he shall see fit. The seven (7) directors receiving the highest number of votes will be declared elected as directors of the Corporation.

In evaluating the nominations to the Board, the Corporate Governance Committee was guided by its established nomination principles and procedures set forth hereafter.

8. Appointment of external auditor

The Audit Committee has recommended, and the Board has approved, the appointment of Isla Lipana & Co. as the external auditor of the Corporation.

The profile of the proposed external auditors is provided in the Information Statement.

A motion for the approval of the following resolution will be presented:

*“RESOLVED, to approve the appointment of the firm of Isla Lipana & Co. as external auditor of the Corporation for the calendar year 2025.”*

The affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the stock of the Corporation present at the meeting is necessary to approve the resolution.

9. Consideration of such other business as may properly come before the meeting

Any relevant questions or comments received by the Office of the Corporate Secretary via email within the prescribed period given to registered stockholders shall be properly acknowledged, noted, and addressed, accordingly.

10. Adjournment

Upon confirmation by the Corporate Secretary that there are no other matters to be considered, and on motion by a stockholder duly seconded, the Chairman will declare the meeting adjourned. The meeting proceedings shall be recorded in audio and video format to be safely kept by the Office of the Corporate Secretary and shall be made available in a secured manner to stockholders upon request by sending an email to <http://www.harborstar.com.ph/>.

## PROXY

The undersigned stockholder of **HARBOR STAR SHIPPING SERVICES, INC.** (the "Corporation") hereby appoints \_\_\_\_\_ or in his/her absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the **Annual Stockholders' Meeting** of the Corporation to be held via remote communication on Wednesday, **30 July 2025, at 3 p.m.** and at any of the adjournments thereof for the purpose of acting on the following matters:

		Votes Taken		
		For	Against	Abstain
1.	Approval of Minutes of Annual Stockholders' Meeting held on 17 July 2024			
2.	Approval of the Management Report for FY 2023-2024			
3.	Approval of Audited Consolidated Financial Statements of the Company as at and for the fiscal year ended 31 December 2024			
4.	Ratification of all acts of Management and the Board of Directors from 17 July 2024 to 30 July 2025			
5.	Election of Directors			
	Geronimo P. Bella, Jr.			
	Ricardo Rodrigo P. Bella			
	Cesar Daniel T. Castro			
	Ryota Nagata			
	Ramon C. Liwag			
	Gene S. De Guzman (Independent Director)			
	Gemma V. Sadiua (Independent Director)			
6.	Appointment of Isla Lipana and Co. as external auditor for 2025			

At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name of Stockholder

\_\_\_\_\_  
Signature of Stockholder/  
Authorized Signatory

This proxy should be received by the Corporate Secretary on or before **23 July 2025**, the deadline for submission of proxies.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted "for" the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.

A proxy submitted by a corporation should be accompanied by a Corporate Secretary's Certificate quoting the board resolution designating a corporate officer to execute the proxy. Proxies executed by brokers must be accompanied by a certification under oath stating that the broker has obtained the written consent of the account holder.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter: **Harbor Star Shipping Services, Inc.**
3. **Philippines**  
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: **152897**
5. BIR Tax Identification Code: **201-128-653-000**
6. **2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233**  
Address of principal office Postal Code
7. Registrant's telephone number, including area code **(+632) 8886-3703**
8. **To be conducted virtually on 30 July 2025 via the Zoom online meeting platform**  
Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **9 July 2025**
10. In case of Proxy Solicitations: **Not Applicable**  
Name of Person Filing the Statement/Solicitor:  
Address and Telephone No.:
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<b>Common</b>	<b>894,586,870</b>
<b>Treasury</b>	<b>13,271,000</b>

12. Are any or all of registrant's securities listed in a Stock Exchange?  
Yes  No
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
- Philippine Stock Exchange** **Common Stock**

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

## PART I

### INFORMATION REQUIRED IN INFORMATION STATEMENT

#### A. GENERAL INFORMATION

##### Item 1. Date, time and place of meeting of security holders.

Date of Meeting:	30 July 2025
Time of Meeting:	3:00 p.m.
Place of Meeting:	To be conducted virtually via the Zoom online meeting platform from Makati City which is the city where the principal office of the Company is located
Registrant's Mailing Address:	2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Barangay Bangkal, Makati City 1233
Approximate Date on Which the Information Statement is First Sent Or Given to Security Holders:	9 July 2025

##### Item 2. Dissenters' Right of Appraisal

A stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

- (a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
- (c) In case of merger or consolidation; and
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares, provided that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the Company shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares within ten (10) days after demanding payment of his shares, the fair value thereof.

In case of disagreement as to the fair value of the shares, the same shall be determined in accordance with the procedure set forth in Section 81 of the Revised Corporation Code. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment. Upon payment of the shares, the dissenting stockholder shall forthwith transfer his shares to the Company.

There are no matters to be taken up during the Annual Stockholders' Meeting which may trigger the exercise of a stockholder's appraisal right.

### Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

No director of the Company has informed it in writing that he intends to oppose any action to be taken by the Company at the meeting.

### Market Information

The Company's share was listed in the Philippine Stock Exchange on 30 October 2013. The Company's common stock is traded in the PSE under the stock symbol "TUGS". As of the latest practicable trading date on 30 May 2025, the share prices of the Company were:

<b>Price/Common Share (in Philippine Peso)</b>	
Opening :	0.59
High :	0.59
Low :	0.59
Closing :	0.59

The high and low share prices for 2022, 2023, 2024 and first quarter of 2025 are indicated below:

<b>Calendar Period</b>	<b>Price/Common Share (in Philippine Peso)</b>	
	<b>High</b>	<b>Low</b>
2025		
1st Quarter	0.71	0.56
2024		
4th Quarter	0.82	0.59
3rd Quarter	0.78	0.55
2nd Quarter	0.69	0.51
1st Quarter	0.89	0.65
2023		
4th Quarter	0.90	0.71
3rd Quarter	0.95	0.75
2nd Quarter	1.06	0.88
1st Quarter	1.13	0.89
2022		
4th Quarter	1.22	0.87
3rd Quarter	1.38	0.84
2nd Quarter	1.06	0.62
1st Quarter	0.91	0.68

As of 31 May 2025, Harbor Star's public float is 30.88%.

### **B. CONTROL AND COMPENSATION INFORMATION**

#### **Item 4. Voting Securities and Principal Holders Thereof**

(a) Voting securities entitled to be voted at the meeting as of 31 May 2025

<b>Title of Each Class</b>	<b>Number of Shares Outstanding</b>	<b>Number of Votes</b>
Common	894,586,870	One (1) vote per share

As of 31 May 2025, the Company's shareholders consist of the following:

Shares Owned by Filipinos	832,672,900
Shares Owned by Non-Filipinos	61,914,970
Total	894,586,870

(b) Record date

Only stockholders of record in the books of the Company at the end of trading hours at the Philippine Stock Exchange on 30 June 2025 shall be entitled to notice of and to vote at the Annual Stockholders' Meeting.

- (c) The Company shall, subject to validation, allow attendance and participation (including voting) only by remote communication, voting in absentia or through the Chairman of the meeting as proxy. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum. Unless otherwise provided by law, each stockholder shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Company. Stockholders are entitled to cumulative voting in the election of the board of directors, as provided by the Revised Corporation Code. At all meetings of the stockholders, all elections and all questions shall be decided by the plurality of vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present, except in cases where other provision is made under a statute. Voting shall be done by ballots or by proxy. All votes received shall be tabulated by the office of the Corporate Secretary and the stock transfer agent and shall be validated by an external independent party. The Corporate Secretary shall report the results on the voting of each matter during the meeting.

In the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner prescribed by Title III, Section 23 of the Revised Corporation Code of the Philippines.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record/Beneficial Owners as of 31 May 2025

The record and/or beneficial owners of more than 5% of the outstanding common shares of the Company as of 31 May 2025 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation*  37/F Tower I, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City  Stockholder	PCD participants acting for themselves or for their clients	Filipino	748,781,412	82.48%

Common	PCD Nominee Corporation*	PCD participants acting for themselves or for their clients	Non-Filipino	61,912,470	6.82%
	37/F Tower I, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City				
	Stockholder				

The owners under the PCD account holding more than 5% of the outstanding capital stock of the Company as of 30 May 2025 are as follows:

Title of Class	Name and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	No. of Shares Held	Percent
Common	Unicapital Securities Inc.	Unicapital Securities Inc. acting for itself or for its clients	206,353,100	23.07%
	Stockholder			
Common	Abacus Securities Corporation	Abacus Securities Corporation acting for itself or for its clients	194,866,776	21.78%
	Stockholder			
Common	RCBC Securities, Inc.	RCBC Securities, Inc. acting for itself or for its clients	158,533,872	17.72%
	Stockholder			
Common	COL Financial Group, Inc.	COL Financial Group, Inc. acting for itself or for its clients	56,734,027	6.34%
	Stockholder			
Common	AB Capital Securities, Inc.	AB Capital Securities, Inc. acting for itself or for its clients	48,241,960	5.39%
	Stockholder			

Note: \*PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Central Depository, Inc. (PCD), and is the registered owner of the shares in the book of the Company's transfer agent. The participants of the PCD (with respect to securities in the principal accounts) or the clients of such participants (with respect to securities in the participants' client accounts) are, as far as the PCD and PCD Nominee Corporation are concerned, the presumed beneficial owners of such lodged shares. PCD Nominee Corporation merely holds legal title (and not beneficial title) to the Company's lodged shares to facilitate the book-entry trading and settlement of the Company's shares. Except for Abacus Securities Corporation, RCBC Securities, Inc., AB Capital Securities, Inc., and COL Financial Group, Inc., no natural person or juridical entity whose shares are lodged in the name of PCD Nominee Corporation is known to the Company to be directly or indirectly the record or beneficial owner of more than five percent (5%) of the Company's voting securities. The identity of the person(s) who will vote on the shares lodged in the name of the PCD Nominee Corporation shall be verified only upon submission of the proxies with the Office of the Corporate Secretary of the Company which shall be no later than 23 July 2025.

The following table sets forth the top twenty (20) shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 31 May 2025:

	NAME	NUMBER OF SHARES HELD	% OF TOTAL
1	PCD Nominee Corporation (Filipino)	748,781,412	82.48%
2	PCD Nominee Corporation (Non-Filipino)	61,912,470	6.82%
3	Bella Jr., Geronimo P.	42,000,000	4.63%
4	Bella, Ricardo Rodrigo P.	41,553,487	4.58%
5	Bella, Maria Elizabeth Jean E.	225,000	Less than 1.0%
6	Galicia, Filomena G.	30,000	Less than 1.0%
7	Villanueva, Myra P.	20,000	Less than 1.0%
8	Villanueva, Milagros P.	19,000	Less than 1.0%
9	De Guzman, Gene S.	10,000	Less than 1.0%
10	Villanueva, Myrna P.	9,000	Less than 1.0%
11	Cabreza, Marietta V.	9,000	Less than 1.0%
12	Cabreza, Juan Carlos V.	9,000	Less than 1.0%
13	Tacub, Felicitas F.	3,000	Less than 1.0%
14	Soliven, Stephen G.	2,500	Less than 1.0%
15	Reiterer, Alfred	1,500	Less than 1.0%
16	Valencia, Jesus San Luis	1,500	Less than 1.0%
17	Bautista, Joselito T.	1	Less than 1.0%

The number of stockholders of record as of the latest practicable date on 31 May 2025 was seventeen (17). Common shares outstanding as of the same date were Eight Hundred Ninety-Four Million Five Hundred Eighty-Six Thousand Eight Hundred Seventy (894,586,870).

(2) Security Ownership of Management as of 31 May 2025

The aggregate shareholdings in the Company of the Company's directors and executive officers and the percentage of their shareholdings as of 31 May 2025 were as follows:

NAME	CITIZENSHIP	NUMBER OF COMMON SHARES	PERCENTAGE OWNERSHIP
Geronimo P. Bella, Jr.	Filipino	Direct 366,012,998	40.9142%
		Indirect 1,485,000	0.1660%
Ricardo Rodrigo P. Bella	Filipino	Direct 241,553,487	27.0017%
		Indirect 2,642,000	0.2953%
Ryota Nagata	Japanese	Direct 6,089,645	0.6807%
		Indirect 0	0.0000%
Ramon C. Liwag	Filipino	Direct 15,000	0.0017%
		Indirect 0	0.0000%
Ceasar Daniel T. Castro	Filipino	Direct 10,000	0.0011%
		Indirect 0	0.0000%
Gene S. De Guzman	Filipino	Direct 10,000	0.0011%
		Indirect 0	0.0000%
Gemma V. Sadiua	Filipino	Direct 10,000	0.0011%
		Indirect 0	0.0000%
Daniel Cleo B. Uson	Filipino	Direct 500,000	0.0559%
		Indirect 0	0.0000%

All of the above-named directors and officers of the Company are the record and/or beneficial owners of the shares of stocks set forth opposite their respective names.

(3) Voting Trust Holders of 5% or More

No person holds at least 5% or more than 5% of a class under a voting trust or similar agreement.

(4) Changes in Control

No change in control in the Company has occurred since the beginning of its last fiscal year.

There is no existing arrangement which may result in a change of control in the Company.

(5) Dividends

Pursuant to the Company's Revised Dividend Policy approved during the Meeting of the Board of Directors held on 23 September 2013, the Corporation adopted as its dividend policy, "the declaration of at least twenty percent (20%) of its prior year's net income as dividend, whether in stock or in cash or a combination of both, payable out of its unrestricted earnings subject to the statutory limitations and/or restrictions, terms and conditions which may be imposed on the Company by lenders or other financial institutions, and/or those limitations imposed by the contracts, agreements or other financial instruments, including any trust indenture into which the Company may have entered, unless the Board of Directors decide otherwise."

No dividends were declared in 2024.

#### Item 5. Directors and Executive Officers

(a) Incumbent Directors, Including Independent Directors and Executive Officers

The incumbent directors, including independent directors and officers of the Company, with their corresponding ages and citizenships are the following:

NAME	AGE	CITIZENSHIP	POSITION	YEAR APPOINTED
Geronimo P. Bella, Jr.	64	Filipino	Chairman/President	2006
Ricardo Rodrigo P. Bella	58	Filipino	Executive Director/Vice President	2006
Ryota Nagata	60	Japanese	Director	2011
Ramon C. Liwag	68	Filipino	Director	2017
Cesar Daniel T. Castro	50	Filipino	Director	2021
Gene S. De Guzman	63	Filipino	Independent Director	2020
Gemma V. Sadiua	59	Filipino	Independent Director	2020
Charlene O. Ang	57	Filipino	Corporate Secretary	2023
Dany Cleo B. Uson	62	Filipino	Treasurer, Chief Finance Officer and Compliance Officer	2020
Lorenzo C. Caranzo	58	Filipino	Operations Division Head	2018
Emmanuel L. Falcunit	46	Filipino	Operations Manager – Fleet Operations	2018
Rudiardo L. Arcellana	60	Filipino	Operations Manager – Salvage, Towage, Lighterage & Special Projects	2016

<b>NAME</b>	<b>AGE</b>	<b>CITIZENSHIP</b>	<b>POSITION</b>	<b>YEAR APPOINTED</b>
Jay-R L. Castillo	39	Filipino	QHSE Manager	2016
Edwin G. Amejana	60	Filipino	Commercial Manager	2008
Virginia May P. Bella	50	Filipino	Legal Services Manager	2008
Elionarda L. Refil	56	Filipino	General Services Manager	2009
Mary Jane J. Logatoc	37	Filipino	Accounting Manager	2024
Effel T. Santillan	47	Filipino	Human Resource Manager	2014
Maria Elizabeth Jean E. Bella	36	Filipino	Procurement Manager	2019
Ryan L. Orila	46	Filipino	ICT Manager	2018
Ronaldo C. Samong	55	Filipino	Business Development Manager for Visayas & Mindanao	2019
Marvin William Trinidad	47	Filipino	Sales & Marketing Manager	2020
Elisalde M. Fantillo	53	Filipino	Engineering & Maintenance Manager	2022
Marlon D. Dabu	43	Filipino	Audit Manager	2022
Daisy A. Sta. Maria	52	Filipino	Treasury & Budget Manager	2022

(b) Term of Office

The term of office of the directors of the Company is one (1) year and they are to serve as such until the election and qualification of their successors. Officers are appointed annually by the Board of Directors at its first meeting following the Annual Stockholders' Meeting, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been appointed or shall have qualified.

Pursuant to Rule 38 of the Securities Regulations Code, and Article II of the Company's Amended By-Laws and 2017 Manual on Corporate Governance, the nomination of all of the members of the Company's Board of Directors, including independent directors, shall be conducted by the Corporate Governance Committee prior to the Annual Stockholders' Meeting in accordance with the following procedure:

- (1) All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate Governance Committee and the Corporate Secretary at least forty five (45) days before the date of the actual meeting.
- (2) The Corporate Governance Committee shall pre-screen the qualifications and prepare a Final List of all Candidates.
- (3) After the nomination, the Corporate Governance Committee shall prepare a Final List of Candidates to be submitted to the Board of Directors, which shall contain all the information regarding the background and the experience of the nominees required to be ascertained and made known under the Securities Regulation Code and relevant rules and regulations.

- (4) Said Final List of Candidates shall be disclosed in the reports required by law, rules and regulations to be submitted to the Securities Exchange Commission, Philippine Stock Exchange and to all stockholders.
  - (5) Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual Annual Stockholders' Meeting.
- (c) Business Experience of Directors and Officers during the past five (5) years

**Geronimo P. Bella, Jr., 64, Filipino, Chairman of the Board and President.** Mr. Bella, Jr. is the Chairman of the Board and President of Harbor Star since 2006. He is also the President and Director of ASTRONERGY Development Gensan Inc (ADGI), ASTRONERGY Development F1 (ADF1), ASTRONERGY Development F2 (ADF2), Harbor Star Energy Corporation (HSEC), Harbor Star Subic Corp (HSSC), Harbor Star East Asia (Myanmar) Ltd (HSEA), and Harbor Star Construction Company (HSCC). Prior to his present position, he worked in Transpacific Towage, Inc. from 1978 to 1988 and Keppel Smit-Transpacific from 1988 to 2000. Mr. Bella, Jr. is currently the President for the Harbor Tugowners Association of the Philippines, Inc. and a director in Harbor Star Subic Corp., and Peak Flag Sdn. Bhd. He obtained his Bachelor of Science degree in Commerce, Major in Business Management from De La Salle University in 1983.

**Ricardo Rodrigo P. Bella, 58, Filipino, Director and Vice President.** Mr. Bella is the Vice President of Harbor Star. He is the Director and Vice President of ASTRONERGY Development Gensan Inc (ADGI), ASTRONERGY Development F1 (ADF1), ASTRONERGY Development F2 (ADF2), Harbor Star Energy Corporation (HSEC), and Harbor Star Subic Corp (HSSC). He is also the Director of Harbor Star East Asia (Myanmar) Ltd (HSEA) and Harbor Star Construction Company (HSCC). Mr. Bella participated in various training seminars in the fields of corporate management, shipbuilding repair and maintenance, and other related disciplines, locally and abroad. Prior to his role as Vice President of Harbor Star, he served as the Vice President of Transpacific Towage, Inc. from 1983 to 1998. Currently, he is a director in various corporations, namely, Harbor Star Subic Corp., Great Eastern Tug Corporation, and Bellridge Resources, Inc. He pursued undergraduate studies in Business Management at De La Salle University in 1985.

**Cesar Daniel Castro, 50, Director.** Mr. Castro serves as a Director of Harbor Star Shipping Services, Inc. Currently he is the President of The Real Bank and Acting Deputy Chief Operating Officer of New San Jose Builders Inc. He obtained his Bachelor of Science degree in Commerce Major in Business Administration in University of Santo Tomas in 1996.

**Ramon C. Liwag, 68, Filipino, Director.** Mr. Liwag serves as a director of Harbor Star Shipping Services, Inc. Currently the President of Asia Security Education and Consultancy Inc., Inc. Member of the Philippine Military Academy Class of 1979 and served as the 23<sup>rd</sup> Commandant of the Philippine Coast Guard from 2011 to 2012. He was the commander of six (6) Coast Guard Districts and commanded five (5) Coast Guard Field Stations. He served as Chairman in the PCG's Deputy Commandant for Operations from 2008 to 2011 and the Chairman of the PCG's Board of Marine Inquiry (BMI). He was awarded with two (2) Legion of Honor (Degree of Maginoo); Gawad sa Kaunlaran Medal; Coast Guard Outstanding Achievement Medal; Six (6) Distinguished Service Stars Medals, Military Merit Medals; Military Commendation Medals, Insurgency Campaign and Rescue and Relief Medals; and scores of Plaques / Certificates of Merit / Appreciation and Letters of Commendation in various capacities and positions both in government and civic organization.

He graduated Bachelor of Science degree in Military Education from the Philippine Military Academy in 1979. And later on, in 1996, he then took his Master's degree in M.S in Maritime Safety Administration from the World Maritime University in Sweden.

**Ryota Nagata, 60, Japanese, Director.** Mr. Nagata serves as a Director of Harbor Star Shipping Services Inc (HSSSI), Harbor Star Subic Corp (HSSC), and Harbor Star Energy Corporation (HSEC).

Currently, he is the President of Philster Corporation. He started his career as a Sales Representative in Kirin Brewery Company Limited from 1987 to 1990. He was a Sales Representative from 1990 to 1996 in Naigai Corporation. In 2001 to 2008, he became the Vice President of Naigai Corporation and eventually became the President and CEO from 2008 to 2011. He obtained his Bachelor of Arts degree in Politics in Keio University, Japan in 1987.

**Gene S. De Guzman, 63, Filipino, Independent Director.** Mr. De Guzman serves as an Independent Director of Harbor Star Shipping Services, Inc. Currently, he is the Vice President and heads the Service Assurance support for the whole PLDT domestic enterprise market, including Global Bilateral partners. He obtained his Bachelor of Science degree in Electrical Engineering from the University of Sto. Tomas in 1983, and pre-Masters at Ateneo School of Business Management in 2001.

**Gemma V. Sadiua, 59, Filipino, Independent Director.** Ms. Sadiua serves as an Independent Director of Harbor Star Shipping Services, Inc and Director of Harbor Star Construction Company (HSCC). Currently, she is the President of Venture Management Systems Inc. She previously led and served in various institutions such as Talent Bridge, Inc., MIASCOR Aviation Products Inc., Pacific Airside Services Inc., ISLA Logistics Corporation, Rapid Airfreight Inc., and Citadel Shipping Services, Inc. She obtained her degree in Business Management in De La Salle University in 1991, and completed post-graduate studies in Business Planning in the Asian Institute of Management in 2005.

**Charlene O. Ang, 57, Filipino, Corporate Secretary.** Atty. Ang serves as the Corporate Secretary of Harbor Star. Currently, she serves as a tax counsel, manager, and technical support for various financial institutions domestically and internationally. She previously served as a legal assistant and research consultant specializing in the field of taxation and corporate practices in various firms, among others. She also co-authored the Philippine volume of CCH's Tax Planning and Compliance in Asia. Atty. Ang obtained her Bachelor of Arts in Social Sciences Major in Economics and Development Studies from Ateneo de Manila University College of Arts and Sciences in 1988, and earned her Juris Doctor from Ateneo de Manila University School of Law in 1996.

**Dany Cleo B. Uson, 62, Filipino, Treasurer, Chief Finance Officer & Compliance Officer.** Mr. Uson is concurrently the Business Development for Asia Pacific and the Investor Relation Officer. He is also Director of ASTRONERGY Development Gensan Inc (ADGI) ASTRONERGY Development F1 (ADF1), ASTRONERGY Development F2 (ADF2), and Harbor Star East Asia (Myanmar) Ltd (HSEA). Mr. Uson served as Harbor Star's Budget Committee Head, Funds Planning & Financing and Marketing Manager before becoming the Corporate Planning Manager. He was involved in the Sales and Marketing department of a number of companies prior to his position at Harbor Star, including Servequest, Inc., Capitol Wireless, Inc., PNB Securities, Inc., G.K. Goh Securities Philippines, Fortune Life and General Insurance Co., and RGV Real Estate Center. He also worked as a Stock Trader for AAA Southeast Equities, Inc. from 1990 to 1996. Mr. Uson obtained his Bachelor of Science degree in Marketing Management and Applied Economics from De La Salle University in 1983. He took up units in MS Computational Finance at De La Salle University.

**Lorenzo C. Caranzo, 58, Filipino, Operations Division Head.** As of 1 October 2015, Captain Caranzo is appointed as Operations Division Head of Harbor Star. He also serves as the Salvage Master of the Company. Capt. Caranzo is also the Director and Operations Head of Harbor Star Subic Corp (HSSC). Prior to his appointment, he served as the Company's Safety Manager from 2006 to 2015 and served as a Captain and Master for Harbor Star from 2004 until 2006. Prior to his stint with the Company, Capt. Caranzo was the Assistant Harbor Master for Philippine National Oil Company – Petrochemical Development Corp. from 2000 to 2003, and Master Chief Mate for Loadstar International Shipping Company, Inc. from 1990 to 2000. Currently, Captain Caranzo is also a director of Harbor Star Subic Corp. He obtained his Bachelor of Science degree in Marine Transportation from Bataan Heroes University formerly (BHMC) in 1989. He also finished the Business Leadership and Management course from Ateneo De Manila School of Business in 2015.

**Emmanuel L. Falcunit, 46, Filipino, Operations Manager - Fleet.** Capt. Falcunit is the Operations Manager of Harbor Star. He is a homegrown employee of the company, having started

as a Cadet way back 2002. Also in the same year, he went onboard as a Deck Cadet. In 2003, he officially started his career as a seaman having been a Deck Rating onboard tug. Later on, he became tug master from 2006 to 2009. Then, he went back to head office to become a Safety Officer from 2009 to 2013. He again went back onboard via Harbor Star's AHTS vessel, M/V Rho Cas, as a 2<sup>nd</sup> Mate in 2013 and later on got promoted as Chief Mate. He officially became a full-pledged Captain in 2016. By 2018, he was assigned back to head office to take on the position of Operations Manager. Capt. Falcunit obtained his degree in B.S. Marine Transportation from the Philippine Merchant Marine School. He got his Marine Deck Officer license in 2005 and got his Master Mariner license in 2016.

**Rudiardo L. Arcellana, 60, Filipino, Operations Manager – Salvage, Towage, Lighterage & Special Projects.** Captain Arcellana is the Operations Manager for Salvage, Towage, Lighterage & Special Projects of Harbor Star. Prior to joining Harbor Star, he served as a Master Mariner in various vessel types, trading internationally. He also worked as a Crewing Manager in Blue Manila, Inc. Captain Arcellana completed his Bachelor of Science in Marine Transportation at Philippine Merchant Marine Academy in 1985 and is currently taking his Master in Ship Management in the same academy's graduate school. He is a licensed Master Mariner, with diverse professional experience in Seafaring for thirty-two (32) years. He is also a MARINA Licensed instructor for IMO course 6.09 and Assessor for IMO course 3.12. His land-based experience includes crew management, technical training, and dry-docking of manned vessels.

**Jay-R L. Castillo, 39, Filipino, Quality, Health, Safety, Environment (OHSE) Manager.** Mr. Castillo is the OHSE Manager of Harbor Star. Prior to his appointment, he served as the Company's Safety Officer from 2014 to 2015. Before joining the Company, he served as a Occupational Health and Safety Practitioner in various companies such as Atlantic Gulf and Pacific of Manila Inc., Asian Terminals, Inc., and Toshiba. He acquired his accreditation as Occupational Safety and Health (OSH) Consultant last 2020. Mr. Castillo obtained his Bachelor of Science in Mechatronics Engineering at Batangas State University in 2007.

**Edwin G. Amejana, 60, Filipino, Commercial Manager.** Mr. Amejana serves as the Commercial Manager of Harbor Star. Prior to his present position in the Company, he was the Operations Officer-in-Charge from 1999 to 2006 and became the Business Development Officer in 2006 to 2008. He obtained his degree in Bachelor of Science major in Marine Transportation in Iloilo Maritime Academy in 1983.

**Virginia May P. Bella, 50, Filipino, Legal Services Manager.** Ms. Bella is the Legal Services Manager of Harbor Star. Her role also includes serving the subsidiaries as Corporate Secretary to Harbor Star Energy Corporation (HSEC), Harbor Star Subic Corp (HSSC), and Harbor Star Construction Corporation (HSCC). Likewise, she also serves the subsidiaries of HSEC, where she acts as both a Director and Corporate Secretary of ASTRONERGY Development Gensan Inc (ADGI), ASTRONERGY Development F1 (ADF1), and ASTRONERGY Development F2 (ADF2). In her personal capacity, Ms. Bella is currently the Director and Corporate Secretary of Asclepius Recruitment Inc., and Belleridge Resources Inc. Prior to her present positions, Ms. Bella also served as Director of Bellport Shipping Corporation, Mearnz Green Technology Proponents, Inc., Earthlink Resources Inc., and Luscent Oil Services, Inc. She obtained her degree of Bachelor of Science Major in Biology in De La Salle University in 1993 and pursued her degree in Bachelor of Laws from San Beda College in 2000. After passing the bar exams, she worked as a Legal Associate at Rondain & Mendiola Law Offices for several years prior to joining Harbor Star.

**Elionarda L. Refil, 56, Filipino, General Services Department Manager.** Ms. Refil is the General Services Department Manager of Harbor Star. She is also a Director of Harbor Star Subic Corp (HSSC). Prior to her present position in the Company, she was the HR Manager and Executive Secretary of the Company from 2006 to 2009. She obtained her Bachelor of Arts Major in Journalism in 1988 at Manuel L. Quezon University. She finished Ateneo's Leadership and Management Development Program ("LMDP") in 2010 and completed her Master's Degree in Development Communication from the University of the Philippines Open University (UPOU) Los Banos, Laguna in 2016.

**Mary Jane J. Logatoc, 37, Filipino, Accounting Manager.** Ms. Logatoc is the Accounting Manager of Harbor Star. Prior to joining the Company, she held key leadership roles at CRIF Corporation where she progressed from Chief Accountant to Regional Finance Manager. She also served in the same capacity in CRIF D-B Philippines, Inc. In the early years of her career, she honed her technical skills at iBEAUTY (Philippines), Inc. She obtained her Bachelor of Science in Accountancy in Polytechnic University of the Philippines, and passed her Licensure Board Examination for Certified Public Accountants in 2008.

**Effel T. Santillan, 47, Filipino, Human Resource Manager.** Ms. Santillan is the Human Resource Manager of Harbor Star. Ms. Santillan has been an HR practitioner for the past twenty-three (23) years. Prior to joining Harbor Star, she worked as an Employee Administration Manager and later headed the crew retention team of Aboitiz Jebsen Company Inc. as Crew and Family Welfare and Protection and Indemnity Manager. Aside from her 13-year experience in the shipping industry, she also worked in various industries like BPO, IT, and retail. Ms. Santillan obtained her Bachelor of Science degree in Psychology from Pamantasan ng Lungsod ng Maynila (PLM) in 1998. She is currently completing her Master's in Business Administration in same University. She completed various certificate programs in San Beda specifically in Human Resource Development, Compensation and Benefits, and Organization Development.

**Maria Elizabeth Jean E. Bella, 36, Filipino, Procurement Manager.** Ms. Bella is the Procurement Manager of Harbor Star. Prior to her appointment, she was the Company's Management Trainee then eventually served as the Special Assistant to the Operations Division Head from 2013 to 2015 then served as the Procurement Officer-in-Charge from 2016 to 2018. Before joining Harbor Star, Ms. Bella worked for Topcon Positioning Systems Inc. as an International Sales Assistant. She completed her degree in International Business at St. Mary's College of California in Moraga, California in 2012. She also received a certification for taking courses in Naval Architecture from Lloyd's Maritime Academy in 2013.

**Ryan L. Orila, 46, Filipino and the ICT Manager** of Harbor Star. He is a dynamic IT professional with over 22 years of experience in administering and maintaining various IT systems, applications, and networks. He has solid experience in IT management particularly in data center infrastructure, analytics, security, endpoint solutions, and low-code development. Prior to joining Harbor Star, he has been part of multinational companies like Philippine AXA Life Insurance Corporation, TeleTech, and Abojob Company Inc. where he was able to hone his technical skills as an IT practitioner. He completed his degree in Computer Science from AMA Computer College in 1999.

**Ronaldo Antonio C. Samong, 55, Filipino, Business Development Manager for Visayas & Mindanao.** Mr. Samong served as Davao Branch Head from 2010-2019 before becoming the Business Development Manager for Visayas & Mindanao of Harbor Star. He was involved in the Sales, Marketing, and Operation department of several companies prior to his position at Harbor Star, including Essen Pharma Inc, G&G Logistic Inc, Crown Pacific Logistics, and Sumifru (Phils.) Corporation. Mr. Samong obtained his Bachelor of Arts Major in Political Science from Western Mindanao State University in 1991 with Postgraduate studies in Master of Ship Management from John B Lacson Foundation Maritime University (Distance Learning module) in Iloilo City, Philippines from June 2015 to June 2016.

**Marvin William F. Trinidad, 46, Filipino, Sales & Marketing Manager.** Mr. Trinidad served as a Sales & Marketing Officer from 2011-2019 and Sales & Marketing Officer-in-Charge from 2019-

2020 before becoming the Sales & Marketing Manager. Prior to joining Harbor Star, He was involved in the Sales & Marketing Department of a number of companies, namely, Mariveles Grain Corporation, Asian Terminals Incorporated, BCI Asia, and PCIB Cignal Life Insurance Corporation and Security Bank Corporation. Mr. Trinidad obtained his degree in B.S.C. Major in Marketing Management from San Beda University (formerly San Beda Collage) in 1999.

**Elisalde M. Fantillo, 53, Filipino, Technical Manager.** Mr. Fantillo served as a Technical Auditor and Engineering & Maintenance Officer-in-Charge for more than one year before becoming the Technical Manager. Prior to His present position in the Company, he was the Technical Superintendent for GoldenStar Cargo Trade Shipping Corporation from 2018 until 2019, and Maintenance Supervisor for Loadstar Shipping Co. Inc. from 1996 until 2018. Mr. Fantillo obtained his degree in Bachelor of Science in Mechanical Engineering in Technological Institute of the Philippines in 1995 and Bachelor of Science in Marine Engineering in the same University in 1997. He also received a Certificate of Participation in Ship Management Course ISM Internal Audits by ClassNK Academy.

**Marlon D. Dabu, 43, Filipino, Audit Manager.** Mr. Dabu served as an Internal Auditor from 2009 to 2016, Senior Internal Auditor from 2016 to 2021, Audit Officer-in-Charge from 2021 to 2022 before becoming the Audit Manager. Prior to joining Harbor Star, he was the Auditor of Tri SM Professional Services before becoming the Internal Audit Supervisor of Executive Optical Inc. Mr. Dabu obtained his Bachelor in Science in Accountancy from Philippine School of Business Administration in 2002.

**Daisy A. Sta. Maria, 52, Filipino, Treasury and Budget Manager.** Ms. Sta Maria served as Accounting Clerk upon joining the Company in June 2001 and rose to ranks from being the Accountant from 2001 to 2009 and Budget Officer from 2009 to 2022 before becoming the Treasury and Budget Manager. Prior to her present position with Harbor Star, she was the Junior Supervisor of A Open Inc. Taiwan (Acer Group of Co.) and she was involved in Accounting Department of several companies, including Golden Landmark, Inc., Renaissance Towers Condo Corporation and Jollibee Foods Corporation. Ms. Sta. Maria obtained her degree in Bachelor of Science in Accountancy from Polytechnic University of the Philippines in 1993.

#### **Nominees for Election/Re-Election**

The Corporate Governance Committee has screened the nominees and prepared the Final List of Candidates for election to the Board of Directors at the Annual Stockholders' Meeting on 30 July 2025. The nominees have been found to possess all of the qualifications and none of the disqualifications for election as director or as independent director. In approving the nominations for independent directors, the Nominations Committee considered the guidelines on the nomination of independent directors under SRC Rule 38.

The Corporate Governance Committee is composed of Mr. Gene S. De Guzman as Chairman with Mr. Ryota Nagata and Ms. Gemma V. Sadiua as members.

The following are the Final List of Candidates for directors as determined by the Company's Corporate Governance Committee:

<b>Candidate for Nomination as Director</b>	<b>Nominating Stockholder</b>	<b>Relationship</b>
Geronimo P. Bella, Jr.	Ricardo Rodrigo P. Bella	Siblings
Ricardo Rodrigo P. Bella	Geronimo P. Bella, Jr.	Siblings
Cesar Daniel Castro	Geronimo P. Bella, Jr.	None
Ryota Nagata	Geronimo P. Bella, Jr.	None
Ramon C. Liwag	Geronimo P. Bella, Jr.	None
Gene S. De Guzman (Independent Director)	Geronimo P. Bella, Jr.	None
Gemma V. Sadiua (Independent Director)	Geronimo P. Bella, Jr.	None

Mr. Gene S. De Guzman and Ms. Gemma V. Sadiua are the nominees for independent directors for the ensuing year.

In compliance with SEC Memorandum Circular No. 5, Series of 2017, Mr. Gene S. De Guzman and Ms. Gemma V. Sadiua hereby submit their respective Certification(s) as independent directors, which are attached hereto as Annexes "A" and "B", respectively.

(d) Other Directorships held in reporting companies naming each company

All of the directors and officers of the Company are not directors in other reporting companies.

(e) Significant Employees

No person, who is not a director or an executive officer, is expected to make a significant contribution to the business of the Company. Neither is the business highly dependent on the services of certain key personnel.

(f) Family Relationships

Except for the Chairman and President, Mr. Geronimo P. Bella, Jr., Director and Vice-President, Mr. Ricardo Rodrigo P. Bella, and the Legal Services Manager, Ms. Virginia May P. Bella, of the Company, who are siblings, and Procurement Officer-in-Charge, Ms. Maria Elizabeth Jean E. Bella, who is the offspring of Mr. Geronimo P. Bella, Jr., no family relationships up to the fourth civil degree either by consanguinity or affinity exist among the directors, executive officers or persons nominated or chosen by the Company to become directors or executive officers.

(g) Involvement in Certain Legal Proceedings

To the knowledge and/or information of the Company, the above named directors and executive officers of the Company are not, presently or during the last five (5) years up to the present date, involved or have been involved in: (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer; (b) any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; (c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

The Company and its subsidiaries have no pending legal proceedings which would materially affect its financial auditing or operational capability and to which it or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

(h) Certain Relationships and Related Transactions

The Company's policy with respect to related-party transactions is to ensure that these transactions are entered into on an arms-length basis and on terms which are comparable to those available from unrelated third parties.

Except for the material related party transactions described in note 20 of the Company's interim financial statements as of 31 March 2025, there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent (10.0%) of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such

director or officer or stockholder of more than ten percent (10.0%) of the Company's voting shares had or is to have a direct or indirect material interest.

The Company has no transaction for the covered period with parties that fall outside the definition of "related parties" under PAS 24, Related Party Disclosures, but with whom the Company or its related parties has a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

(i) Disagreement with a Director

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

**Item 6. Compensation of Directors and Executive Officers**

(a) Executive Compensation

The following summarizes the executive compensation received by the top five (5) most highly compensated officers of the Company for 2022, 2023 and 2024. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

<b>Name and Position</b>	<b>Year</b>	<b>Total</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>
Geronimo P. Bella, Jr. <i>Chairman &amp; President</i> Ricardo Rodrigo P. Bella <i>Director and Vice President</i> Ignatius A. Rodriguez <i>Director, Corporate Secretary, Chief of Staff, and CIO</i> Dany Cleo B. Uson <i>Chief Finance Officer</i> Lorenzo C. Caranzo <i>Operations Division Head</i>	2022	PHP 26,731,598	PHP 22,132,000	PHP 1,975,583	PHP 624,015
Geronimo P. Bella, Jr. <i>Chairman &amp; President</i> Ricardo Rodrigo P. Bella <i>Director and Vice President</i> Dany Cleo B. Uson <i>Chief Finance Officer</i> Lorenzo C. Caranzo <i>Operations Division Head</i>	2023	PHP 30,677,218	PHP 27,045,600	PHP 2,816,000	PHP 815,618
Geronimo P. Bella, Jr. <i>Chairman &amp; President</i> Ricardo Rodrigo P. Bella <i>Director and Vice President</i> Dany Cleo B. Uson <i>Chief Finance Officer</i> Lorenzo C. Caranzo <i>Operations Division Head</i>	2024	PHP32,551,218	PHP28,318,000	PHP3,564,000	PHP669,218
Aggregate compensation paid to all officers and directors as a group of unnamed	2022	PHP 62,622,313	PHP 55,562,604	PHP 5,034,765	PHP 2,024,944
	2023	PHP 70,436,426	PHP 60,409,909	PHP 6,323,215	PHP 3,703,302
	2024	PHP91,085,266	PHP79,085,515	PHP9,374,147	PHP2,625,605

Name and Position	Year	Total	Salary	Bonus	Other Annual Compensation
	2025 (est.)	PHP118,410,846	PHP102,811,170	PHP12,186,391	PHP3,413,287

(b) Compensation of Directors and Chairman

Each director receives a reasonable per diem allowance for their attendance at each meeting of the Board.

Under the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable per diem allowance for their attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10.0%) of the net income before income tax of the Company during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

The Directors total per diem allowance for 2022, 2023, 2024 and 2025(est.) is presented in the following table:

Director's Per Diem Allowance	
Year	Amount
2022	PHP1,330,927
2023	PHP520,000
2024	PHP655,250
2025 (est.)	PHP792,853

Except for Geronimo P. Bella, and Ricardo Rodrigo P. Bella, who are officers of the Company, the directors only receive reasonable per diem allowance for their attendance at meetings of the Board.

(c) Employment Contracts and Termination of Employment and Change-in-control Arrangement

There are no special arrangements as to the employment contract of any executive officer such that said officer will be compensated upon his resignation, retirement or other termination from the Company or its subsidiaries, or as may result from a change-in-control except as provided by law.

(d) Warrants and Options Outstanding

There are no outstanding warrants and options outstanding held by the Company's President, the named executive officers and all officers and directors as a group.

**Item 7. Independent Public Accountants**

Isla Lipana & Co., a member firm of PwC network, ("Isla Lipana") has been the Company's independent auditor since 2014 up to the present. Isla Lipana has been selected by the Board of Directors as the Company's independent auditor for the calendar year ending 31 December 2024. The signing partner for the calendar year ending 31 December 2024 and the ensuing year 2025 is Mr. Paul Chester U. See. A representative of Isla Lipana is expected to be present at the Annual Stockholders' Meeting and will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from the stockholders.

### Audit and Audit Related Fees

The Company paid its external auditors the following fees (in thousands) for the last three (3) years for professional services rendered:

<i>In PHP thousands</i>	<b>2024</b>	<b>2023</b>	<b>2022</b>
<b>Audit Fees</b>	2,372	2,285	1,919
	<b>2,372</b>	<b>2,285</b>	<b>1,919</b>

The Company engaged the services of SGV & Co. up to 2013 and Isla Lipana & Co. starting 2014.

The Audit Committee makes recommendations to the Board concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for these services.

The re-appointment of Isla Lipana and Co. as the Company's external auditors was approved by the stockholders in a regular meeting held on 17 July 2024.

### Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes or disagreements with the Company's external auditors, Isla Lipana, on accounting and financial disclosures.

The Board of Directors of the Company recommends a vote for ratification of the appointment of Isla Lipana as the independent auditor for the current year.

Mr. Pocholo C. Domondon of Isla Lipana is the partner in charge of the Company's 2024 audit. The handling audit partner is rotated every five (5) years and may only be re-engaged by the Company after the two (2) years cooling-off period in compliance with SEC Memorandum Circular No. 8, Series of 2003 and the provisions of SRC Rule 68(3)(b)(iv)(ix).

The Audit Committee of the Company reviewed, evaluated, and approved the policies and procedures for the professional services rendered by Isla Lipana. The Company's Audit Committee is composed of Ms. Gemma V. Sadiua as Chairperson and Messrs. Ceasar Daniel T. Castro and Ramon C. Liwag, as members.

### Tax Fees

No consultancy tax services were secured by the Company from Isla Lipana in the past two (2) years.

### All Other Fees (Non-Audit Fees)

There were no non-audit related services rendered by the external auditors in the past two (2) years.

### **Item 8. Compensation Plans**

There is no action to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

The Company does not have any stock option, warrants or rights plan or any other type of compensation plan.

## **C. ISSUANCES AND EXCHANGE OF SECURITIES**

### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

No action will be taken with respect to the authorization or issuance of any securities otherwise or exchange for outstanding securities of the Company.

**Item 10. Modification of Exchange of Securities**

No action will be taken with respect to the modification of any class of securities of the Company or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

**Item 11. Financial and Other Information**

None, inasmuch as no action is to be taken with respect to any matter specified in Items 9 or 10 above.

**Item 12. Mergers, Consolidation, Acquisition and Similar Matters**

No action will be taken with respect to any of the following: (a) the merger or consolidation of the Company into or with any other person or of any other person into or with the Company; (b) the acquisition by the Company or any of its security holders of securities of another person; (c) the acquisition by the Company of any other ongoing business or of the assets thereof; (d) the sale or other transfer of all or substantially all of the assets of the Company; or (e) the liquidation or dissolution of the Company.

**Item 13. Acquisition or Disposition of Property**

No action will be taken with respect to the acquisition or disposition by the Company of any property.

**Item 14. Restatement of Accounts**

No action will be taken with respect to the restatement of any asset, capital or surplus account of the Company.

**D. OTHER MATTERS**

**Item 15. Action with Respect to Reports**

The Board of Directors of the Company recommends a vote for confirmation, ratification and approval of the following:

- (1) Minutes of the Annual Stockholders' Meeting held on 17 July 2024 (the "ASM")

The Minutes of the Annual Stockholders' Meeting held on 17 July 2024 contain the following items:

- (i) Call to Order
- (ii) Certificate of Notice and Quorum
- (iii) Approval of the Minutes of the Annual Stockholders' Meeting held on 12 July 2023
- (iv) Management Report
- (v) Approval of Audited Financial Statements as of 31 December 2024
- (vi) Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business, since the 12 July 2023 Annual Stockholders' Meeting up to 17 July 2024. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 12 July 2023 up to 17 July 2024 include, among others:

- (1) Execution of contracts in the ordinary course of business;
- (2) Designation of bank signatories;
- (3) Availment and/or renew credit facility and/or other loans from banks and/or financial institutions;

- (4) Application for regulatory permits and licenses;
- (5) Authorizing Company to purchase new tugboat; and
- (6) Appointment of officers and members of committees.

- (vii) Election of Directors
- (viii) Appointment of External Auditor
- (ix) Other Matters
- (x) Adjournment

The Minutes of the ASM also contains the following information:

- a. List of directors and officers who attended the ASM;
- b. A description of the voting and vote tabulation procedures used during the ASM;
- c. Matters discussed and resolutions adopted;
- d. A record of the voting results for each agenda item; and
- e. A description of the opportunity given to the stockholders to ask questions.

At the ASM, the President and CEO reported the results of operations of the Company through an audio-visual presentation.

Voting and vote tabulation procedures used in the previous meeting. For the election of Directors, each stockholder was entitled to one (1) vote per share multiplied by the number of board seats provided in the Articles of Incorporation (i.e., eleven (11)). Cumulative voting was allowed for the election of members of the Board of Directors. Each stockholder was allowed to vote the number of shares of stock outstanding in his or her own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of Directors to be elected multiplied by the number of his shares as he shall see fit; provided that the total number of votes cast by him or her shall not exceed the number of shares owned by him or her as shown in the books of the Company multiplied by the whole number of Directors to be elected and provided, however, that no delinquent stock shall be voted.

Abstentions were treated to have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items that required the vote of stockholders were presented for approval of the stockholders at the previous meeting. Voting was through electronic ballot, counted thereafter by the Corporate Secretary in the presence of Isla Lipana to validate the counting. The results were tallied in a book kept exclusively for such purpose and signed by the Corporate Secretary and the External Auditor.

- (2) Management Report
- (3) Audited Financial Statements for the year ending 31 December 2024

**Item 16. Matters Not Required to be Submitted**

The Board of Directors and Management have the power to act as agents of the Company based on statute, charter, by-laws or in delegation of authority to an officer from the acts of the Board, formally expressed or implied from a habit or custom of doing business. In this regard, where an officer has been entrusted with the general management and control of the Company's business, that officer is considered to possess an implied authority to enter into any contract or do any other act which is necessary or appropriate for the conduct of the ordinary business of the Company.

The Board of Directors recommends a vote for approval, confirmation and ratification of all acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 17 July 2024 up to 30 July 2025. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 17 July 2024 up to 30 July 2025 include, among others:

- (1) Execution of contracts in the ordinary course of business;
- (2) Designation of bank signatories;
- (3) Availment and/or renew credit facility and/or other loans from banks and/or financial institutions;
- (4) Application for regulatory permits and licenses; and
- (5) Appointment of officers and members of committees.

Once the ratification has been given, all acts or transactions entered into by the Board of Directors and of Management since the Annual Stockholders' Meeting on 17 July 2024 up to 30 July 2025 become finally and absolutely binding and neither the Company nor individual stockholders nor strangers can afterwards sue to set them aside or otherwise attack their validity.

**Item 17. Amendment of Charter, By-laws or Other Documents**

There is no action to be taken at the Annual Stockholder's Meeting with respect to any matter not specifically referred to above.

**Item 18. Other Proposed Action**

There is no action to be taken at the Annual Stockholders' Meeting with respect to any matter not specifically referred to above.

**Item 19. Voting Procedures**

- Each share of the Common Stock outstanding on the record date will be entitled to one (1) vote on all matters. Voting shall be done by ballots or by proxy.
- For all matters subject to a vote of the stockholders, the Corporate Secretary and the stock transfer agent shall tabulate all votes received which shall be validated by the independent auditor. The Corporate Secretary shall report the results on the voting of each matter during the meeting.
- For the election of directors, cumulative voting shall be followed.
- The following shall require the affirmative vote of stockholders holding at least a majority of the Company's issued and outstanding capital stock present or represented and entitled to vote at the Annual Stockholders' Meeting:
  - (1) the approval of the Minutes of the Annual Stockholders' Meeting held on 17 July 2024;
  - (2) the approval of the Management Report;
  - (3) the approval of the Audited Financial Statements for the year ending 31 December 2024;
  - (4) all acts, resolutions, and proceedings of the Board of Directors and Management since the Annual Stockholders' Meeting held on 17 July 2024 to 30 July 2025;
  - (5) the election of directors; and
  - (6) the appointment of the Company's external auditor for the current year.

**Compliance with Section 49 of the Revised Corporation Code**

*(a) A description of the voting and the vote tabulation procedures used in the previous meeting*

See discussion in Item 15.

*(b) A description of the opportunity given to stockholders or members to ask questions and record of the questions asked and answers given*

See discussion in Item 15.

*(c) The matters discussed and resolutions reached*

See discussion in Item 15.

*(d) A record of the voting results for each agenda item*

See discussion in Item 15.

*(e) A list of the director or trustees, officers and stockholders or members who attended the meeting*

See discussion in Item 15.

*(f) Material information on the current stockholders, and their voting rights*

See discussion in Item 4.

*(g) Appraisals and performance reports for the board and the criteria and procedure for assessment*

See discussion under Corporate Governance.

*(h) Director disclosures on self-dealings and related party transactions*

In 2024, none of the Company's directors have entered into self-dealing and related party transactions involving the Company.

*(i) A director compensation report prepared in accordance with the Revised Corporation Code and the rules of the Securities and Exchange Commission*

See discussion in Item 6 (b).

## **Corporate Governance**

*(a) Evaluation system established by the Company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance*

- (i) The Company completed and submitted its Integrated Annual Corporate Governance Report (I-ACGR) to the Philippine Stock Exchange on 27 May 2025. Said I-ACGR is considered by the Company as a tool to evaluate the level of compliance of the Board of Directors and top-level management with its Manual on Corporate Governance (the "Manual").
- (ii) The Compliance Officer is responsible for determining violation/s and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.
- (iii) The Company has a Corporate Governance Committee tasked to undertake an annual performance assessment of the Board, its committees and the individual directors, through a Performance Assessment Guideline and Scorecard.
- (iv) The Company ensures that it has at least two (2) independent directors, or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is higher, but in no case less than two (2). The Company, through its Corporate Governance Committee, likewise makes certain that its independent directors are independent from management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out their respective responsibilities as director.

- (v) The Company, through its Corporate Governance Committee, ensures that all the nominees to the Board possess all the qualifications and none of the disqualifications provided for in the Company's By-Laws and Manual, the Revised Corporation Code, Securities Regulation Code and other relevant laws, rules and regulations.
  - (vi) The Company also has an Audit Committee, which is tasked to review the Audited Financial Statements of the Company. The Chairman of the Audit Committee is an independent director, and each member thereof has at least an adequate understanding or competence of most of the Company's financial management systems and environment.
- (b) *Measures being undertaken by the Company to fully comply with the adopted leading practices on good corporate governance*
- (i) The Company elects two (2) Independent Directors.

The SEC Code of Corporate Governance defines an independent director as a person other than an officer or employee of a corporation, its parents or subsidiaries, or any other individual who has a relationship with the corporation which would interfere with the exercise of independent judgment in fulfilling the duties of a director.

The By-Laws of the Company provide that an independent director shall include, among others, any person who: (a) is not a director or officer of the corporation or of its related companies or any of its substantial shareholders, except when an independent director of any of the foregoing; (b) does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders; (c) is not related to any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders, provided that for this purpose, relatives include a spouse, parent, child, brother, sister and the spouse of such child, brother or sister; (d) is not acting as a nominee or representative of any director or substantial shareholder of the Company and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement; (e) has not been employed in any executive capacity by the Company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years; (f) is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders within the last five (5) years; or (g) has not engaged and does not engage in any transaction with the Company and/or with any of its related companies or substantial shareholders, other than transactions which are conducted at arms-length and which are immaterial. A related company shall mean another company which is: (a) the holding company of the Company; (b) the Company's subsidiary; or (c) a subsidiary of the Company's holding company. A substantial shareholder shall mean any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the Company's equity security.

Under the SEC Code of Corporate Governance, an independent director is required to attend board meetings for quorum requirements, unless he has a justifiable cause for failing to attend the meeting despite due notice. Justifiable causes are limited to grave illness or death of immediate family and serious accidents.

Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the SEC by appointing independent directors from the list of nominees submitted by the stockholders.

- (ii) On 14 March 2014, the Company adopted a Code of Business Conduct and Ethics and a Performance Evaluation Procedure for the Board of Directors, Board Committees, Individual Directors and Chief Executive Officer/President.

(iii) On 31 May 2017, in compliance with SEC Memorandum Circular No. 19, Series of 2016, the Company adopted its 2017 Manual on Corporate Governance which provide for the creation of the Audit Committee, Corporate Governance Committee and Executive Committee, among others.

(iv) The Company's 2017 Manual on Corporate Governance is likewise subject to periodic review.

(c) *Any deviation from the Company's 2017 Manual of Corporate Governance.*

There was no deviation from the Company's 2017 Manual on Corporate Governance warranting sanction on any individual.

(d) *Any plan to improve corporate governance of the Company.*

The Company will continue to develop and strengthen its corporate governance structures and mechanisms in line with relevant SEC circulars/memoranda and good global corporate governance principles and practices.

--- NOTHING FOLLOWS ---

## UNDERTAKING TO PROVIDE INTERIM AND ANNUAL REPORT

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SECURITY HOLDERS WITHOUT CHARGE, AND UPON THEIR WRITTEN REQUEST, COPIES OF THE COMPANY'S INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 31 MARCH 2025 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR ANNUAL REPORT (SEC FORM 17-A). COPIES OF OTHER EXHIBITS MAY BE PROVIDED UPON WRITTEN REQUEST AND UPON THE PAYMENT OF NOMINAL CHARGES TO DEFRAY ADMINISTRATIVE COSTS AND EXPENSES SUBJECT TO CONDITIONS AS THE BOARD OF DIRECTORS MAY PROMULGATE.

SUCH WRITTEN REQUEST FOR A COPY OF SEC FORM 17-Q AS OF 31 MARCH 2025 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR SEC FORM 17-A SHALL BE DIRECTED TO: MR. DANY CLEO B. USON, CORPORATE INFORMATION OFFICER, 2224 A. BONIFACIO ST., CORNER PRES. SERGIO OSMEÑA HIGHWAY, BRGY. BANGKAL, MAKATI CITY, 1233, PHILIPPINES.

ALL STOCKHOLDERS OF RECORD AND THOSE ACTING AS FIDUCIARIES, NOMINEES, TRUSTEES OR SIMILAR CAPACITIES IN BEHALF OF BENEFICIAL OWNERS WHO ARE NOT OF RECORD, MAY ALSO REQUEST IN WRITING TO THE PERSON AND AT THE ADDRESS PROVIDED ABOVE, AS MANY COPIES OF THIS INFORMATION STATEMENT, SEC FORM 17-Q AS OF 31 MARCH 2025 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR SEC FORM 17-A FOR DISTRIBUTION TO SUCH BENEFICIAL OWNERS, AND UPON RECEIPT OF SUCH WRITTEN REQUEST, THE COMPANY UNDERTAKES TO SUPPLY THE REQUESTED MATERIAL IN A TIMELY MANNER.

## PART II

### INFORMATION REQUIRED IN A PROXY FORM

The Company is not soliciting proxies and the stockholders are not required to send proxies.

## PART III

### SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 4<sup>th</sup> day of July 2025.

**HARBOR STAR SHIPPING SERVICES, INC.**

By:

  
CHARLENE O. ANG  
Corporate Secretary

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **GENE S. DE GUZMAN**, Filipino, of legal age, and residing at 600 PC Santos Street (near corner Tolentino Street), Barangay 133, Pasay City 1303, after having been duly sworn in accordance with law do hereby declare that:

1. I am an independent director of **HARBOR STAR SHIPPING SERVICES, INC.** (the "Corporation").
2. I am currently not affiliated with any companies or organizations.
3. I possess all the qualifications and none of the disqualifications to serve as an independent director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations, to the best of my knowledge.
4. I am not related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceedings.
6. I do not hold any position in Government Owned and Controlled Corporations and/or work for the government of the Republic of the Philippines.
7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have executed this Certificate of Independent Director on this JUN 03 2025 at Makati City.

  
GENE S. DE GUZMAN  
Affiant

REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY )SS.

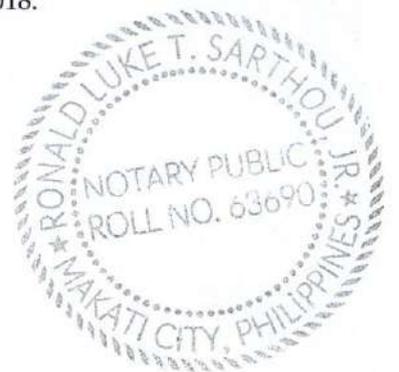
JUN 03 2025

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_, affiant exhibiting to me his Philippine Driver's License No. N12-80-010882 issued on 13 June 2018.

Doc. No. 369;  
Page No. 75;  
Book No. 7;  
Series of 2025.



  
**RONALD LUKE T. SARTHOU, JR.**  
Notary Public for Makati City  
Appointment No. M-232  
Until 31 December 2026  
5/F SGV II Building,  
6758 Ayala Avenue, Makati City  
Roll of Attorneys No. 63690  
PTR No. 10466058 / Makati / 02 January 2025  
IBP No. 488264 / Pangasinan / 27 December 2024  
MCLE Compliance No. VIII-0032820 /  
Pasig City / 08 May 2025

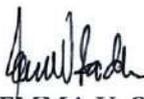


CERTIFICATION OF INDEPENDENT DIRECTOR

I, **GEMMA V. SADIUA**, Filipino, of legal age, and residing at 6A Cleveland Tower, Pacific Avenue, Asiadworld, Barangay Don Galo, Parañaque City 1700, after having been duly sworn in accordance with law do hereby declare that:

1. I am an independent director of **HARBOR STAR SHIPPING SERVICES, INC.** (the "Corporation").
2. I am currently not affiliated with any companies or organizations.
3. I possess all the qualifications and none of the disqualifications to serve as an independent director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations, to the best of my knowledge.
4. I am not related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceedings.
6. I do not hold any position in Government Owned and Controlled Corporations and/or work for the government of the Republic of the Philippines.
7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have executed this Certificate of Independent Director on this JUN 03 2025 at Makati City.

  
**GEMMA V. SADIUA**  
Affiant

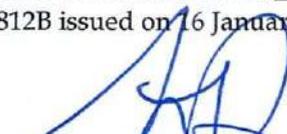
REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY )SS.

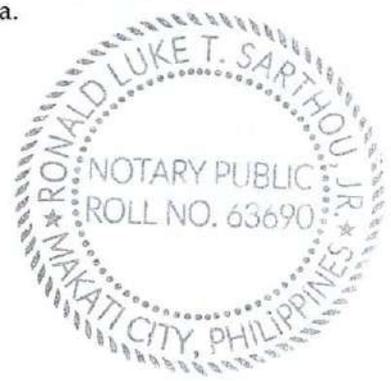
JUN 03 2025

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_, affiant exhibiting to me her Philippine Passport No. P4410812B issued on 16 January 2020 at DFA Manila.

Doc. No. 367;  
Page No. 75;  
Book No. I;  
Series of 2025.



  
**RONALD LUKE T. SARTHOU, JR.**  
Notary Public for Makati City  
Appointment No. M-232  
Until 31 December 2028  
5/F SGV II Building,  
6758 Ayala Avenue, Makati City  
Roll of Attorneys No. 63690  
PTR No. 10466058 / Makati / 02 January 2025  
IBP No.488264 / Pangasinan / 27 December 2024  
MCLE Compliance No. VIII-0032820 /  
Pasig City / 08 May 2025



**MINUTES OF THE ANNUAL MEETING  
OF THE STOCKHOLDERS  
OF  
HARBOR STAR SHIPPING SERVICES, INC.**

Held on 17 July 2024  
Conducted virtually via remote communication

<b><u>PRESENT:</u></b>	<b><u>NO. OF SHARES</u></b>
<b>Total No. of Shares Represented In Person and By Proxy</b>	<b>621,317,628</b>
<b>Total Outstanding Shares</b>	<b>894,586,870</b>
<b>Attendance Percentage to Total Outstanding Shares</b>	<b>69.45%</b>

---

**I. CALL TO ORDER**

The Chairman, Mr. Geronimo P. Bella, Jr., called the meeting to order and presided over the same. The Corporate Secretary, Atty. Charlene O. Ang, recorded the minutes of the proceedings.

The Chairman informed the stockholders that the meeting is held in a remote communication format.

**II. CERTIFICATION OF NOTICE AND QUORUM**

The Corporate Secretary certified that:

(a) In accordance with the Securities and Exchange Commission's Notice dated 23 February 2024 and the provisions of the Securities Regulation Code, notice for this meeting was published in the business section of two (2) newspapers of general circulation, namely: Philippine Daily Inquirer and The Manila Standard, in print and online format, for two (2) consecutive days at least twenty-one (21) days prior to the date of this meeting. The Affidavits of Publication dated 5 July 2024 and 27 June 2024 issued by Philippine Daily Inquirer and The Manila Standard, respectively, were submitted by to the Corporate Secretary, respectively. Copies of the Affidavits of Publication issued by Philippine Daily Inquirer and The Manila Standard are attached hereto as Annexes "A" and "B", respectively;

(b) Electronic copies of the Definitive Information Statement and its attachments were also made available on the Corporation's website and the PSE Edge portal;

(c) Accordingly, stockholders of record as of 13 June 2023 were notified of this meeting. The stockholders were also notified of the internal guidelines of the

Corporation for participation in this meeting through remote communication in accordance with applicable rules; and

(c) Present in person and by proxy are **Six Hundred Twenty-One Million Three Hundred Seventeen Thousand Six Hundred Twenty-Eight (621,317,628)** shares out of the total outstanding Eight Hundred Ninety-Four Million Five Hundred Eighty-Six Thousand Eight Hundred Seventy (894,586,870) shares, or **69.45%**, of the Corporation's total outstanding capital stock, and that a quorum existed for the valid transaction of business.

### **III. RULES OF CONDUCT AND VOTING PROCEDURES**

Since the Corporation is conducting the meeting through remote communication format, the Chairman requested the Corporate Secretary to share the rules of conduct and voting procedure for this meeting.

Thereafter, the Corporate Secretary explained that "Guidelines for Participation via Remote Communication and Voting in Absentia and through Proxy" for this meeting were made available in the Corporation's website, the Definitive Information Statement and in the Explanation of Agenda items which forms part of the Notice of the Annual Stockholders' Meeting. He emphasized the following points:

1. Only stockholders whose Letter(s) of Intent or proxy forms have been validated or verified were allowed to cast their votes for this meeting through the voting portal.
2. Resolutions proposed to be approved by the stockholders under the Agenda will be shown on the screen as it is being taken up.
3. Votes cast as of 08 July 2024 for each proposed resolution have been tabulated and results will be announced during the meeting.
4. A detailed result of the tabulation of the votes cast indicating the affirmative votes, negative votes and abstentions will be reflected in the Minutes of this meeting.
5. Relevant questions which have been submitted on or before 10 July 2024 will be addressed accordingly under the Other Matters item in the Agenda. Questions and comments not taken up during the meeting shall be addressed by the Corporation directly to the stockholder via email.

### **IV. APPROVAL OF PREVIOUS MINUTES**

The Chairman stated that electronic copies of the Minutes of the Annual Stockholders' Meeting held on 12 July 2023 were made available for inspection on the Corporation's website.

The Corporate Secretary presented the resolution proposed by management and, based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

*“RESOLVED, that the Minutes of the Annual Stockholders’ Meeting held on 12 July 2023 as appearing in the Minutes Book of the Corporation be approved.”*

As tabulated, the votes for the adoption of foregoing resolution providing for the approval of the minutes of the previous meeting are as follows:

	<u>For</u>	<u>Against</u>	<u>Abstain</u>
Number of Voted Shares	613,460,628		7,857,000
% of Shares of Shareholders Present	98.74%		1.26%

**V. MANAGEMENT REPORT**

The Chairman and President rendered the Management Report for the period ending 31 December 2023. The Treasurer, Mr. Dany Cleo B. Uson, also presented the 1st quarter updates for the year 2024. Copies of the Management Report and 1st quarter updates for the year 2024 are attached as Annexes “C” and “D”.

Thereafter, the Corporate Secretary presented the resolution proposed by management and, based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

*“RESOLVED, that the Management Report for 2023 be noted and approved.”*

As tabulated, the votes for the adoption of foregoing resolution providing for the approval of the minutes of the previous meeting are as follows:

	<u>For</u>	<u>Against</u>	<u>Abstain</u>
Number of Voted Shares	613,460,628		7,857,000
% of Shares of Shareholders Present	98.74%		1.26%

**VI. APPROVAL OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2023**

The Chairman presented for approval the Audited Consolidated Financial Statements for the period ending 31 December 2023 as discussed in the Management Report.

Thereafter, the Corporate Secretary presented the resolution proposed by management and, based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

*“RESOLVED, that the Audited Consolidated Financial Statements of the Corporation as of 31 December 2023 be noted and approved.”*

As tabulated, the votes for the adoption of foregoing resolution providing for the approval of the minutes of the previous meeting are as follows:

	<u>For</u>	<u>Against</u>	<u>Abstain</u>
Number of Voted Shares	613,460,628		7,857,000
% of Shares of Shareholders Present	98.74%		1.26%

**VII. APPROVAL, CONFIRMATION AND RATIFICATION OF ALL ACTS, PROCEEDINGS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT**

The Chairman stated that a summary of the acts, proceedings, and resolutions to be ratified by the stockholders have been included in Item 16 of the Definitive Information Statement which were made available on the Corporation’s website and the PSE Edge portal.

Thereafter, the Corporate Secretary presented the resolution proposed by management and, based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

*“RESOLVED, that all legal acts, proceedings and resolutions of the Board of Directors and of the Management of the Corporation since the Annual Stockholders’ Meeting held on 12 July 2023 up to 17 July 2024, be, as they are hereby, approved, confirmed and ratified.”*

As tabulated, the votes for the adoption of foregoing resolution providing for the approval of the minutes of the previous meeting are as follows:

	<u>For</u>	<u>Against</u>	<u>Abstain</u>
Number of Voted Shares	613,460,628		7,857,000
% of Shares of Shareholders Present	98.74%		1.26%

**VIII. ELECTION OF DIRECTORS**

The Corporate Secretary stated that the Articles of Incorporation of the Corporation provides for seven (7) directors, two (2) of whom are required to be independent directors.

Under the Corporation’s By-Laws and Manual on Corporate Governance, the nomination of the Corporation’s directors shall be conducted by the Corporate Governance Committee prior to the annual stockholders’ meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the

Corporate Governance Committee and the Corporate Secretary at least forty-five (45) days before the date of the actual meeting.

The Corporate Governance Committee shall pre-screen the qualifications and prepare a Final List of all Candidates for directors. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors.

The Final List of Candidates for directors as determined by the Corporation's Corporate Governance Committee and as disclosed in the Corporation's Information Statement are:

1. Geronimo P. Bella, Jr.
2. Ricardo Rodrigo P. Bella
3. Ceasar Daniel T. Castro
4. Ramon C. Liwag
5. Ryota Nagata

For Independent Directors:

6. Gene S. De Guzman; and
7. Gemma V. Sadiua.

Thereafter, the Corporate Secretary, reported that, after tabulating the votes cast, the votes garnered by the nominees mentioned in the Final List of Candidates are as follows:

<i>Nominee</i>	<i>Votes</i>
<i>Geronimo P. Bella, Jr.</i>	<i>613,460,628</i>
<i>Ricardo Rodrigo P. Bella</i>	<i>613,460,628</i>
<i>Ceasar Daniel T. Castro</i>	<i>613,460,628</i>
<i>Ryota Nagata</i>	<i>613,460,628</i>
<i>Ramon C. Liwag</i>	<i>613,460,628</i>
<i>Gene S. De Guzman (Independent Director)</i>	<i>613,460,628</i>
<i>Gemma V. Sadiua (Independent Director)</i>	<i>613,460,628</i>

The Corporate Secretary certified that the seven (7) nominees mentioned in the Final List of Candidates for directors prepared by the Corporation's Corporate Governance Committee have received sufficient votes for election to the Board of Directors and they shall serve as such for the ensuing year until the election and qualification of their successors.

**X. APPOINTMENT OF EXTERNAL AUDITOR**

The Chairman stated that the present external auditor of the Corporation is auditing firm of Isla Lipana & Co.. The handling partner of Isla Lipana & Co. is rotated at least once every 5 years, in compliance with the 5-year limit under the rules of the Securities Regulation Code.

Thereafter, the Corporate Secretary presented the resolution proposed by management and, based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

*“RESOLVED, That the auditing firm of Isla Lipana & Co. be, as it is hereby appointed to be the Corporation’s external auditor for the calendar year 2024.”*

As tabulated, the votes for the adoption of foregoing resolution providing for the approval of the minutes of the previous meeting are as follows:

	<u>For</u>	<u>Against</u>	<u>Abstain</u>
Number of Voted Shares	613,460,628		7,857,000
% of Shares of Shareholders Present	98.74%		1.26%

## XI. OTHER MATTERS

After confirming with the Corporate Secretary that there were no other matters that require consideration by the stockholders, the Chairman requested the Host, to read aloud the questions and comments together with the names of the stockholders who sent them.

The first question read by the Host was from Mr. Ariel S. Ignacio who asked “Can you explain the recent decline in stock prices?”

The Chairman referred the question to the Treasurer, Mr. Dany B. Uson who answered by stating that Harbor Star’s stocks fell due to volatile fuel prices, geopolitical or trade disputes, industry-specific issues, rising interest rates or inflation, and unprecedented market fluctuation; but despite external challenges, the Company had a strong 2023 operating profit of PHP342-million. Further, Harbor Star’s financial positions allows the Company to overcome unexpected challenges and invest in future growth, reducing risks, and the stock price doesn’t reflect its performance, as it strives to build long-term company value.

The second question read by the Host, a follow-up from Mr. Ignacio who asked “How is the Company managing its debt level?”

The Treasurer answered by stating the Company’s equity ratio has improved significantly, indicating a decrease in debt financing compared to shareholders’ equity. The Company manages its debt level by: (1) Always budgeting for debt repayment to avoid late fees and ensure timely payments; (2) Better manage debt with a steady cash flows which is achieved through sales growth and cost-cutting; (3) Strive to renegotiate for lower rates and/or longer repayment terms with lenders; (4) Consistent sales growth to generate more revenue for debt repayment. The decrease in the ratio from 2.64:1 to 2.47:1 indicates a higher level of financial stability for the Company.

Thereafter, the Host relayed to the Chairman that there are no other questions.

**XII. ADJOURNMENT**

There being no further business to transact, and upon motion duly made and seconded, the meeting was adjourned.

**CHARLENE O. ANG**  
*Corporate Secretary*

**Confirmed and Approved:**

**GERONIMO P. BELLA, JR.**  
*Chairman of the Board*

REPUBLIC OF THE PHILIPPINES)  
CITY OF MAKATIM) S. S.

**AFFIDAVIT OF PUBLICATION**

I, ADELA GERSALIA MENDOZA, of legal age, Filipino, married and a resident of 14 Registration St. SSS Homes North, Quezon City Philippines after having duly sworn to in accordance with law, hereby declare and testify.

1. That I am the Sales Director – Classified Advertising of the PHILIPPINE DAILY INQUIRER, INC., publisher of the Philippine Daily Inquirer which is being published daily in English, of general circulation with editorial and business address at Chino Roces St. cor. Yague and Mascardo Sts., Makati.

2. That at the order of  
**HARBOR STAR SHIPPING SERVICES  
INC.**

RE: NOTICE OF ANNUAL STOCKHOLDERS'  
MEETING

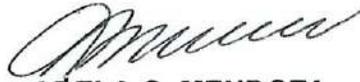
Text of which would be described as  
follows:

**AS PER ATTACHED**

Has been published in the Philippine Daily  
Inquirer in its issue/issues of:

June 26 and 27, 2024

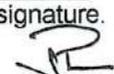
Affiant Further Sayeth  
Naught, Makati Philippines \_\_\_\_\_

  
**ADELA G. MENDOZA**

Affiant

SUBSCRIBED AND SWORN to before me this  
JUL 03 2024 day of \_\_\_\_\_

PHILIPPINES, affiant exhibited to me her Driver's  
License No. N02-01-455507 issued at Quezon City  
valid until October 25, 2033 and her SSS No. 03-  
9451924-9, bearing her photograph and signature.

  
**ATTY. JOSHUA P. LAPUZ**

Notary Public Makati City  
Until Dec. 31, 2025

Appointment No. M-016-(2024-2025)  
PTR No. 19073910 Jan. 7, 2024/ Makati  
IBP Lifetime No. 00007 Roll No. 46790

MCLE Compliance No. VII-0016370  
Valid until April 30, 2025

G/F Fedman Bldg., 190 Salcedo St.  
Legaspi Village, Makati City



**NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

Pursuant to Harbor Star Shipping Services, Inc.'s ("HSSSI") By-Laws, HSSSI's Annual Stockholders Meeting is scheduled on the third Wednesday of May of each year. Due to time constraints in complying with all the reportorial requirements to hold the annual stockholders' meeting on 15 May 2024, the 2024 Annual Meeting of the Stockholders of HSSSI will be held and conducted virtually via the Zoom online meeting platform on Wednesday, 17 July 2024, 9:30 a.m. for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 12 July 2023
4. Management Report
5. Approval of Audited Consolidated Financial Statements of HSSSI and its subsidiaries as of 31 December 2023
6. Ratification of all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business since the 12 July 2023 Annual Stockholders' Meeting up to 17 July 2024
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

The Board of Directors has fixed 13 June 2024 as the record date for the determination of stockholders entitled to be notified, participate, and vote at the Annual Stockholders' Meeting ("Stockholders of Record").

Stockholders of Record may only attend/participate via proxy, remote communication or vote *in absentia*, subject to validation procedures. Only validated stockholders will be provided access to the Zoom meeting platform and can cast their votes *in absentia* on or before 08 July 2024 via the Corporation's secure online voting facility.

Stockholders who wish to participate in the meeting via the Zoom online meeting platform and to vote *in absentia* should notify the Office of the Corporate Secretary through a Letter of Intent to be sent via e-mail to [asm-2024@harborstar.com.ph](mailto:asm-2024@harborstar.com.ph) or fill up the registration form at [www.harborstar.com.ph/asm2024registrationform](http://www.harborstar.com.ph/asm2024registrationform) on or before 01 July 2024.

HSSSI is not soliciting proxies. Stockholders who are unable to join the meeting but wish to vote on items in the agenda by proxy must submit their duly accomplished proxy forms via e-mail to [asm-2024@harborstar.com.ph](mailto:asm-2024@harborstar.com.ph) on or before 01 July 2024.

Stockholders may send their queries and comments to the Management Report and other items in the Agenda to [asm-2024@harborstar.com.ph](mailto:asm-2024@harborstar.com.ph) on or before 10 July 2024.

The Definitive Information Statement containing the attendance, voting, and election procedures, along with the Notice, Agenda, Proxy, Management Report, SEC Form 17-A, SEC Form 17-Q and other information related to the Annual Stockholders' Meeting can be accessed at [http://www.harborstar.com.ph/investois/pse\\_disclosures](http://www.harborstar.com.ph/investois/pse_disclosures).

Very truly yours,

(SGD.)  
**CHARLENE O. ANG**  
Corporate Secretary

<sup>1</sup>For the detailed registration and voting procedures, please visit <http://www.harborstar.com.ph/> and refer to the "Guidelines for Participation via Remote Communication and Voting *in Absentia* and through Proxy".

(PDF-June 26 & 27, 2024)

Doc. No. 90  
Page No. 19  
Book No. 134  
Series of 2024.

# Manila Standard

PHILIPPINE MANILA STANDARD PUBLISHING, INC.

## AFFIDAVIT OF PUBLICATION

I, Mario R. Policarpio Jr., Chief Accountant of Manila Standard, with office address at 6<sup>th</sup> Floor Universal Re Building, 106 Paseo de Roxas, Makati City, hereby depose and state that:

**Manila Standard** is a newspaper of general circulation and is distributed nationwide;

**Manila Standard** at the same time, publishes its online version through its website <https://manilastandard.net>;

**Manila Standard** is qualified to publish all kinds of judicial notices.

**Manila Standard** published on

JUNE 26 & 27, 2024

a Notice:

HARBOR STAR SHIPPING SERVICES INC.

RE: NOTICE OF ANNUAL STOCKHOLDERS' MEETING

IN WITNESS WHEREOF, I hereby affix my signature this 27TH day of JUNE 2024 in Makati City.

**MARIO R. POLICARPIO JR.**  
Authorized Signatory

SUBSCRIBED AND SWORN to before me this 27TH day of JUNE, 2024 in Makati City, affiant exhibiting to me his SSS No. 33-0476897-7.

**ATTY. SHERLOCK JUN C. VILLEGAS**

Notary Public for Makati City

Appt. No. M-274 until Dec. 31, 2024

Unit 3C LTA Building, 118 Perea St.

Legaspi Village, Makati City

Roll No. 70942

IBP No. 323640/11-30-2023/ Pasig City

PTR No. 10074513/ 1-2-2024/ Makati City

MCLE Compliance No. VII-0020869/April 14, 2025

Doc. No.: 140

Page No.: 25

Book No.: 33

Series of 2024.



**HARBOR STAR**  
SHIPPING SERVICES, INC.

### NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Pursuant to Harbor Star Shipping Services, Inc.'s ("HSSSI") By-Laws, HSSSI's Annual Stockholders' Meeting is scheduled on the third Wednesday of May of each year. Due to time constraints in complying with all the reportorial requirements to hold the annual stockholders' meeting on 15 May 2024, the **2024 Annual Meeting of the Stockholders of HSSSI** will be held and conducted virtually via the Zoom online meeting platform on **Wednesday, 17 July 2024, 9:30 a.m.** for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 12 July 2023
4. Management Report
5. Approval of Audited Consolidated Financial Statements of HSSSI and its subsidiaries as of 31 December 2023
6. Ratification of all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business since the 12 July 2023 Annual Stockholders' Meeting up to 17 July 2024
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

The Board of Directors has fixed 13 June 2024 as the record date for the determination of stockholders entitled to be notified, participate, and vote at the Annual Stockholders' Meeting ("Stockholders of Record").

Stockholders of Record may only attend/participate via proxy, remote communication or vote in absentia, subject to validation procedures.<sup>1</sup> Only validated stockholders will be provided access to the Zoom meeting platform and can cast their votes in absentia on or before 08 July 2024 via the Corporation's secure online voting facility.

Stockholders who wish to participate in the meeting via the Zoom online meeting platform and to vote in absentia should notify the Office of the Corporate Secretary through a Letter of Intent to be sent via e-mail to [asm-2024@harborstar.com.ph](mailto:asm-2024@harborstar.com.ph) or fill up the registration form at [www.harborstar.com.ph/asm2024registrationform](http://www.harborstar.com.ph/asm2024registrationform) on or before 01 July 2024.

HSSSI is not soliciting proxies. Stockholders who are unable to join the meeting but wish to vote on items in the agenda by proxy must submit their duly accomplished proxy forms via email to [asm-2024@harborstar.com.ph](mailto:asm-2024@harborstar.com.ph) on or before 01 July 2024.

Stockholders may send their queries and comments to the Management Report and other items in the Agenda to [asm-2024@harborstar.com.ph](mailto:asm-2024@harborstar.com.ph) on or before 10 July 2024.

The Definitive Information Statement containing the attendance, voting, and election procedures, along with the Notice, Agenda, Proxy, Management Report, SEC Form 17-A, SEC Form 17-Q and other information related to the Annual Stockholders' Meeting can be accessed at [http://www.harborstar.com.ph/investors/pse\\_disclosures](http://www.harborstar.com.ph/investors/pse_disclosures).

Very truly yours,  
(SGD)  
**CHARLENE O. ANG**  
Corporate Secretary

<sup>1</sup> For the detailed registration and voting procedures, please visit <http://www.harborstar.com.ph> and refer to the "Guidelines for Participation via Remote Communication and Voting in Absentia and through Proxy".



## **MESSAGE TO OUR STOCKHOLDERS**

*Annual Stockholders' Meeting 2024*

Fellow Shareholders,

I am pleased to report on the strong operational results of Harbor Star Shipping Services, Inc. for the year 2023. Despite persistent global market challenges, Harbor Star's unwavering dedication to excellence has sustained its industry leadership and fortified its competitive advantages, demonstrating our resilience and stability in the face of adversity. This steadfastness should reassure our shareholders of our ability to weather any storm.

In 2023, the Company celebrated its 25th anniversary, a significant milestone that marked a quarter-century of our unwavering commitment to excellence and innovation. It also marked our tenth year as a publicly traded company on the Philippine Stock Exchange, a testament to our sustained growth and the trust of our shareholders. Despite industry challenges, we have emerged as a symbol of innovation and dependability, a fact that should make you, our shareholders, proud.

The Company was able to increase the number of ships served to 8,123 in 2023, successfully integrate new technology into its operations, and provide even more efficient tugboat services in the intervening year. The Company achieved an Operating Profit of PHP342 million. Harbor Star's profitability was substantially enhanced by its oil spill response revenues, which increased from PHP134 million in 2022 to PHP488 million in 2023. In 2023, harbor assistance net revenues increased from PHP1,537.0 million in the previous year to PHP1,783.6 million.

Harbor Star cemented its leadership in Philippine tugboat services throughout 2023, boasting a commanding 51% market share and contributing a substantial 83% to the company's revenue. We strategically positioned a fleet of 48 tugboats in the Philippines and 5 in Malaysia, ensuring efficient service and rapid emergency response. This strategic positioning, along with our diverse fleet and extensive network, should instill confidence in our ability to handle diverse marine service needs and deliver a swift response for our clients.

Harbor Star's dedication to quality, environmental sustainability, and occupational health and safety is evidenced by its triple ISO certification. It has initiated numerous transformative projects that contribute to the Company's overarching objective of redefining maritime solutions standards, building on these milestones and accomplishments. Harbor Star's strategic initiatives have diversified its fleet and equipment, expanded its presence in key maritime hubs, and positioned the Company for sustained growth in the future. This includes the acquisition of an additional tugboat by Peak-Flag Malaysia and the expansion of hub ports in Zamboanga.



Technological integration has been at the forefront of Harbor Star's endeavors, with the adoption of System Application & Product (SAP) and System Simulators revolutionizing operational efficiency and service delivery. By harnessing the power of cutting-edge technology, the Company has optimized resource utilization, enhanced the customer experience, and set new benchmarks of excellence in the industry.

The implementation of simulators for crew training has furthermore resulted in several efficiency gains, potentially decreasing crew operational errors and resulting in shorter turnaround times and financial savings for the organization. Moreover, utilizing a data processing system like SAP has enabled the Company to better manage processes for various aspects of its operations, ensuring seamless coordination and enhanced decision-making capabilities.

Harbor Star's dedication to digital transformation, which encompasses the implementation of an online booking platform for tugboat services, looking forward favorable outcome in our ongoing efforts. This initiative has streamlined the booking process and enabled the real-time monitoring and allocation of resources, thereby guaranteeing the prompt and efficient delivery of services to its esteemed clients.

Industry challenges will persist, including fluctuating fuel prices, increasing market competition, and geopolitical disputes. Harbor Star has demonstrated a proactive approach to risk mitigation, adaptability, and resilience in all of these endeavors.

The Company has been able to mitigate the effects of high fuel prices and improve its competitive position in the market by implementing cost-reduction strategies, including the optimization of operations and the procurement of fuel in bulk.

Harbor Star has been further established as a reliable partner in resolving critical maritime emergencies and challenges due to strategic investments in salvage operations, oil spill response, and port services. Innovation remains at the heart of the Company's strategy as it looks toward the future. Harbor Star will continue to be the industry leader in maritime solutions in the Philippines by prioritizing talent development, cultivating strategic partnerships, adopting digitalization and sustainability to deal with challenges, and making business practices better so that the company can grow in a way that benefits everyone, which in the end helps the country's progress and development.

I am grateful to all of our stakeholders for their unwavering trust and support as we continue to enhance our capabilities and establish a more dynamic organization that not only supports the maritime industry but also contributes to the development of nations.

Thank you for very much!



**2024 1st Quarter Updates**  
*Annual Stockholders' Meeting 2024*

Good morning, ladies and gentlemen.

2024 has presented a challenging landscape for the shipping industry. While our first-quarter performance met expectations, it fell short of exceeding our projections by the margin we'd hoped for. However, despite a highly dynamic and demanding business environment, we remain firmly convinced that the advantages of partnering with a reliable and comprehensive maritime services organization, with nearly 25 years of industry expertise, are more attractive than ever. Our solid client satisfaction rates, ongoing new construction projects, moderate sales achievements, and strong customer retention contribute to these modest results.

In the first quarter of 2024, Harbor Star's net service income amounted to PHP548 million, showing a 13% decline compared to the previous year's figure of PHP631 million for the same period. The Company's harbor assistance services continued to be the main source of revenue, generating PHP392 million. This represents a 4% decrease compared to the first quarter of the previous year, which had generated PHP407 million

The revenue experienced a significant increase towards the contributions from construction projects, marine services, and other underwater services. These factors combined to boost the revenues by PHP46 million, PHP18.5 million, and PHP8.9 million, respectively, compared to the same period in 2023.

Harbor Star has seen a fair share of industry difficulties, which have had an effect on a few of our main services and, in turn, have negatively influenced our first-quarter 2024 revenue projections.

Our towing services brought in a total of PHP10.08 million in revenue, while our underwater services generated PHP724 thousand. Additionally, our lighterage services contributed 9.3 million to our overall revenue. Lastly, our Oil Response services generated PHP19.9 million in revenue. In the first quarter of 2024, ASTRONERGY Development Gensan, Inc., our 25 MW solar power plant company, contributed PHP42.2 million to the total revenue down by 27% from PHP57.9 million in 2023.

Harbor Star grappled with a net loss of PHP21.88 million in Q1 2024. However, there are bright spots. The company's cost-reduction efforts are showing promise, but overall service income dipped 13.1%. Despite the first-quarter loss, Harbor Star remains optimistic, confident it will surpass projections in the coming quarters, even amidst challenging 2024 economic conditions.

While overall service income dipped, Harbor Star managed to keep cost increases in check. The cost of services edged up a modest 2.11% to PHP410.6 million, compared to PHP402.2 million. This rise can be attributed to several factors, including higher fuel prices, direct labor expenses, depreciation, and increased costs associated with outsourced services, insurance, and travel/transportation.



On the bright side, the Company's cost-cutting measures delivered significant results. General and administrative (G&A) expenses dropped a noteworthy 9.4% year-over-year, falling from PHP102 million to PHP92.5 million. Additionally, other charges saw a commendable 12.6% decrease, totaling PHP9.4 million

Harbor Star's balance sheet showed a modest decline in total assets at the end of Q1 2024. Assets dipped by 0.54%, settling at PHP7.0 billion, compared to PHP7.1 billion at the beginning of the quarter. This was partially offset by a small decrease in total liabilities (down 0.43%). However, stockholders' equity still declined, due to a decrease in retained earnings.

**Financial Strength Signals Improvement:** Harbor Star's key ratios for Q1 2024 paints a positive picture. These metrics suggest the company is utilizing its resources and assets more effectively.

**Improved Liquidity:** Both the current ratio (up from 1.55 to 1.57) and quick ratio (up from 1.20 to 1.26) have increased. This indicates Harbor Star has a better ability to meet its short-term obligations (within a year) with its current assets.

**Reduced Leverage:** The debt-to-equity ratio has improved significantly, dropping from 2.64:1 to 2.47:1. This signifies a decrease in the company's reliance on debt financing compared to its shareholder equity.

Overall, these improvements in financial ratios suggest Harbor Star is on a healthier financial track. We are managing our short-term obligations better and reducing our dependence on debt.

Thank you and keep safe.

**SECRETARY'S CERTIFICATE**  
**(HSSSI 2025-039)**

I, **CHARLENE O. ANG**, with office address at 2224 A. Bonifacio Street corner President Sergio Osmeña Highway, Bangkal, Makati City 1233, after having been duly sworn according to law, hereby depose and state that:

1. I am the duly elected and qualified Corporate Secretary of **HARBOR STAR SHIPPING SERVICES, INC.**, (the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine laws, with principal office address at 2224 A. Bonifacio Street corner President Sergio Osmeña Highway, Bangkal, Makati City 1233.
2. I hereby certify that none of the Directors and Officers of the Corporation work for the government of the Republic of the Philippines.
3. The foregoing resolutions have not been altered, modified, or revoked, and that the same are still in full force and effect.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 29 MAY 2025 at Makati City.

  
**CHARLENE O. ANG**  
Corporate Secretary

REPUBLIC OF THE  
PHILIPPINES )  
MAKATI CITY ) S.S.

SUBSCRIBED AND SWORN to before me this 29 MAY 2025 at Makati City, affiant exhibiting to me her Driver's License No. N01-90-103508 valid until 12 March 2032.

Doc. No. 77;  
Page No. 12;  
Book No. 1;  
Series of 2025.

**DST affixed to the ORIGINAL COPY**

28559458

  
**ATTY. BLAS JOSHUA C. CORDOVA**  
Notary Public for Makati City  
Appointment No. M-066  
Until 31 December 2026  
Roll of Attorney's No. 81887  
PTR No. 10469858 / 08 Jan 2025 / Makati City  
IBP No. 494045 / 02 Jan 2025 / PPLM  
MCLE Compliance: Exempted  
2224 A. Bonifacio St. cor. President Osmeña  
Highway, Bangkal, Makati City

# HARBOR STAR SHIPPING SERVICES, INC.

## ANNUAL REPORT

### 1. GENERAL NATURE AND SCOPE OF THE BUSINESS

#### 1.1 Business Development

##### *Parent Company*

Harbor Star Shipping Services, Inc. (“Harbor Star” or “the Company” or “Parent Company”) was registered with the Securities and Exchange Commission (“SEC”) on 05 July 1988 under the name “Seatows, Inc.” with the primary purpose of engaging in domestic and international towage, commerce, and navigation in the carriage of goods and passengers by water upon the seas, lakes, rivers, canals, bays, harbors, and other waterways.

Through the years, Harbor Star amended its Articles of Incorporation to engage in other business endeavors. It is now a company with diversified businesses interests ranging from towing to construction to energy.

For its maritime business, Harbor Star is the leading marine services company having the widest area of service coverage and most diverse service lines. In 2009, the Company raised the bar in the tug industry when it was certified as being compliant with ISO 9001:2015 for quality management system, ISO 14001:2015 for environmental management system, and OHSAS 45001:2018 for occupational health safety management system. The Company continues to maintain and upgrade its certifications with DNV.

From its initial office in Manila in 1998, Harbor Star now has offices in Batangas, Cebu, Davao, Cagayan de Oro, Iloilo, Subic and Zamboanga.

On 30 October 2013, Harbor Star’s common shares were listed in the Philippine Stock Exchange following the initial public offering of 30.0% of its shares at an issue price of PHP1.88 per share.

In 2014, Harbor Star through its subsidiary, Peak Flag Sdn Bhd., became the first Filipino tugboat company to operate in Malaysia. Its tugs render harbor assist and ship-to-ship transfer operations at Malacca, Malaysia under a service contract in force until 2020.

In 2016, Harbor Star created the Diving, Marine Maintenance and Construction (DMMC) Division and secured its Contractor’s License with the Philippine Contractors Accreditation Board (“PCAB”) to engage in general construction and engineering in the Philippines. The Company obtained its Triple “A” PCAB License in 2018 allowing it to take on broader and more complex range of projects.

In 2017, Harbor Star formalized its entry into the energy industry when it incorporated a wholly-owned subsidiary, Harbor Star Energy Corporation (HSEC). In 2018, HSEC acquired 100% shareholdings of ASTRONERGY Development Gensan Inc. (ADGI), and 100% of ADGI’s subsidiaries, ASTRONERGY Development F1, Inc. and ASTRONERGY Development F2, Inc. The said acquisitions allowed Harbor Star, thru HSEC, to own and control a 25 MW solar power plant project, with option to expand to 75 MW, in General Santos City.

In February 2018, Harbor Star incorporated a wholly-owned subsidiary, Harbor Star East Asia (Myanmar) Ltd.

In August 2018, the Company acquired 31% of the outstanding capital stock of tugboat operator High Energy Marine Services, Inc. (HEMSI). HEMSI is the dominant tugboat operator in the Manila South Harbor which is managed by Asian Terminals, Inc. (“ATI”).

In April 2021, the Securities and Exchange Commission issued the certificate of incorporation of Harbor Star Construction (“HSCC”). HSCC is a wholly-owned subsidiary of Harbor Star.

In September 2021, Harbor Star together with T&T Salvage of the United States, successfully salvaged the Panamanian registered Bulk Carrier “Ambition Journey”. The massive 189-meter vessel ran aground last 02 August 2021 in Sulangan Island in Guiuan town, Eastern Samar. Harbor Star and T&T continue to

coordinate with the Philippine Coast Guard and the appropriate local government units to ensure the orderly departure of Ambition Journey and the protection of the marine environment.

In January 2022, Harbor Star was hired by ILA Adventures, Inc. to salvage the yacht MY Infiniti which ran aground in Cebu on 16 December 2021 due to Typhoon "Odette".

In February 2022, Harbor Star was hired by the owners of MV Sunny Link for the safe grounding, oil spill response, and bunker removal of the said vessel which suffered heavy mid-ship damage while on her voyage to China. Likewise, in March 2022, the cargo owners separately hired Harbor Star to arrange the transfer of 471 steel slabs from the Vessel to another vessel for the safe delivery of the cargo to China.

Also in February 2022, Harbor Star was hired by the Owners of vessel Scorpio Honor, which was fully laden with nickel ore, to refloat the vessel after she ran aground in Quezon, Palawan.

In April 2022, Harbor Star was hired by Sub-See Philippines, Inc. for the wreck removal of vessels Yume and Wakaseto which capsized at Pier 3, due to Typhoon Odette.

In October 2022, Peak Flag Sdn Bhd, a subsidiary of Harbor Star, took delivery of M/T Izar at Port Klang, Malaysia. The 48-ton bollard pull rated tugboat was acquired by Peak Flag from Japan to meet the current market demand for harbor tugs in Malaysia. M/T Izar joins Peak Flag's fleet of 3 other tugs which are already on time charter with major ports and clients in Malaysia.

On 07 March 2023, Harbor Star was hired by the owners of the M/V Princess Empress for the deployment of manpower and resources for shoreline clean-up and oily waste disposal, after it sank on 28 February 2023, while en route from Bataan to Iloilo. The vessel was carrying 800,000 liters of industrial oil before it sank.

In October 2023, the SEC approved the incorporation of Kaibuok Star Shipyard Inc. ("KSSI"), with Harbor Star bought 30% of KSSI's capital stock, while Malaysian company Kaibuok Shipyard (M) Sdn. Bhd. subscribed and paid for 70% equity.

In November 2023, Harbor Star signed a Memorandum of Agreement with the Provincial Government of Ilocos Norte ("PGIN") to commit to the Bislak River Restoration Project, covering 1.5 km of river mouth and navigational access. It will also cover 26 km of the Bislak River Dredging Zone, including five sites.

In 25 July 2024, Harbor Star were tapped to clean-up the oil spill and siphon the remaining oil from the sunken tanks of the capsized M/T Terra Nova which was carrying 1.4 million liters of industrial fuel off the coastal town of Limay, Bataan due to Typhoon Carina. The oil slick from the spill also affected other regions of the country including Cavite, Bulacan, Metro Manila, and Batangas.

2024 has also proven to be a milestone for the Diving and Marine Maintenance, in tandem with the company's Construction Segment, Harbor Star successfully completed numerous projects. Projects include Jetty Steel Piles Refurbishment in Lanao del Norte, refurbishment and installation of fenders and pipeline services in Olongapo, Zambales and in Subic Zambales.

In December 2024, Harbor Star continued its market dominance rendering its core competence of harbor assist by assisting 4,833 foreign vessels and 3,568 domestic vessels during the year. The Company also won biddings and contracts as it sought to strengthen its market position and develop its other service lines.

### The Impact of Geopolitical Tension

While the recent geopolitical tension does not pose significant threat to the Philippine economy, seeing as it remained strong and robust despite the challenges, being the country indirect trade partners of belligerent nations, spillover effect is already felt through in commodities such as fuel and oil.

Globally though, it exacerbates the still recovering shipping industry from the COVID-19 pandemic. Challenges such as route diversions and increase transit times already contributed to the reliability of global supply chains, causing higher shipping and fuel costs. Additionally, US's recent protectionism policy threatens to tip scales worldwide battle against inflation, and further disrupt shipping, and proliferate consumer prices.

In response to the challenges, Harbor Star remains optimistic and implemented measures to adapt to the continuously and rapidly evolving market trends.

The Company adopted strict measure to optimize resources while maintaining integrity and security of its fleet and manpower.

#### *Subsidiaries*

##### Peak Flag Sdn. Bhd.

Peak Flag Sdn. Bhd. ("Peak Flag") was incorporated in Malaysia on 18 October 2011. Peak Flag aims to provide marine services at select ports in Malaysia which exhibit high vessel traffic and the opening of additional berthing areas.

Peak Flag's commercial operations commenced in February 2015 with M/T Hamal operating at Malaysia's North port. Months after Peak Flag brought in an additional vessel, M/T Mirzam, which operated at Kuantan Port.

In 2019, Peak Flag was awarded a contract to provide harbor tug services to Westports Malaysia Sdn. Bhd. in Port Klang, Malaysia ("Westports Malaysia"). Peak Flag will provide a sixty (60) ton bollard pull tug for a period of three (3) years with an option for extension for another two (2) years. On 30 May 2019, Peak Flag acquired the 2500 bhp M/T Pollux.

In August 2022, the contract of Pollux was renewed by Westports Malaysia for another three plus two (3+2) years. Subsequently, on 10 September 2022, M/T Mirzam was awarded a 1-year contract from Penang Port.

In October 2022, Peak Flag Sdn Bhd, took delivery of M/T Izar at Port Klang, Malaysia. The 48-ton bollard pull rated tugboat was acquired by Peak Flag from Japan to meet the current market demand for harbor tugs in Malaysia

Harbor Star owns a 45.0% stake at Peak Flag.

##### Harbor Star Subic Corp.

Harbor Star Subic Corp. ("HSSC") was registered with the SEC on 17 September 2015. Its primary purpose is to engage in marine-related ancillary services such as harbor assistance, towage, lighterage, oil-spill response and underwater marine services.

HSSC commercial operations commenced in 2016 with the arrival of its first vessel M/T Lucida.

In December 2018, Harbor Star Subic has now two deployed vessels, M/T Lucida and M/T Zaniah, to service calling the economic zone.

On 15 March 2019, Harbor Star Subic acquired the 3,600 BPH M/T Jabbah to support its operations in Subic.

Harbor Star owns 99.9% of HSSC.

##### Harbor Star Energy Corporation

On 11 May 2017, the Securities and Exchange Commission approved the incorporation of Harbor Star Energy Corporation ("HSEC"), a wholly owned subsidiary of the Company. The primary purpose of HSEC is to carry on the general business of generating, distributing and storing electric power derived from solar energy, other renewable energy sources and fuels.

In 2018, HSEC acquired 100% shareholdings of ASTRONERGY Development Gensan Inc. (ADGI), and 100% of ADGI's subsidiaries, ASTRONERGY Development F1, Inc. and ASTRONERGY Development F2, Inc. The said acquisitions allowed Harbor Star, thru HSEC, to own and control a 25 MW solar power plant project, with option to expand to 75 MW, in General Santos City.

As of 31 December, 2024, ADGI has delivered 39,694,564 KWh of electricity to Wholesale Electricity Spot Market (WESM).

Harbor Star owns 99.9% of HSEC.

#### Harbor Star East Asia (Myanmar) Ltd.

On 15 February 2018, the Republic of the Union of Myanmar approved the incorporation of Harbor Star East Asia (Myanmar) Ltd. (HSEA), a wholly-owned subsidiary of Harbor Star Shipping Services, Inc., primarily to explore several business opportunities in Myanmar by marketing its expertise in integrated maritime services.

As of 18 May 2021, the registered office of HSEA is located in Yangon, Myanmar. There is currently no operation due to the current political struggle and COVID pandemic.

Harbor Star owns 99.99% of HSEA.

#### Harbor Star Construction Corporation

On 23 April 2021, the SEC issued the certificate of incorporation of Harbor Star Construction Corporation ("HSCC"). HSCC's primary purpose is to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.

In 2024, HSCC successfully completed a significant number of projects, including the Design and Building of Concrete Jetty in Davao, a 150 Core Shelter Units in BARMM, Maguindanao. Further, in cooperation with Harbor Star Diving and Marine Maintenance Department, HSCC completed the refurbishment and installation of fenders and buoy and pipeline service in Marivels, Bataan.

Moving forward, HSCC consistently delivers services on on-going projects while eagerly exploring new opportunities.

Harbor Star owns 100% of HSCC.

#### Kaibuok Star Shipyard Inc.

On 23 February 2019, the SEC issued the certificate of incorporation of Kaibuok Star Shipyard Inc., with Harbor Star subscribed to 30% of the issued and outstanding capital stock, while 70% was subscribed and paid up by Kaibuok Shipyard (M) Sdn. Bhd., a company organized and existing in Malaysia.

KSSI's primary purpose is to build, construct, fabricate, repair, own, manage, operate, maintain, buy, sell, or otherwise deal in with ships, vessels, boats, and marine structures of every kind and nature, graving docks, drydocks, floating docks, various land, and other structures and other conveniences for building, repairing, or docking of ships and other vessels for building and repairing marine and other land structures.

## **1.2 Business of the Issuer**

### **1.2.1 Overview**

Harbor Star offers a wide range of indispensable maritime services such as harbor assistance, towing, lighterage, ship salvage, marine construction, repair and maintenance works, wreck removal, firefighting, oil spill abatement and recovery, handling hazardous chemical, ship and crew management, diving and underwater marine works.

With strategically deployed tugs in Luzon, Visayas, and Mindanao, Harbor Star is renowned as having the widest area of coverage of tug services in the Philippine archipelago.

As of 31 December 2024, Harbor Star, including its domestic subsidiaries and affiliates, has established operations in eleven (11) base ports all over the country, providing services to approximately eight thousand four hundred one (8,401) ships as of yearend 2024. The major ports that the Company services include: the Manila International Container Terminal (“MICT”), Manila South Harbor, Bataan, Batangas, Cagayan de Oro (“CDO”), Cebu, Davao, and Iloilo.

The Company maintains and manages a fleet of: fifty-one (51) domestically and internationally classed tugboats; seven (7) barges; one (1) Landing Craft Tank (LCT); and one (1) Dredger. The company has a total of sixty (60) vessels.

### 1.2.2 Marine Services

Harbor Star derives the bulk of its revenues from six (6) main service lines, namely; (a) harbor assistance, (b) lighterage, (c) towing, (d) salvage, (e) marine construction, repair and maintenance works and (f) other marine services. Other marine services include oil and chemical spill response, diving and underwater services, and ship and crew management.

**Harbor Assistance.** Harbor Star focuses its harbor assistance operations at ports with heavy vessel traffic, such as MICT, and the ports of Bataan, Batangas, CDO, and Davao. In addition to public or open ports, Harbor Star also provides services to a number of private ports managed by corporations engaged in the oil and gas, power, and mining industries.

As of 31 December 2024, revenues from harbor assistance amounted to PHP1,875 million, equivalent to 66% of total revenue.

**Lighterage.** Harbor Star’s tug and barge tandems are capable of transporting different types of cargo domestically and within the region. For lighterage services, Harbor Star charges the client a fixed charter rate. The charter rate covers the use and maintenance of the vessel, crewing, insurance, and administrative support costs incurred during operations.

As of 31 December 2024, revenues from lighterage services amounted to PHP56 million, equivalent to 2% of total revenue.

**Salvage.** Salvage is any act or activity undertaken to assist a vessel or any other property in danger in navigable waters or in any other waters. Using international methods and standards, Harbor Star offers the following salvage services:

- a. Vessels in distress – This include instances when vessels are on fire, capsized or sinking vessels, among others, that require rescuing.
- b. Wreck removal – This include refloating of vessels that ran aground, retrieval of vessels, among others.
- c. Wayward vessels – This pertains to breakaway or abandoned vessels drifting afloat and wandering into waters that are vulnerable to collisions and other maritime accidents.

As of 31 December 2024, revenues from salvage operations amounted to PHP6 million, equivalent to 0.23% of total revenue.

**Towing.** Harbor Star provides services in various stages of the towing cycle, from planning activities to the actual towage operation. The company provides two (2) types of towing services:

- a. Regular towing – when a tugboat is chartered to tow a vessel or barge from one port to another port.
- b. Emergency towing – when a vessel in distress needs a towing service.

As of 31 December 2024, revenues from towing services amounted to PHP39 million, equivalent to 1% of total revenue.

**Construction, Repair and Maintenance Works.** Harbor Star strengthened its marine ancillary services by offering port construction, pier repair, port-related development, road development, and other non-residential construction.

As of 31 December 2024, revenues from other construction, repair and maintenance work amounted to PHP210 million, equivalent to 7% of total revenue.

**Other Marine Services.** Harbor Star’s marine and other ancillary services include:

- a. Oil and Chemical Spill Response
- b. Ship repairs
- c. Buoy construction deployment and maintenance
- d. Diving services, which includes underwater repairs, and Single Buoy Moorings (SBM) and repair
- e. Ship and crew management
- f. Fire fighting
- g. Offshore tug services

As of 31 December 2024, revenues from other marine services amounted to PHP655 million, equivalent to 23% of total revenue.

### 1.3 Legal Proceedings

The Company has no pending legal proceedings which would materially affect its financial auditing or operational capability to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

## 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

The following discussion and analysis relate to the consolidated financial condition and results of operations of Harbor Star Shipping Services, Inc. and its subsidiary (the “Group”) and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of and for the interim period ended 31 March 2025 and the year ended 31 December 2024. References to “Harbor Star” and “the Company” pertain to Harbor Star Shipping Services, Inc., Parent Company, while references to “the Group” pertain to Harbor Star Shipping Services, Inc. and its subsidiaries.

### Results of Operation

#### A. For the interim period ended 31 March 2025

#### Results of Operations

	For the Three Months Ended		% Change
	March 31, 2025 (Unaudited)	2024 (Unaudited)	
Service income, net	634,087,210	548,738,698	15.55%
Cost of Services	451,436,990	410,686,818	9.92%
General and Admin. Expenses	95,500,881	92,527,146	3.21%
Other Charges, net	61,150,911	87,504,145	(9.28%)
Net Income (Loss) Before Income Tax	25,998,428	(21,880,621)	218.82%

#### Service income, Net

The Group has posted total net service income of P634.09 million for the three-month period ended 31 March 2025, or 15.55% higher than P548.74 million net service income posted in 2024 of the same period (Note 16).

#### Cost of services

The Group’s total cost of services for the three-month period ended 31 March 2025 has increased by 9.92% (P4.75 million) from P410.69 to P451.44 million incurred in March 2025 mainly due to fuel and

lubricants, depreciation, personnel cost, insurance, supplies, transportation, port expense and others (Note 17).

#### General and administrative expenses

The Group's general and administrative expenses as of first quarter of 2025 have increased by 3.21% (P2.97million) from P92.53million on 31 March 2024 to P95.5million on 31 March 2025 mainly due to depreciation, professional fees, supplies, personnel cost, transportation, taxes and license and others (Note 18).

#### Other charges, Net

The other charges, net decrease of 9.28% (P6.25million) from P67.41 million on 31 March 2024 to P61.15 million on 31 March 2025 is mainly due to the interest expense on borrowings and loans.

#### Net income (loss) before tax

The pre-tax net income of the Group has increased by 218.82% amounting to P47.88 million from net loss of P21.88 million on 31 March 2024 to net income of P26.0 million on 31 March 2025 mainly because there was oil spill response activity during the 1st quarter 2025.

### Financial Condition

	As of March 31, 2025 (Unaudited)	As of December 31, 2024 (Audited)
Total Assets	7,331,929,652	7,336,973,826
Total Liabilities	4,996,698,163	5,058,044,383
Total Equity	2,335,231,489	2,278,929,443

#### Cash and Cash Equivalent

The account has decreased by 24.40% or (P93.4 million) from P383.03 million on 31 December 2024 to P289.59 million on 31 March 2025 mainly due to payment of the supplier from recurring activities and short-term borrowings for working capital requirements (Note 4).

#### Trade and Other Receivables, Net

The account has decreased by 1.18% (P16.06million) from P1.35billion on 31 December 31 to P1.34 billion on 31 March 2025 mainly due to trade receivable on operations (Note 5).

#### Prepayments and Other Current Assets

The account has increased by 18.02% (P86.53million) from P480.21 million on 31 December 31 to P566.74 million on 31 March 2025 mainly due increase in refundable deposits, input tax and other prepayments (Note 6).

#### Property and Equipment at Cost, Net

The account has increased by 1.30% (P59.7 million) from P4.59 billion on 31 December 2024 to P4.6 billion on 31 March 2025 mainly due to depreciation of the assets (Note 9).

#### Trade and Other Payables

The account has decreased by 3.72% (P45.59million) from P1.22billion on 31 December 2024 to P1.17 billion on 31 March 2025 mainly due to trade payables related to operations, advances from employees and payable to government agencies and others (Note 13).

### Borrowings, Current Portion

The account has decreased by 5.24% (P49.16 million) from P938.34 million on 31 December 2024 to P889.18 million on 31 March 2025 due to payment of borrowings (Note 14).

### Lease Liabilities, Current Portion

The account decreased by 18.91% (P1.37 million) from P7.25 million on 31 December 2024 to P5.88 million on 31 March 2025 mainly due to repayment of lease amortization (Note 14).

### Borrowings, net of current portion

The account has increased by 0.39% (P9.2million) from P2.37million on 31 December 2024 to P2.38million on 31 March 2025 (Note 14).

### Retained earnings (Deficit)

The account has a surplus of P24.78 million, from P344.45million in December 2024 to P369.23 million in March 2025.

### Discussion and Analysis of Material Events and Uncertainties

As at and for the periods ended 31 March 2025 and 31 December 2024:

- There are no other material changes in the Group's financial position (changes of 5.00% or more) and condition that will warrant a more detailed discussion.
- The Group is not aware of any known trends, or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.
- The Group is not aware of any event that would trigger a direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations, and other relationships of the Group with unconsolidated entities or other persons created during the period were considered.
- There are no known trends, events, or uncertainties that have had or that are reasonably expected to have materially favorable or unfavorable impact on net revenues or income from continuing operations.
- The Group is not aware of any significant elements of income and loss that did not arise from the Group's continuing operations.
- The Group is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

### Comparative Key Performance Indicators

The Group uses the following financial metrics to assess its performance from period to period:

	<b>March 31 2025</b>	<b>March 31 2024</b>	<b>December 31 2024</b>	<b>December 31 2023</b>
<b>Financial Soundness Indicator</b>	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Current Ratio	1.03:1	1.55:1	1.00:1	1.53:1
Quick Ratio	0.77:1	1.26:1	0.78:1	1.24:1
Debt-to-Equity Ratio	2.14:1	2.47:1	2.22:1	2.22:1
Asset-to-Equity Ratio	3.14:1	3.49:1	3.22:1	3.43:1
Interest Coverage Ratio	1.42	0.70	2.26	1.22
Net Profit Margin Ratio	3.91%	3.99%	6.20%	3.92%
Gross Profit Margin Ratio	28.81%	25.16%	29.20%	(18.7%)

### Financial Risk Management Objectives and Policies

Please refer to Note 22 of the notes to the consolidated financial statements.

## B. For the year ended 31 December 2024

The table shows a summary of the consolidated results of operations for the years ended 31 December 2024, 2023, and 2022 as derived from the accompanying audited financial statements.

**Table 5: Condensed Statements of Total Comprehensive Income**

<i>In PHP thousands</i>	<b>December 2024</b>	<b>December 2023</b>	<b>December 2022</b>	<b>% Change 2024 vs 2023</b>	<b>% Change 2023 vs 2022</b>
Service income, net of discounts	3,037,838	2,663,062	2,699,555	14.07%	(1.35%)
Cost of service	(2,152,268)	(1,806,331)	(1,645,928)	19.15%	9.75%
General and administrative expenses	(558,820)	(454,559)	(380,909)	22.94%	19.34%
Net impairment losses on financial assets	(12,212)	(47,103)	(111,383)	(74.07%)	(57.71%)
Impairment loss on goodwill	-	-	(154,207)	-	(100%)
Other income (loss), net	239,844	43,183	(40,666)	455.41%	218.5%
Finance cost	(265,160)	(278,752)	(290,590)	(4.88%)	(4.1%)
Share in profit of associates	(57,968)	5,707	(4,546)	(1,115.74%)	(225.54%)
Income tax benefit (expense)	(82,013)	(49,733)	20,458	64.91%	(343.10%)
Profit (loss) after tax	189,055	19,266	10,499	881.29%	83.5%
EBITDA (1)	1,115,205	922,786	787,952	20.85%	17.11%
EBIT (2)	533,458	342,044	285,176	55.96%	19.94%
Remeasurements on retirement benefits, net of tax	3,877	(2,615)	(16,323)	(248.26%)	(84.0%)
Share in other comprehensive income (loss) of associates	-	-	-	-	-
Basic and diluted earnings (loss) per share	0.126	0.00	0.00	281.82%	1,550%

(1) EBITDA is not a uniform or legally defined financial measure. It generally represents earnings before interest, taxes, depreciation and amortization. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. EBITDA is also frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry. The Group's EBITDA figures are not; however, readily comparable with other companies' EBITDA figures as they are calculated differently and thus, must be read in conjunction with related additional explanations. EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under PFRS. Some of the limitations concerning EBITDA are:

- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments; ss
- EBITDA does not reflect changes in, or cash requirements for working capital needs;
- EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal debt payments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in the industry may calculate EBITDA differently, which may limit its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of the business. The Group compensates for these limitations by relying primarily on the PFRS results and uses EBITDA only as supplementary information.

(2) EBIT, or Earnings Before Interest and Taxes, is calculated by taking net revenues and deducting cash operating expenses and depreciation and amortization.

## Comparison of Operating Results for The Year Ended 31 DECEMBER 2024 VS. 31 DECEMBER 2023

### Service Income

The breakdown of service income is presented as follows:

**Table 6: Service Income Breakdown December 2024 vs. December 2023**

<i>In PHP thousands</i>	<b>December 2024</b>	<b>December 2023</b>	<b>% Increase (Decrease)</b>	<b>December 2024 % Contribution</b>	<b>December 2023 % Contribution</b>
Harbor assistance*	1,875,997	1,783,626	5.2%	61.8%	67.0%
Revenue on generation of solar power	193,362	140,330	37.8%	6.4%	0.3%
Salvage income	6,623	8,928	(25.8%)	0.2%	4.2%
Lighterage services	56,209	113,086	(50.3%)	1.9%	2.7%
Construction revenue	210,605	72,598	190.1%	6.9%	2.1%
Towing services	39,217	56,603	(30.7%)	1.3%	18.3%
Others	655,825	487,891	34.4%	21.5%	5.3%
<b>Service Income</b>	<b>3,037,838</b>	<b>2,663,062</b>	<b>14.1%</b>	<b>100%</b>	<b>100%</b>

\*Net of service discount, which refers to discounts given to client for Harbor assistance service only.

The Group's consolidated service income increased by 14.1% from PHP2,663.0 million to PHP3,037.8 million on December 31, 2023 and 2024, respectively.

Major positive contributor is the construction revenue which grew from PHP72.6 million on 31 December 2023 to PHP210.6 million on 31 December 2024 due to the project that has been completed during the year. Harbor assistance also grew from PHP1,783.6 million on 31 December 2023 to PHP 1,876 million on 31 December 2024 pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port.

Below presents the breakdown of the cost of services:

**Table 7: Cost of Services Breakdown December 2024 vs. December 2023**

<i>In PHP thousands</i>	<b>December 2024</b>	<b>December 2023</b>	<b>% Increase (Decrease)</b>	<b>December 2024 % Contribution</b>	<b>December 2023 % Contribution</b>
Depreciation and amortization	536,421	538,642	(0.4%)	24.9%	29.8%
Fuel and lubricants	454,911	430,826	5.6%	21.1%	23.9%
Personnel costs	389,153	308,458	26.2%	18.1%	17.1%
Outside services	140,425	100,754	39.4%	6.5%	5.6%
Supplies and construction supplies	212,615	157,183	35.3%	9.9%	8.7%
Rent	58,312	17,353	236.0%	2.7%	1.0%
Insurance	75,740	73,597	2.9%	3.5%	4.1%
Charter hire	99,987	31,883	213.6%	4.6%	1.8%
Port expense	28,420	26,262	8.2%	1.3%	1.5%
Repairs and maintenance	50,772	44,340	14.5%	2.4%	2.5%
Professional fees	14,157	16,853	(16.0%)	0.7%	0.9%
Transportation and travel	24,600	24,223	2.8%	1.2%	1.3%
Amortization right-of-use asset	2,235	2,838	(21.2%)	0.1%	0.2%
Communication, light and water	3,643	5,739	(36.5%)	0.2%	0.3%
Taxes and licenses	21,934	4,426	395.6%	1.0%	0.2%
Others	38,641	22,954	68.3%	1.8%	1.3%
<b>Cost of Services</b>	<b>2,152,268</b>	<b>1,806,331</b>	<b>19.2%</b>	<b>100%</b>	<b>100%</b>

### Cost of services

Cost of services increased by 19.2% amounting to PHP345.9 million from PHP1,806.3 million on 31 December 2023 to PHP2,152.3 million on 31 December 2024. The increase is mainly due to higher costs of rent, charter hire, repairs and maintenance, taxes and licenses, transportation and travel, outside services, personnel cost and supplies and construction supplies.

## Gross profit and gross profit margin

The Group's gross profit is higher by 3% amounting to PHP28.8 million from PHP856.7 million on 31 December 2023 to PHP885.6 million on 31 December 2024, primarily due to increase in revenue. The Group's gross profit margin ratio has decreased to 29.2% in 2024 from 32.2% in 2023 due to the increase in cost of sales.

Below presents the breakdown of the general and administrative expenses:

**Table 8: General and Administrative Expenses Breakdown  
December 2024 vs. December 2023**

<i>In PHP thousands</i>	December 2024	December 2023	% Increase (Decrease)	December 2024 % Contribution	December 2023 % Contribution
Personnel costs	185,175	159,032	16.4%	33.1%	35.0%
Taxes and licenses	80,592	49,323	63.4%	14.4%	10.9%
Representation and entertainment	52,648	52,252	0.8%	9.4%	11.5%
Repairs and maintenance	29,192	36,061	(19.0%)	5.2%	7.9%
Depreciation and amortization	30,262	14,517	108.5%	5.4%	3.2%
Transportation and travel	31,233	35,097	(11.0%)	5.6%	7.7%
Provision for assessment	-	-	-	0.0%	0.0%
Professional fees	17,342	11,574	49.8%	3.1%	2.5%
Outsourced services	10,368	14,067	(26.3%)	1.9%	3.1%
Provision for impairment of input VAT	15,759	15,906	(0.9%)	2.8%	3.5%
Amortization of computer software	3,369	13,152	(74.4%)	0.6%	2.9%
Insurance	7,414	6,526	13.6%	1.3%	1.4%
Communications	3,852	5,988	(35.7%)	0.7%	1.3%
Supplies and construction supplies	36,572	12,858	184.4%	6.5%	2.8%
Utilities	6,580	4,498	46.3%	1.2%	1.0%
Rent	7,574	5,649	34.1%	1.4%	1.2%
Amortization of right-of-use assets	8,608	2,586	232.9%	1.5%	0.6%
Registration and membership fees	2,741	1,799	52.3%	0.5%	0.4%
Amortization of leasehold rights	852	1,891	(55.0%)	0.2%	0.4%
Advertising and promotions	640	143	347.7%	0.1%	0.0%
Fuel and lubricants	-	40	(100.0%)	0.0%	0.0%
Write-off of receivable	5,307	26	20,379.3%	0.9%	0.0%
Others	22,740	11,573	96.5%	4.2%	2.5%
<b>Gen. and Admin. Expenses</b>	<b>558,820</b>	<b>454,560</b>	<b>22.9%</b>	<b>100%</b>	<b>100%</b>

## General and administrative expenses

The Group's general and administrative expenses increased by 22.9% amounting to PHP104.3 million from PHP454.5 million on 31 December 2023 to PHP558.8 million on 31 December 2024. This is mainly due to higher costs of rent, advertising and promotion, write-off of employee advances, professional fees, supplies and construction supplies, utilities, taxes and licenses, amortization of computer software and leasehold rights.

## Other income (loss), net

Other income (loss), net consists of foreign exchange gain and loss, interest income, loss on debt restructuring, gain (loss) on sale of property and equipment, ship management, insurance claims, gain on reversal of finance lease liability, provision on construction receivables, cost recharges and non-routine special projects. This account increased by 455% amounting to PHP196.7 million from PHP43.2 million other income on 31 December 2023 to PHP239.8 million other income on 31 December 2024. This is mainly due to the recognized insurance claims in 2024.

#### Operating profit (loss) and operating profit (loss) margin

The Group's operating profit has increased 74% amounting to PHP252.2 million from PHP342 million on 31 December 2023 to PHP594.2 million operating profit on 31 December 2024. This is mainly due to insurance claims. The Operating profit (loss) margin ratio has likewise increase from 12.8% in 2023 to 19.6% in 2024.

#### Finance Cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange gain on borrowings. It decreased by PHP13.6 million from PHP278.8 million posted in 2023 to PHP265.2 million in 2024.

#### EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) is higher by 20.85% from PHP922.8 million on 31 December 2023 to PHP1,115.2 million on 31 December 2024. The increase can be attributable to the lower impairment and other gains.

#### Net profit (loss) and net profit (loss) margin

The Group's net profit has improved by 881% to PHP189.1 million net income in 2024 from PHP19.3 million in 2023. The ratio of consolidated net income to consolidated net service income has likewise improved to +6.2% in 2024 from +0.7% in 2023.

### **Material Changes to the Statements of Financial Position as of 31 December 2024 Compared to the Statements of Financial Position as of 31 December 2023**

#### Cash and cash equivalents

The account increased by 34.3% amounting to PHP97.8 million from PHP285.2 million in 2023 to PHP383 million in 2024 mainly due to collections of receivables and proceeds from salvages, and short-term borrowings for operational requirements.

#### Trade and other receivables, net

The account increased by 2.1% amounting to PHP28 million from PHP1,329.3 million in 2023 to PHP1,357.2 million in 2024 mainly due receivables from customers for rendering harbor assistance and other marine services and solar energy fee to energy supply which are not yet collected during the year.

#### Property and equipment at revalued amounts, net

The account increased by 10.8% amounting to PHP260.6 million from PHP2,420.3 million in 2023 to PHP2,680.9 million in 2024 mainly due to revaluation of tugboats.

#### Property and equipment at cost, net

The account decreased by 8.1% amounting to (PHP168.9) million from PHP2,085 million in 2023 to PHP1,916.1million in 2024 mainly due to depreciations of barges, building and building improvements, equipment for transportation, diving and oil spill, construction.

#### Computer software, net

The account increased by 31.2% amounting to PHP2.0 million from PHP6.5 million in 2023 to PHP8.6 million in 2024 mainly due to additions made during the year.

#### Investment properties

There's no movement during the year.

#### Investment in associates

The account decreased by 28.6% amounting to (PHP59.2) million from PHP206.6 million in 2023 to PHP147.5 million in 2024 mainly due to investment to Hi-Energy Marine Services Inc and recognition of dividends from associates.

#### Trade and other payables

The account increased by 20.8% amounting to PHP210.8 million from PHP1,013.6 million in 2023 to PHP1,224.4 million in 2024 mainly due to increases in payables related to operations, accrued interest on interest bearing loans, accrued construction costs in relation to unliquidated expenses of construction projects employees, other accrued expenses related to insurance companies and unliquidated business expenses.

#### Borrowings, current portion

The account increased by 264% amounting to PHP680.5 million from PHP257.8 million in 2023 to PHP938.3 million in 2024 mainly due to payment of borrowings current portion as well as reclassification of the remaining bank loan from non-current to current portion.

#### Lease liabilities, current portion

The account decreased by 20% amounting to (PHP1.8) million from PHP9.1 million in 2023 to PHP7.3 million in 2024 mainly due to the payment made during year.

#### Trade payables, non-current portion

The account increased by 100.0% amounting to PHP9.3 million from PHP0.0 million in 2023 to PHP9.3 million in 2024 mainly due to reclassification of trade payables from current to non-current portion.

#### Borrowings, net of current portion

The account decreased by 27.99% amounting to (PHP921.6) million from PHP3,292.9 million in 2023 to PHP2,371.2 million in 2024 mainly due to reclassification of non-current to current borrowings.

#### Lease liabilities, net of current portion

The account decreased by 5.96% amounting to (PHP2.5) million from PHP41.4 million in 2023 to PHP39 million in 2024 mainly due to renewal of long-term lease agreements.

#### Deferred income tax liabilities, net

The account increased by 2.69% amounting to (PHP6.5) million from PHP243.4 million in 2023 to PHP236.8 million in 2024 due to deferred income tax credited to profit or loss and other comprehensive income.

#### Retirement benefits obligation

The account increased by 8.21% amounting to PHP13.5 million from PHP164.5 million in 2023 to PHP178.0 million in 2024 mainly due to remeasurement brought about by experience adjustments.

#### Revaluation surplus, net of tax

The account decreased by 8.16% amounting to (PHP84.3) million from PHP1,033.2 million in 2023 to PHP948.8 million in 2024 due to revaluation.

Retained earnings (deficit)

The account reflects a profit of PHP248.0 million at the end of 2024 from PHP52.3 Million in 2023 or P195.8 million addition in retained earnings. The addition was mainly due to the company's net income.

### Comparison of Operating Results for the Years Ended 31 December 2023 vs. 31 December 2022

Service Income

The breakdown of service income is presented as follows:

**Table 9: Service Income Breakdown December 2023 vs. December 2022**

<i>In PHP thousands</i>	December 2023	December 2022	% Increase (Decrease)	December 2023 % Contribution	December 2022 % Contribution
Harbor assistance*	1,759,951	1,537,022	20.1%	66.1%	56.9%
Revenue on generation of solar power	140,330	324,358	(61.0%)	5.3%	12.0%
Salvage income	8,928	470,972	(177.5%)	0.3%	17.4%
Lighterage services	113,086	118,825	(5.2%)	4.2%	4.4%
Construction revenue	96,273	63,997	45.9%	3.6%	2.4%
Towing services	56,603	50,580	24.8%	2.1%	1.9%
Others	487,891	133,801	1,084.8%	18.4%	5.0%
<b>Service Income</b>	<b>2,663,062</b>	<b>2,699,555</b>	<b>(1.9%)</b>	<b>100%</b>	<b>100%</b>

\*Net of service discount, which refers to discounts given to client for Harbor assistance service only.

The Group's consolidated service income decreased by 1.9% from PHP2,699.6 million to PHP2,663.1 million on December 31, 2022 and 2023, respectively.

Major positive contributor is the Other income which grew from PHP133.8 million on 31 December 2022 to PHP487.9 million on 31 December 2023 due to some oil spill response during the year. Harbor assistance also grew from PHP1,537.0 million on December 31, 2022 to PHP 1,760 million on December 31, 2023 pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port.

Below presents the breakdown of the cost of services:

**Table 10: Cost of Services Breakdown December 2023 vs. December 2022**

<i>In PHP thousands</i>	December 2023	December 2022	% Increase (Decrease)	December 2023 % Contribution	December 2022 % Contribution
Depreciation and amortization	538,642	416,862	29.2%	29.8%	25.3%
Fuel and lubricants	430,826	467,909	(7.9%)	23.9%	28.4%
Personnel costs	308,458	270,039	14.2%	17.1%	16.4%
Outside services	100,754	110,518	(8.8%)	5.6%	6.7%
Supplies and construction supplies	157,183	123,572	27.2%	8.7%	7.5%
Rent	17,353	5,382	222.4%	1.0%	0.3%
Insurance	73,597	107,435	(31.5%)	4.1%	6.5%
Charter hire	31,883	43,900	(27.4%)	1.8%	2.7%
Port expense	26,262	20,297	29.4%	1.5%	1.2%
Repairs and maintenance	44,340	25,144	76.3%	2.5%	1.5%
Professional fees	16,853	3,224	422.6%	0.9%	0.2%
Transportation and travel	24,223	13,156	84.1%	1.3%	0.8%
Amortization right-of- use asset	2,838	4,378	(35.2%)	0.2%	0.3%
Communication, light and water	5,739	3,358	71.2%	0.3%	0.2%
Taxes and licenses	4,426	2,910	52.1%	0.2%	0.2%
Others	22,954	27,844	(17.6%)	1.3%	1.8%

<i>In PHP thousands</i>	<b>December 2023</b>	<b>December 2022</b>	<b>% Increase (Decrease)</b>	<b>December 2023 % Contribution</b>	<b>December 2022 % Contribution</b>
<b>Cost of Services</b>	<b>1,806,331</b>	<b>1,645,928</b>	<b>9.7%</b>	<b>100%</b>	<b>100%</b>

#### Cost of services

Cost of services increased by 9.7% amounting to PHP160.4 million from PHP1,645.9 million on 31 December 2022 to PHP1,806.3 million on 31 December 2023. The increase is mainly due to higher costs of rent, charter hire, repairs and maintenance, taxes and licenses, transportation and travel, communication, light and water, professional fees and supplies and construction supplies.

#### Gross profit and gross profit margin

The Group's gross profit is lower by 18.7% amounting to (PHP196.8) million from PHP1,053.6 million on 31 December 2022 to PHP856.7 million on 31 December 2023, primarily due increase in cost of sales. Likewise, the Group's gross profit margin ratio has decreased to 32.2.0% in 2023 from 39.0% in 2022.

Below presents the breakdown of the general and administrative expenses:

**Table 11: General and Administrative Expenses Breakdown  
December 2023 vs. December 2022**

<i>In PHP thousands</i>	<b>December 2023</b>	<b>December 2022</b>	<b>% Increase (Decrease)</b>	<b>December 2023 % Contribution</b>	<b>December 2022 % Contribution</b>
Personnel costs	159,032	138,703	14.7%	35.0%	36.4%
Taxes and licenses	49,323	42,839	15.1%	10.9%	11.2%
Representation and entertainment	52,252	32,646	60.1%	11.5%	8.6%
Repairs and maintenance	36,061	32,951	9.4%	7.9%	8.7%
Depreciation and amortization	14,517	19,465	(25.4%)	3.2%	5.1%
Transportation and travel	35,097	26,088	34.5%	7.7%	6.8%
Provision for assessment	-	-	-	0.0%	0.0%
Professional fees	11,574	10,151	14.0%	2.5%	2.7%
Outsourced services	14,067	16,639	(15.5%)	3.1%	4.4%
Provision for impairment of input VAT	15,906	8,159	95.0%	3.5%	2.1%
Amortization of computer software	13,152	8,451	55.6%	2.9%	2.2%
Insurance	6,526	7,780	(16.1%)	1.4%	2.0%
Communications	5,988	4,070	47.1%	1.3%	1.1%
Supplies and construction supplies	12,858	6,976	85.8%	2.8%	1.8%
Utilities	4,498	3,036	48.2%	1.0%	0.8%
Rent	5,649	2,177	159.4%	1.2%	0.6%
Amortization of right-of-use assets	2,586	2,540	1.8%	0.6%	0.7%
Registration and membership fees	1,799	2,518	(28.5%)	0.4%	0.7%
Amortization of leasehold rights	1,891	770	16.7%	0.4%	0.2%
Advertising and promotions	143	205	(30.1%)	0.0%	0.1%
Fuel and lubricants	40	47	(14.0%)	0.0%	0.0%
Write-off of receivable	26	-	100%	0.0%	-
Others	11,573	14,698	(16.5%)	2.5%	3.9%
<b>Gen. and Admin. Expenses</b>	<b>454,560</b>	<b>380,909</b>	<b>19.3%</b>	<b>100%</b>	<b>100%</b>

#### General and administrative expenses

The Group's general and administrative expenses increased by 19.3% amounting to PHP73.6 million from PHP380.9 million on 31 December 2022 to PHP454.6 million on 31 December 2023. This is mainly due to higher costs of representation, professional fees, supplies and construction supplies, transportation and travel, rent, utilities and amortization of right-of-use assets.

#### Other income (loss), net

Other income (loss), net consists of foreign exchange gain and loss, interest income, loss on debt restructuring, gain (loss) on sale of property and equipment, ship management, insurance claims, gain on

reversal of finance lease liability, provision on construction receivables, cost recharges and non-routine special projects. This account increased by 206% amounting to PHP83.8 million from (PHP40.6) million other loss on 31 December 2022 to PHP43.2 million other income on 31 December 2023. This is mainly due to the recognized loss on debt restructuring and loss on sale of property and equipment.

#### Operating profit (loss) and operating profit (loss) margin

The Group's operating profit has increased 19.9% amounting to PHP56.8 million from PHP285.2 million on 31 December 2022 to PHP342 million operating profit on 31 December 2023. This is mainly due to increase in revenues. The Operating profit (loss) margin ratio has likewise increase from 10.6% in 2022 to 12.8% in 2023.

#### Finance cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange gain on borrowings. It decreased by PHP11.8 million from PHP290.5 million posted in 2022 to PHP278.7 million in 2023.

#### EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) is higher by 17.11% from PHP285.1 million on 31 December 2022 to PHP342.0 million on 31 December 2023. The increase can be attributable to the lower impairment and other gains.

#### Net profit (loss) and net profit (loss) margin

The Group's net profit has improved by 83.5% to PHP19.3 million net income in 2023 from PHP10.5 million in 2022. The ratio of consolidated net income to consolidated net service income has likewise improved to +0.72% in 2023 from +0.39% in 2022.

### **Material Changes to the Statements of Financial Position as of 31 December 2023 Compared to the Statements of Financial Position as of 31 December 2022**

#### Cash and cash equivalents

The account increased by 7.0% amounting to PHP18.7 million from PHP266.5 million in 2022 to PHP285.2 million in 2023 mainly due to collections of receivables and proceeds from salvages, and short-term borrowings for operational requirements.

#### Trade and other receivables, net

The account increased by 6.5% amounting to PHP80.8 million from PHP1,249.6 million in 2022 to PHP1,329.3 million in 2023 mainly due receivables from customers for rendering harbor assistance and other marine services and solar energy fee to energy supply which are not yet collected during the year.

#### Property and equipment at revalued amounts, net

The account increased by 10.8% amounting to PHP235.7 million from PHP2,184.6 million in 2022 to PHP2,420.3 million in 2023 mainly due to revaluation of tugboats.

#### Property, plant and equipment at cost, net

The account decreased by 3.9% amounting to (PHP85.4) million from PHP2,170.5 million in 2022 to PHP2,085.0 million in 2023 mainly due to depreciations of barges, building and building improvements, equipment for transportation, diving and oil spill, construction.

#### Computer software, net

The account decreased by 46.7% amounting to (PHP5.7) million from PHP12.2 million in 2022 to PHP6.5 million in 2023 mainly due to amortization.

#### Investment properties

The account increased by 29.6% amounting to PHP15.9 million from PHP54 million in 2022 to PHP69.9 million in 2023 mainly due to capitalized expenditure.

#### Investment in associates

The account increased by 6.4% amounting to PHP12.4 million from PHP194.2 million in 2022 to PHP206.6 million in 2023 mainly due to investment to Kaibuok Star Shipyard Inc. and recognition of dividends from associates.

#### Trade and other payables

The account increased by 13.0% amounting to PHP116.7 million from PHP896.8 million in 2022 to PHP1,013.6 million in 2023 mainly due to increases in payables related to operations, accrued interest on interest bearing loans, accrued construction costs in relation to unliquidated expenses of construction projects employees, other accrued expenses related to insurance companies and unliquidated business expenses.

#### Short-term loans

The account decreased by 100.0% amounting to (PHP22.7) million from PHP22.7 million in 2022 to PHP0.0 million in 2023 due to conversion of short-term loans into long term loans.

#### Borrowings, current portion

The account decreased by 8.4% amounting to (PHP23.5) million from PHP281.3 million in 2022 to PHP257.8 million in 2023 mainly due to payment of borrowings current portion.

#### Lease liabilities, current portion

The account increased by 46.7% amounting to PHP2.9 million from PHP6.2 million in 2022 to PHP9.1 million in 2023 mainly due to reclassification of lease liabilities from non-current to current portion.

#### Trade payables, non-current portion

The account decreased by 100.0% amounting to (PHP7.1) million from PHP7.11 million in 2022 to PHP0.0 million in 2022 mainly due to reclassification of trade payables from non-current to current portion.

#### Borrowings, net of current portion

The account decreased by 6.2% amounting to (PHP216.5) million from PHP3,509.3 million in 2022 to PHP3,292.8 million in 2023 mainly due to reclassification of non-current to current borrowings.

#### Lease liabilities, net of current portion

The account increased by 53.5% amounting to PHP14.4 million from PHP27.0 million in 2022 to PHP41.4 million in 2023 mainly due to renewal of long-term lease agreements.

#### Deferred income tax liabilities, net

The account increased by 42.9% amounting to PHP73.0 million from PHP170.4 million in 2022 to PHP243.4 million in 2023 due to deferred income tax credited to profit or loss and other comprehensive income.

#### Retirement benefits obligation

The account increased by 15.7% amounting to PHP22.3 million from PHP142.2 million in 2022 to PHP164.5 million in 2023 mainly due to remeasurement brought about by experience adjustments.

Revaluation surplus, net of tax

The account increased by 34.9% amounting to PHP267.3 million from PHP765.9 million in 2022 to PHP1,033.2 million in 2023 due to revaluation increment.

Retained earnings (deficit)

The account reflects a profit of PHP52.2 million at the end of 2023 from a deficit of (PHP7.7) Million in 2022 or P59.9 million addition in retained earnings. The addition was mainly due to the company's net income.

### Key Performance Indicators

The Company uses the following measures to assess its performance from period to period.

**Table 12: Key Performance Indicators**

	<b>2024</b>	<b>2023</b>	<b>2022</b>
Revenue Growth	14.1%	(1.4%)	41.4%
Gross Profit Margin	29.2%	(18.7%)	39.0%
EBITDA Margin	36%	34.7%	18.0%
Net Income Margin	6.2%	0.7%	0.0%
Return on Asset	3%	0.3%	0.0%
Return on Equity	8%	0.9%	0.1%
Current Ratio	1.00	1.53	0.53
Debt-to-Equity Ratio	2.10	2.22	2.71

- Revenue growth measures the percentage change in revenues for a given period
- Gross profit margin pertains to the ratio of gross profit to revenues. This reflects the profitability of the Group's core business
- EBITDA margin pertains to the ratio of EBITDA to revenues. This reflects the operating profitability of the Group
- Net income margin pertains to the ratio of net income after tax to revenues. This reflects the Group's overall profitability
- Return on Asset pertains to the ratio of the Group's net income to total assets. This measures the Group's ability to generate returns on its assets
- Return on Equity pertains to the ratio of the Group's net income to total equity. This measures the Group's ability to generate returns on its stockholders' equity
- Current ratio is the ratio of the Group's total current assets to total current liabilities. This reflects the Group's liquidity
- Debt-to-equity ratio is the ratio of the Group's total debt to total stockholders' equity. This reflects the degree to which the Group is financing its operations through debt versus wholly-owned funds.

### Cash Flows

The table below shows the Group's cash flows for the years ended 31 December 2024, 2023 and 2022:

**Table 13: Cash Flows**

<i>In PHP thousands,</i>	<b>2024</b>	<b>2023</b>	<b>2021</b>	<b>% Change 2024 vs 2023</b>	<b>% Change 2023 vs 2022</b>
Net cash provided by operating activities	880,009	781,989	863,485	12.53%	(9.4%)
Net cash flow used in investing activities	(365,058)	(305,668)	(381,577)	(19.4%)	(19.9%)
Net cash provided by (used in) financing activities	(417,105)	(456,165)	(477,887)	(8.56%)	(4.57%)
EFFECTS OF EXCHANGE RATE CHANGES IN CASH	(4.36)	(1,428)	(1,520)	(99.7%)	(6.1%)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>97,847</b>	<b>20,156</b>	<b>4,020</b>	<b>385.45%</b>	<b>401.4%</b>
<b>CASH AT BEGINNING OF THE YEAR</b>	<b>285,190</b>	<b>266,464</b>	<b>263,963</b>	<b>7.0%</b>	<b>(0.9%)</b>
<b>CASH AT THE END OF THE YEAR</b>	<b>383,033</b>	<b>285,190</b>	<b>266,464</b>	<b>34.3%</b>	<b>7.0%</b>

Cash and cash equivalents increased by 34.3% amounting to PHP97.8 million from PHP285.2 million in 2023 to PHP383.0 million in 2024 mainly due to acquisition of property, plant and equipment, software, investment properties, payment of borrowings and payment of lease liabilities.

## Capital Resources

The table below illustrates the Group's capital sources as of 31 December 2024, 2023 and 2022:

**Table 14: Capital Sources**

<i>In PHP thousands</i>	December 31, 2024	December 31, 2023	December 31, 2022	% Change 2024 vs 2023	% Change 2023 vs 2022
Trade and other payables	1,233,717	957,271	903,938	28.88%	5.9%
Short-term loans	-	-	22,729	-	(100.0%)
Borrowings	3,309,546	3,550,642	3,790,612	(6.79%)	(6.3%)
Lease liabilities	46,219	50,499	33,174	(8.47%)	52.2%
<b>Total debt</b>	<b>4,589,483</b>	<b>4,558,412</b>	<b>4,750,453</b>	<b>0.68%</b>	<b>(4.0%)</b>
Share capital	907,858	907,858	907,858	-	-
Additional paid-in-capital	121,633	121,633	121,633	-	-
Retained earnings (Deficit) attributable to the owners of the Parent Company	248,064	52,269	(7,689)	374.59%	779.8%
Fair value reserve on financial assets at fair value through other comprehensive income	(160)	(160)	(160)	-	-
Treasury stock	(37,615)	(37,615)	(37,615)	-	-
Revaluation surplus, net of tax	948,829	1,033,172	765,856	(8.16%)	34.9%
<b>Total Equity</b>	<b>2,188,609</b>	<b>2,077,157</b>	<b>1,749,883</b>	<b>5.37%</b>	<b>18.7%</b>
<b>Total</b>	<b>6,778,092</b>	<b>6,635,569</b>	<b>6,500,336</b>	<b>%</b>	<b>2.1%</b>

Capital is a critical component of running a business from day to day and financing its future growth. Business capital may derive from the operations of the business or be raised from debt or equity financing.

## Trends, Events, or Uncertainties Affecting Recurring Revenues and Profits

The Group is exposed to a number of trends, events and uncertainties which can affect its recurring revenues and profits. These include levels of general economic activity and containerized trade volume in countries where it operates, as well as certain cost items, such as labor, fuel, and power. In addition, the Group operates in a number of jurisdictions other than the Philippines and collects revenues in various currencies. Continued appreciation of the US dollar relative to other major currencies, particularly the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

## Risks

The group's diverse operations expose the group to various risks such as market risks, credit and liquidity which movements may materially impact the financial results of the group. The importance of managing these risks has significantly increased in light of the heightened volatility in both the Philippine and international financial markets. With a view to managing these risks, the group has incorporated a financial risk management function in its organization.

### 3. FINANCIAL STATEMENTS

Please see Annex "A".

### 4. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes or disagreements with Harbor Star's external auditors, Isla Lipana & Co., a member firm of PwC network, on accounting and financial statement disclosures.

## 5. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### 5.1 Market Information

Harbor Star's share was listed in the Philippine Stock Exchange on 30 October 2013. The Company's common stock is traded in the PSE under the stock symbol "TUGS". As of the latest practicable trading date on 30 May 2025, the share prices of the Company were:

<b>Price/Common Share (in Philippine Peso)</b>	
Opening :	0.59
High :	0.59
Low :	0.59
Closing :	0.59

The high and low share prices for 2022, 2023, 2024 and first quarter of 2025 are indicated below:

<b>Calendar Period</b>	<b>Price/Common Share (in Philippine Peso)</b>	
	<b>High</b>	<b>Low</b>
<b>2025</b>		
1st Quarter	0.71	0.56
<b>2024</b>		
4th Quarter	0.82	0.59
3rd Quarter	0.78	0.55
2nd Quarter	0.69	0.51
1st Quarter	0.89	0.65
<b>2023</b>		
4th Quarter	0.90	0.71
3rd Quarter	0.95	0.75
2nd Quarter	1.06	0.88
1st Quarter	1.13	0.89
<b>2022</b>		
4th Quarter	1.22	0.87
3rd Quarter	1.38	0.84
2nd Quarter	1.06	0.62
1st Quarter	0.91	0.68

As of 31 May 2025, Harbor Star's public float is 30.88%.

### 5.2 Holders

The number of stockholders of record as of the latest practicable date on 31 May 2025 was 17. Common shares outstanding as of the same date were Eight Hundred Ninety-Four Million Five Hundred Eighty-Six Thousand Eight Hundred Seventy (894,586,870).

The following are the Company's registered common stockholders as of 31 May 2025:

#### **Registered Stockholders As of 31 May 2025**

	NAME	NUMBER OF SHARES HELD	% OF TOTAL
1	PCD Nominee Corporation (Filipino)	748,781,412	82.48%
2	PCD Nominee Corporation (Non-Filipino)	61,912,470	6.82%
3	Bella Jr., Geronimo P.	42,000,000	4.63%
4	Bella, Ricardo Rodrigo P.	41,553,487	4.58%
5	Bella, Maria Elizabeth Jean E.	225,000	Less than 1.0%

6	Galicia, Filomena G.	30,000	Less than 1.0%
7	Villanueva, Myra P.	20,000	Less than 1.0%
8	Villanueva, Milagros P.	19,000	Less than 1.0%
9	De Guzman, Gene S.	10,000	Less than 1.0%
10	Villanueva, Myrna P.	9,000	Less than 1.0%
11	Cabreza, Marietta V.	9,000	Less than 1.0%
12	Cabreza, Juan Carlos V.	9,000	Less than 1.0%
13	Tacub, Felicitas F.	3,000	Less than 1.0%
14	Soliven, Stephen G.	2,500	Less than 1.0%
15	Reiterer, Alfred	1,500	Less than 1.0%
16	Valencia, Jesus San Luis	1,500	Less than 1.0%
17	Bautista, Joselito T.	1	Less than 1.0%

### 5.3 Dividends

Pursuant to the Company's Revised Dividend Policy approved during the Meeting of the Board of Directors held on 23 September 2013, the Corporation adopted as its dividend policy, "the declaration of at least twenty percent (20%) of its prior year's net income as dividend, whether in stock or in cash or a combination of both, payable out of its unrestricted earnings subject to the statutory limitations and/or restrictions, terms and conditions which may be imposed on the Company by lenders or other financial institutions, and/or those limitations imposed by the contracts, agreements or other financial instruments, including any trust indenture into which the Company may have entered, unless the Board of Directors decide otherwise."

Under the respective By-Laws of Harbor Star Subic Corp., Harbor Star Energy Corporation, and ASTRONERGY Development Gensan Inc., "dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law."

Under the By-Laws of Harbor Star Construction, "the Board of Directors may declare dividends out of the unrestricted retained earnings of the Corporation which shall be payable in cash, property, or stock to all stockholders of record. Stock dividends cannot be issued without the approval of the stockholders representing not less than two-thirds (2/3) of the outstanding capital stock."

#### 5.3.1 Stock Dividends

No stock dividends have been declared by the Company and its subsidiaries in the last three (3) years.

#### 5.3.2 Cash Dividends

No cash dividends have been declared by the Company and its subsidiaries in the last three (3) years.

### 5.4 Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

Within the past three (3) years, there has been no sale of the Company's securities which were not registered under the Securities Regulations Code.

## 6. DIRECTORS AND EXECUTIVE OFFICERS

The Board of Directors of the Company consists of seven (7) members. The Board is responsible for the overall management and supervision of the Company. The term of office of the directors of the Company is one (1) year and they are to serve as such until the election and qualification of their successors.

The Executive Officers of the Company cooperate with the Board of Directors by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of its operations for the review of the Board. The Executive Officers are appointed annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office

until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been appointed or shall have qualified.

The incumbent directors, including independent directors and officers of the Company, with their corresponding ages and citizenships are the following:

<b>NAME</b>	<b>AGE</b>	<b>CITIZENSHIP</b>	<b>POSITION</b>	<b>YEAR APPOINTED</b>
Geronimo P. Bella, Jr.	64	Filipino	Chairman of the Board	2006
Ricardo Rodrigo P. Bella	58	Filipino	Executive Director	2006
Cesar Daniel T. Castro	50	Filipino	Director	2021
Ramon C. Liwag	68	Filipino	Director	2017
Ryota Nagata	60	Japanese	Director	2011
Gene S. De Guzman	63	Filipino	Independent Director	2020
Gemma V. Sadiua	59	Filipino	Independent Director	2020
Charlene O. Ang	57	Filipino	Corporate Secretary	2023
Dany Cleo B. Uson	62	Filipino	Treasurer, Chief Finance Officer and Compliance Officer	2020
Lorenzo C. Caranzo	58	Filipino	Operations Division Head	2018
Emmanuel L. Falcunit	46	Filipino	Operations Manager (Fleet Operations)	2018
Rudiardo L. Arcellana	60	Filipino	Operations Manager (Salvage, Towage, Lighterage & Special Projects)	2016
Jay-R L. Castillo	39	Filipino	QHSE Manager	2016
Edwin G. Amejana	60	Filipino	Commercial Manager	2008
Virginia May P. Bella	50	Filipino	Legal Services Manager	2008
Elionarda L. Refil	56	Filipino	General Services Manager	2009
Mary Jane J. Logatoc	37	Filipino	Accounting Manager	2024
Effel T. Santillan	47	Filipino	Human Resource Manager	2014
Maria Elizabeth Jean E. Bella	36	Filipino	Procurement Manager	2019
Ryan L. Orila	46	Filipino	ICT Manager	2018
Ronaldo C. Samong	55	Filipino	Business Development Manager for Visayas & Mindanao	2019
Marvin William Trinidad	47	Filipino	Sales & Marketing Manager	2021
Elisalde M. Fantillo	53	Filipino	Engineering & Maintenance Manager	2022
Marlon D. Dabu	43	Filipino	Audit Manager	2022
Daisy A. Sta. Maria	52	Filipino	Treasury & Budget Manager	2022

Please see Item 5. Directors and Executive Officers of the Company's Information Statement on SEC Form 20-IS for the business experience of the Company's directors and officers during the past five (5) years.

## **7. CORPORATE GOVERNANCE**

Please see Corporate Governance on SEC Form 20-IS for discussion on compliance with leading practices on Corporate Governance.

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SECURITY HOLDERS WITHOUT CHARGE, AND UPON THEIR WRITTEN REQUEST, A COPY OF THE COMPANY'S INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 31 MARCH 2025 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR ANNUAL REPORT (SEC FORM 17-A). COPIES OF OTHER EXHIBITS MAY BE PROVIDED UPON WRITTEN REQUEST AND UPON THE PAYMENT OF NOMINAL CHARGES TO DEFRAY ADMINISTRATIVE COSTS AND EXPENSES SUBJECT TO CONDITIONS AS THE BOARD OF DIRECTORS MAY PROMULGATE.

SUCH WRITTEN REQUEST FOR A COPY OF SEC FORM 17-Q AS OF 31 MARCH 2025 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR SEC FORM 17-A SHALL BE DIRECTED TO: MR. DANY CLEO B. USON, CORPORATE INFORMATION OFFICER, 2224 A. BONIFACIO ST., CORNER PRES. SERGIO OSMEÑA HIGHWAY, BRGY. BANGKAL, MAKATI CITY, PHILIPPINES 1233.

ALL STOCKHOLDERS OF RECORD AND THOSE ACTING AS FIDUCIARIES, NOMINEES, TRUSTEES OR SIMILAR CAPACITIES IN BEHALF OF BENEFICIAL OWNERS WHO ARE NOT OF RECORD, MAY ALSO REQUEST IN WRITING TO THE PERSON AND AT THE ADDRESS PROVIDED ABOVE, AS MANY COPIES OF THIS INFORMATION STATEMENT, SEC FORM 17-Q AS OF 31 MARCH 2025 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR SEC FORM 17-A FOR DISTRIBUTION TO SUCH BENEFICIAL OWNERS, AND UPON RECEIPT OF SUCH WRITTEN REQUEST, THE COMPANY UNDERTAKES TO SUPPLY THE REQUESTED MATERIAL IN A TIMELY MANNER.

#### SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**HARBOR STAR SHIPPING SERVICES, INC.**

**Issuer**

By:

  
**CHARLENE O. ANG**  
Corporate Secretary

Date: 4 July 2025



# SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City  
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



**The following document has been received:**

**Receiving:** RICHMOND CARLOS AGTARAP

**Receipt Date and Time:** May 15, 2025 04:11:21 PM

## Company Information

---

**SEC Registration No.:** 0000152897

**Company Name:** HARBOR STAR SHIPPING SVCS. INC.

**Industry Classification:** I63200

**Company Type:** Stock Corporation

## Document Information

---

---

**Document ID:** OST10515202583340184

**Document Type:** ANNUAL\_REPORT

**Document Code:** SEC\_Form\_17-A

**Period Covered:** December 31, 2024

**Submission Type:** Original Filing

**Remarks:** WITH FS-C AND FS

---

---

Acceptance of this document is subject to review of forms and contents

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 December 2024**
2. SEC Identification Number **152897**
3. BIR Tax Identification No. **201-128-653-000**
4. Exact name of issuer as specified in its charter  
**HARBOR STAR SHIPPING SERVICES, INC.**
5. **PHILIPPINES**  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. Address of principal office **2224 A. BONIFACIO ST., CORNER PRES. SERGIO  
OSMEÑA HIGHWAY, BRGY. BANGKAL, MAKATI CITY** Postal Code **1233**
8. Issuer's telephone number, including area code **(+632) 8886-37-03**
9. Former name, former address, and former fiscal year, if changed since last report **N.A.**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	903,781,870
Treasury	13,271,000

11. Are any or all of these securities listed on a Stock Exchange.  
Yes  No

If yes, state the name of such stock exchange and the classes of securities listed therein:

**PHILIPPINE STOCK EXCHANGE**                      **COMMON STOCK**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes  No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

13. The aggregate market value a s of the voting stock held by non-affiliates is about **PHP1.3 Billion**, based on average price of Harbor Star common shares as of **31 December 2024**.



## SEC FORM 17-A

### TABLE OF CONTENTS

<b>PART I - BUSINESS AND GENERAL INFORMATION .....</b>	<b>3</b>
Item 1. Business .....	3
Item 2. Properties .....	15
Item 3. Legal Proceedings .....	18
Item 4. Submission of Matters to a Vote of Security Holders .....	18
<b>PART II - OPERATIONAL AND FINANCIAL INFORMATION .....</b>	<b>18</b>
Item 5. Market for Issuer's Common Equity and Related Stockholder Matters .....	18
Item 6. Management's Discussion and Analysis .....	20
Item 7. Financial Statements .....	33
Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure .....	33
<b>PART III - CONTROL AND COMPENSATION INFORMATION .....</b>	<b>34</b>
Item 9. Directors and Executive Officers of the Issuer .....	34
Item 10. Executive Compensation .....	41
Item 11. Security Ownership of Certain Beneficial Owners and Management .....	42
Item 12. Certain Relationships and Related Transactions .....	43
<b>PART IV - CORPORATE GOVERNANCE .....</b>	<b>43</b>
Item 13. Corporate Governance .....	43
<b>PART V - EXHIBITS AND SCHEDULES .....</b>	<b>45</b>
Item 14. Exhibits and Reports on SEC Form 17-C .....	45
<b>SIGNATURES .....</b>	<b>46</b>

## PART I - BUSINESS AND GENERAL INFORMATION

### ITEM 1. BUSINESS

#### 1.1 BUSINESS DEVELOPMENT AND UPDATES

##### *Parent Company*

Harbor Star Shipping Services, Inc. (“Harbor Star” or “the Company” or “Parent Company”) was registered with the Securities and Exchange Commission (“SEC”) on 05 July 1988 under the name “Seatows, Inc.” with the primary purpose of engaging in domestic and international towage, commerce, and navigation in the carriage of goods and passengers by water upon the seas, lakes, rivers, canals, bays, harbors, and other waterways.

Through the years, Harbor Star amended its Articles of Incorporation to engage in other business endeavors. It is now a company with diversified businesses interests ranging from towing to construction to energy.

For its maritime business, Harbor Star is the leading marine services company having the widest area of service coverage and most diverse service lines. In 2009, the Company raised the bar in the tug industry when it was certified as being compliant with ISO 9001:2015 for quality management system, ISO 14001:2015 for environmental management system, and OHSAS 45001:2018 for occupational health safety management system. The Company continues to maintain and upgrade its certifications with DNV.

From its initial office in Manila in 1998, Harbor Star now has offices in Batangas, Cebu, Davao, Cagayan de Oro, Iloilo, Subic, and Zamboanga.

On 30 October 2013, Harbor Star’s common shares were listed in the Philippine Stock Exchange (“PSE”) following the initial public offering of 30.0% of its shares at an issue price of PHP1.88 per share.

In 2014, Harbor Star through its subsidiary, Peak Flag Sdn. Bhd. (“Peak Flag”) became the first Filipino tugboat company to operate in Malaysia. Its tugs render harbor assist and ship-to-ship transfer operations at Malacca, Malaysia under a service contract in force until 2020.

In 2016, Harbor Star created the Diving, Marine Maintenance and Construction (“DMMC”) Division and secured its Contractor’s License with the Philippine Contractors Accreditation Board (“PCAB”) to engage in general construction and engineering in the Philippines. The Company obtained its Triple “A” PCAB License in 2018 allowing it to take on a broader and more complex range of projects.

In 2017, Harbor Star formalized its entry into the energy industry when it incorporated a wholly owned subsidiary, Harbor Star Energy Corporation (“HSEC”). In 2018, HSEC acquired 100% shareholdings of ASTRONERGY Development Gensan Inc. (“ADGI”), and 100% of ADGI’s subsidiaries, ASTRONERGY Development F1, Inc. (“ADF1”) and ASTRONERGY Development F2, Inc. (“ADF2”) The said acquisitions allowed Harbor Star, thru HSEC, to own and control a 25 MW solar power plant project, with option to expand to 75 MW, in General Santos City.

In February 2018, Harbor Star incorporated a wholly owned subsidiary, Harbor Star East Asia (Myanmar) Ltd.

In August 2018, the Company acquired 31% of the outstanding capital stock of tugboat operator High Energy Marine Services, Inc. ("HEMSI"). HEMSI is the dominant tugboat operator in the Manila South Harbor, which is managed by Asian Terminals, Inc. ("ATI").

In April 2021, the SEC issued the certificate of incorporation of Harbor Star Construction ("HSCC"). HSCC is a wholly owned subsidiary of Harbor Star.

In September 2021, Harbor Star together with T&T Salvage of the United States, successfully salvaged the Panamanian registered Bulk Carrier "Ambition Journey". The massive 189-meter vessel ran aground last 02 August 2021 in Sulangan Island in Guiuan town, Eastern Samar. Harbor Star and T&T continue to coordinate with the Philippine Coast Guard ("PCG") and the appropriate local government units to ensure the orderly departure of Ambition Journey and the protection of the marine environment.

In January 2022, Harbor Star was hired by ILA Adventures, Inc. to salvage the yacht M/Y Infiniti which ran aground in Cebu on 16 December 2021 due to Typhoon "Odette".

In February 2022, Harbor Star was hired by the owners of M/V Sunny Link for the safe grounding, oil spill response, and bunker removal of the said vessel, which suffered heavy mid-ship damage while on her voyage to China. Likewise, in March 2022, the cargo owners separately hired Harbor Star to arrange the transfer of 471 steel slabs from the Vessel to another vessel for the safe delivery of the cargo to China.

Also in February 2022, Harbor Star was hired by the Owners of vessel Scorpio Honor, which was fully laden with nickel ore, to refloat the vessel after she ran aground in Quezon, Palawan.

In April 2022, Harbor Star was hired by Sub-See Philippines, Inc. for the wreck removal of vessels Yume and Wakaseto which capsized at Pier 3, due to Typhoon Odette.

In October 2022, Peak Flag, took delivery of M/T Izar at Port Klang, Malaysia. The 48-ton bollard pull rated tugboat was acquired by Peak Flag from Japan to meet the current market demand for harbor tugs in Malaysia. M/T Izar joins Peak Flag's fleet of 3 other tugs, which are already on time charter with major ports and clients in Malaysia.

On 07 March 2023, Harbor Star was hired by the owners of the M/V Princess Empress for the deployment of manpower and resources for shoreline clean-up and oily waste disposal, after it sank on 28 February 2023, while en route from Bataan to Iloilo. The vessel was carrying 800,000 liters of industrial oil before it sank.

In October 2023, the SEC approved the incorporation of Kaibuok Star Shipyard Inc. ("KSSI"), with Harbor Star bought 30% of KSSI's capital stock, while Malaysian company Kaibuok Shipyard (M) Sdn. Bhd. subscribed and paid for 70% equity.

In November 2023, Harbor Star signed a Memorandum of Agreement with the Provincial Government of Ilocos Norte ("PGIN") to commit to the Bislak River Restoration Project, covering 1.5 km of river mouth and navigational access. It will also cover 26 km of the Bislak River Dredging Zone, including five sites.

In 25 July 2024, Harbor Star were tapped to clean-up the oil spill and siphon the remaining oil from the sunken tanks of the capsized M/T Terra Nova which was carrying 1.4 million liters of industrial fuel off the coastal town of Limay, Bataan due to Typhoon Carina. The oil slick from the spill also affected other regions of the country including Cavite, Bulacan, Metro Manila, and Batangas.

2024 has also proven to be a milestone for the Diving and Marine Maintenance, in tandem with the company's Construction Segment, Harbor Star successfully completed numerous projects.

Projects include Jetty Steel Piles Refurbishment in Lanao del Norte, refurbishment and installation of fenders and pipeline services in Olongapo, Zambales and in Subic Zambales.

In December 2024, Harbor Star continued its market dominance rendering its core competence of harbor assist by assisting 4,833 foreign vessels and 3,568 domestic vessels during the year. The Company also won biddings and contracts as it sought to strengthen its market position and develop its other service lines.

### The Impact of Geopolitical Tension

While the recent geopolitical tension does not pose significant threat to the Philippine economy, seeing as it remained strong and robust despite the challenges, being the country indirect trade partners of belligerent nations, spillover effect is already felt through in commodities such as fuel and oil.

Globally though, it exacerbates the still recovering shipping industry from the COVID-19 pandemic. Challenges such as route diversions and increase transit times already contributed to the reliability of global supply chains, causing higher shipping and fuel costs. Additionally, US's recent protectionism policy threatens to tip scales worldwide battle against inflation, and further disrupt shipping, and proliferate consumer prices.

In response to the challenges, Harbor Star remains optimistic and implemented measures to adapt to the continuously and rapidly evolving market trends.

The Company adopted strict measure to optimize resources while maintaining integrity and security of its fleet and manpower.

### *Subsidiaries*

#### Peak Flag Sdn. Bhd.

Peak Flag Sdn. Bhd. ("Peak Flag") was incorporated in Malaysia on 18 October 2011. Peak Flag aims to provide marine services at select ports in Malaysia which exhibit high vessel traffic and the opening of additional berthing areas.

Peak Flag's commercial operations commenced in February 2015 with M/T Hamal operating at Malaysia's North port. Months after Peak Flag brought in an additional vessel, M/T Mirzam, which operated at Kuantan Port.

In 2019, Peak Flag was awarded a contract to provide harbor tug services to Westports Malaysia Sdn. Bhd. in Port Klang, Malaysia ("Westports Malaysia"). Peak Flag will provide a sixty (60) ton bollard pull tug for a period of three (3) years with an option for extension for another two (2) years. On 30 May 2019, Peak Flag acquired the 2500 bhp M/T Pollux.

In August 2022, the contract of Pollux was renewed by Westports Malaysia for another three plus two (3+2) years. Subsequently, on 10 September 2022, M/T Mirzam was awarded a 1-year contract from Penang Port.

In October 2022, Peak Flag Sdn Bhd, took delivery of M/T Izar at Port Klang, Malaysia. The 48-ton bollard pull rated tugboat was acquired by Peak Flag from Japan to meet the current market demand for harbor tugs in Malaysia.

Harbor Star owns a 45.0% stake at Peak Flag.

### Harbor Star Subic Corp.

Harbor Star Subic Corp. (“HSSC”) was registered with the SEC on 17 September 2015. Its primary purpose is to engage in marine-related ancillary services such as harbor assistance, towage, lighterage, oil-spill response, and underwater marine services.

HSSC commercial operations commenced in 2016 with the arrival of its first vessel M/T Lucida.

In December 2018, Harbor Star Subic has now deployed two vessels, M/T Lucida and M/T Zaniah, to service calling the economic zone.

On 15 March 2019, Harbor Star Subic acquired the 3,600 BPH M/T Jabbah to support its operations in Subic.

Harbor Star owns 99.9% of HSSC.

### Harbor Star Energy Corporation

On 11 May 2017, the SEC approved the incorporation of Harbor Star Energy Corporation (“HSEC”), a wholly owned subsidiary of the Company. The primary purpose of HSEC is to carry on the general business of generating, distributing, and storing electric power derived from solar energy, other renewable energy sources and fuels.

In 2018, HSEC acquired 100% shareholdings of ASTRONERGY Development Gensan Inc. (“ADGI”), and 100% of ADGI’s subsidiaries, ASTRONERGY Development F1, Inc. (“ADF1”) and ASTRONERGY Development F2, Inc. (“ADF2”) The said acquisitions allowed Harbor Star, through HSEC, to own and control a 25 MW solar power plant project, with an option to expand to 75 MW, in General Santos City.

As of 31 December, 2024, ADGI has delivered 39,694,564 KWh of electricity to Wholesale Electricity Spot Market (WESM).

Harbor Star owns 99.9% of HSEC.

### Harbor Star East Asia (Myanmar) Ltd.

On 15 February 2018, the Republic of the Union of Myanmar approved the incorporation of Harbor Star East Asia (Myanmar) Ltd., a wholly owned subsidiary of Harbor Star, primarily to explore several business opportunities in Myanmar by marketing its expertise in integrated maritime services.

As of 18 May 2021, the registered office of HSEA is located in Yangon, Myanmar. There is currently no operation due to the current political struggle and COVID-19 pandemic.

Harbor Star owns 99.99% of HSEA.

### Harbor Star Construction Corporation

On 23 April 2021, the SEC issued the certificate of incorporation of Harbor Star Construction Corporation (“HSCC”). HSCC's primary purpose is to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.

In 2024, HSCC successfully completed a significant number of projects, including the Design and Building of Concrete Jetty in Davao, a 150 Core Shelter Units in BARMM, Maguindanao. Further, in cooperation with Harbor Star Diving and Marine Maintenance Department, HSCC completed the refurbishment and installation of fenders and buoy and pipeline service in Marivels, Bataan.

Moving forward, HSCC consistently delivers services on on-going projects while eagerly exploring new opportunities.

Harbor Star owns 100% of HSSC.

### Kaibuok Star Shipyard Inc.

On 23 February 2019, the SEC issued the certificate of incorporation of Kaibuok Star Shipyard Inc., with Harbor Star subscribed to 30% of the issued and outstanding capital stock, while 70% was subscribed and paid up by Kaibuok Shipyard (M) Sdn. Bhd., a company organized and existing in Malaysia.

KSSI's primary purpose is to build, construct, fabricate, repair, own, manage, operate, maintain, buy, sell, or otherwise deal in with ships, vessels, boats, and marine structures of every kind and nature, graving docks, drydocks, floating docks, various land, and other structures and other conveniences for building, repairing, or docking od ships and other vessels for building and repairing marine and other land structures.

## **1.2 BUSINESS OF THE ISSUER**

### **1.2.1 OVERVIEW**

Harbor Star offers a wide range of indispensable maritime services such as harbor assistance, towing, lighterage, ship salvage, marine construction, repair and maintenance works, wreck removal, firefighting, oil spill abatement and recovery, handling hazardous chemical, ship and crew management, diving, and underwater marine works.

With strategically deployed tugs in Luzon, Visayas, and Mindanao, Harbor Star is renowned as having the widest area of coverage of tug services in the Philippine archipelago.

As of 31 December 2024, Harbor Star, including its domestic subsidiaries and affiliates, has established operations in eleven (11) base ports all over the country, providing services to approximately eight thousand four hundred one (8,401) ships as of yearend 2024. The major ports that the Company services include: the Manila International Container Terminal ("MICT"), Manila South Harbor, Bataan, Batangas, Cagayan de Oro ("CDO"), Cebu, Davao, and Iloilo.

The Company maintains and manages a fleet of: fifty-one (51) domestically and internationally classed tugboats; seven (7) barges; one (1) Landing Craft Tank (LCT); and one (1) Dredger. The company has a total of sixty (60) vessels.

## 1.2.2 MARINE SERVICES

Harbor Star derives the bulk of its revenues from six (6) main service lines, namely; (a) harbor assistance, (b) lighterage, (c) towing, (d) salvage, (e) marine construction, repair and maintenance works and (f) other marine services. Other marine services include oil and chemical spill response, diving and underwater services, and ship and crew management.

**Harbor Assistance.** Harbor Star focuses its harbor assistance operations at ports with heavy vessel traffic, such as MICT, and the ports of Bataan, Batangas, CDO, Cebu and Davao. In addition to public or open ports, Harbor Star also provides services to a number of private ports managed by corporations engaged in the oil and gas, power, and mining industries.

As of 31 December 2024, revenues from harbor assistance amounted to PHP1,875 million, equivalent to 66% of total revenue.

**Lighterage.** Harbor Star's tug and barge tandems are capable of transporting different types of cargo domestically and within the region. For lighterage services, Harbor Star charges the client a fixed charter rate. The charter rate covers the use and maintenance of the vessel, crewing, insurance, and administrative support costs incurred during operations.

As of 31 December 2024, revenues from lighterage services amounted to PHP56 million, equivalent to 2% of total revenue.

**Salvage.** Salvage is any act or activity undertaken to assist a vessel or any other property in danger in navigable waters or in any other waters. Using international methods and standards, Harbor Star offers the following salvage services:

- a. Vessels in distress – This includes instances when vessels are on fire, capsized or sinking vessels, among others, that require rescuing.
- b. Wreck removal – This includes refloating of vessels that ran aground, retrieval of vessels, among others.
- c. Wayward vessels – This pertains to breakaway or abandoned vessels drifting afloat and wandering into waters that are vulnerable to collisions and other maritime accidents.

As of 31 December 2024, revenues from salvage operations amounted to PHP6 million, equivalent to 0.23% of total revenue.

**Towing.** Harbor Star provides services in various stages of the towing cycle, from planning activities to the actual towage operation. The company provides two (2) types of towing services:

- a. Regular towing – when a tugboat is chartered to tow a vessel or barge from one port to another port.
- b. Emergency towing – when a vessel in distress needs a towing service.

As of 31 December 2024, revenues from towing services amounted to PHP39 million, equivalent to 1% of total revenue.

**Construction, Repair and Maintenance Works.** Harbor Star strengthened its marine ancillary services by offering port construction, pier repair, port-related development, road development, and other non-residential construction.

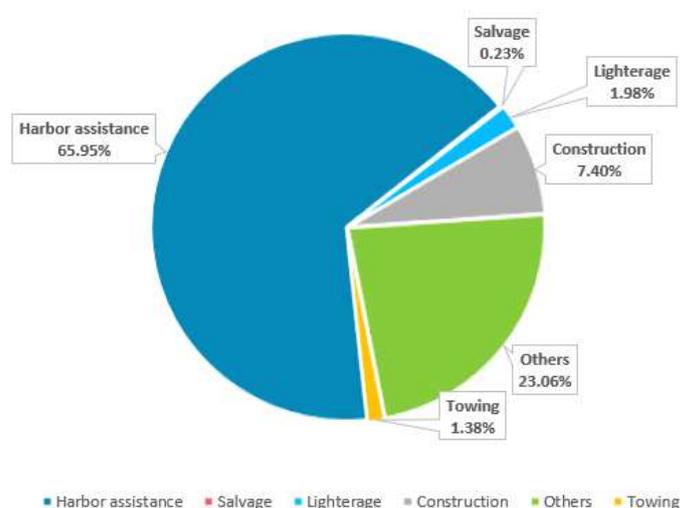
As of 31 December 2024, revenues from other construction, repair and maintenance work amounted to PHP210 million, equivalent to 7% of total revenue.

**Other Marine Services.** Harbor Star’s marine and other ancillary services include:

- a. Oil and Chemical Spill Response
- b. Ship repairs
- c. Buoy construction deployment and maintenance
- d. Diving services, which includes underwater repairs, and Single Buoy Moorings (SBM) and repair
- e. Ship and crew management
- f. Fire fighting
- g. Offshore tug services

As of 31 December 2024, revenues from other marine services amounted to PHP655 million, equivalent to 23% of total revenue.

**Service Income as of December 31, 2024**



### 1.2.3 MARKET

As of 31 December 2024, Harbor Star services have approximately one hundred seventy (170) ports within the Philippines, of which eleven (11) are base or hub ports. These base ports include the following:

1	Bataan	5	Davao	9	Manila
2	Batangas	6	Iligan	10	Subic
3	Cagayan de Oro	7	Iloilo	11	Zamboanga
4	Cebu	8	Leyte		

In some of the base ports mentioned above, there are a number of sub-ports or privately owned and operated ports that the Company also provides maritime services; including six (6) sub-ports in Bataan, six (6) in Batangas, six (6) in Iloilo, fourteen (14) in Cagayan de Oro, fifteen (15) in Davao, seven (7) in Zamboanga, and fifteen (15) in Cebu.

#### **1.2.4 COMPETITION**

In the marine services industry, the Company has identified Davao Gulf Marine Services, Inc. ("DGMI"), Malayan Salvage and Towage Corporation ("Salvtug"), Pacificrose Shipping Services Inc. ("Pacific Rose"), and Sedar Tug Services Corp. as significant competitors. In addition, North Harbor Tugs, Eagle Asia Marine, Malayan Maritime, Svitzer, JC&V Logistique, Zamboanga Tugs Marine, Aleson Shipping, Assist Tow, Amarr Marine, Fortis Tugs Corporation, Metro Cebu Tugs Services, Venus Marine, Iligan Coast Marine Services, Genesis Tugs Services, and FF Cruz & Co. are regional competitors.

While there are several tug operators, only Salvtug compares to the Company in terms of services offered and market reach.

Harbor Star believes it can effectively and successfully compete in the marine services industry given that it has the widest area of coverage among harbor assistance service providers. The strategic positioning of its fleet allows the Company to rapidly deploy its vessels to service a vast number of ports nationwide.

Further, Harbor Star is acknowledged as being at par with international standards proven by its accreditation from various local and domestic associations. The accreditations and memberships in the organizations, which impose very stringent entry requirements, bolster Harbor Star's image of focusing on quality of service and safety of operations, both of which are of paramount importance when dealing with multinational clients.

Finally, Harbor Star has a classed vessel fleet and an established maintenance and dry-docking program for its vessel fleet to ensure optimal engine performance and hull quality. Having classed vessels distinguishes the Company's fleet as meeting operational and safety standards. Its vessel maintenance and dry-docking program minimizes the potential for engine breakdowns, engine overhauls, and other types of repairs.

#### **1.2.5 PRINCIPAL SUPPLIERS**

Harbor Star is not dependent on a single supplier, nor has it executed a major supply contract. For its primary cost for operation, fuel expense which as of 31 December 2024 accounts for 33% of total cost of service, the Company maintains seven (7) fuel suppliers namely: Paragon Petroleum Corp., Unioil, Peitrilium Corporation, Megs Fuels and Lubes Inc, PTT Philippines Corporation, Mad Power Corporation, and Kingdom Energies Corporation.

Meanwhile, Harbor Star purchases its tugboats from the following traders namely: Fuji Kaiji Company Ltd., Ocean Wing Corporation, One Royal Shipping Pte Ltd, Pacific Workboat Pte Ltd and JX Nippon Oil & Energy Marine Service Corporation.

#### **1.2.6 CUSTOMERS**

Harbor Star services a variety of customers, including but not limited to, domestic and international containerized vessels, bulk carriers, and Port Operators. The Company also services cement, mining, and power generation companies while also catering to government projects that were awarded to the company through biddings.

### 1.2.7 RELATED PARTIES

The Company, in its ordinary course of business, engages in transactions with its affiliates. Transactions with related parties include investments in and advances granted to or obtained from the related parties. Advances granted to and obtained from the related parties are for working capital requirements and other related purposes. Other related parties include investees which investments are accounted for under the equity method and other entities which are owned and managed by investors/owners of the Company.

Major related party transactions are discussed in Note 21, *Related Party Transactions*, to the Annual Audited Financial Statements.

### 1.2.8 INTELLECTUAL PROPERTY, LICENSES, CONTRACTS, AND AGREEMENTS

Harbor Star's operations require various licenses and permit from different government offices and agencies. Government approvals are discussed further under "Government Regulations and Licenses".

Contracts and agreements that the Company entered into are done in the ordinary course of business, which include but are not limited to tugboat charter agreements, marine tugboat service agreements or service contracts, purchase agreements, marketing agreements, and insurance contracts.

### 1.2.9 GOVERNMENT REGULATIONS AND LICENSES

The government approvals required for services rendered by the Company are enumerated in the succeeding table below, including the issuing government agency, validity of license/accreditation, and expiration date of license/accreditation.

**Table 1: Summary of Licenses & Accreditation  
As of Dec 31, 2024**

No	Document Name	Issuing Government Agency	Validity	Issued Date	Expiration
1	Permit to Operate - Port of Batangas Baseport (Towing / Tugging Services)	Philippine Ports Authority	3 years	31-May-24	31-May-27
2	Permit to Operate - Private Port of PNOC-EC Energy Supply Base in Mabini Batangas (Towing / Tugging Services)	Philippine Ports Authority	3 years	31-May-24	31-May-27
3	Permit to Operate - Private Port of First Gas Power Corporation in Sta. Rita Batangas City (Towing / Tugging Services)	Philippine Ports Authority	3 years	31-May-24	31-May-27
4	Permit to Operate - Private Port of Himmel Industries Inc in Brgy Pinamucan Ibaba, Batangas City (Towing / Tugging Services)	Philippine Ports Authority	3 years	11-Sep-24	11-Sep-27

5	Permit to Operate - Private Port of LMG Land Development Corporation in Bgry. Pinamucan, Batangas City (Towing / Tugging Services)	Philippine Ports Authority	3 years	11-Sep-24	11-Sep-27
6	Permit to Operate - Private Port of Bauan International Port Inc in Bauan Batanags (Towing / Tugging Services)	Philippine Ports Authority	3 years	31-May-24	31-May-27
7	Coastal Radio Station License	NTC	3 years	8-May-24	19-May-27
8	Underwater Survey	MARINA	3 years	27-Jun-24	13-Jun-27
9	Certificate of Accreditation	Philippine Ports Authority	3 years	28-Feb-25	27-Feb-28
10	Salvor Certificate	Philippine Coast Guard	3 years	13-Dec-22	13-Dec-25
11	Domestic Shipping Business	MARINA	3 years	5-Apr-23	31-Mar-26
12	Permit to Operate - MICT	Philippine Ports Authority	3 years	12-Dec-23	10-Dec-26
13	Permit to Operate - MICT (Bunkering)	Philippine Ports Authority	3 years	12-Dec-23	10-Dec-26
14	Permit to Operate - Bataan / Aurora (Towing / Tugging Service)	Philippine Ports Authority	3 years	1-Jan-24	31-Dec-26
15	Permit to Operate - Port of Baseport - Cagayan De Oro (Towing / Tugging Service)	Philippine Ports Authority	3 years	11-Jan-24	09-Jan-27
16	Permit to Operate - Port of Surigao (Baseport - Towing / Tugging Service)	Philippine Ports Authority	3 years	11-Jan-24	09-Jan-27
17	Permit to Operate - PMO Misamis Occidental / Ozamiz (Towing / Tugging Service)	Philippine Ports Authority	3 years	13-Jan-24	11-Jan-27
18	Permit to Operate - Port Jurisdiction of Lanao Del Norte / Iligan (Towing / Tugging Service)	Philippine Ports Authority	3 years	12-Jan-24	11-Jan-27
19	Permit to Operate - Zamboanga (Towing / Tugging Service)	Philippine Ports Authority	3 years	16-Jan-24	14-Jan-27
20	Permit to Operate - Western Leyte / Biliran - Pasar, Isabel Leyte (Towing / Tugging Service)	Philippine Ports Authority	3 years	17-Jan-24	15-Jan-27
21	Permit to Operate - Zamboanga Del Norte (Towing / Tugging Service)	Philippine Ports Authority	3 years	2-Feb-24	31-Jan-27
22	Permit to Operate - TMO - Pasig	Philippine Ports Authority	3 years	7-Mar-24	06-Mar-27
23	Permit to Operate - Puerto Princesa, Palawan	Philippine Ports Authority	3 years	27-Mar-24	26-Mar-27
24	Permit to Operate - Negros Oriental / Siquijor (Towing / Tugging Service) - Port of Tandayag	Philippine Ports Authority	3 years	3-Apr-24	02-Apr-27
25	Certificate of Public Convenience (CPC)	MARINA	25 years	13-Jul-12	13-Jul-37

### 1.2.10 EFFECTS OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS ON THE BUSINESS

The Company believes that it complies with relevant laws, rules, and regulations for all the business activities that it is currently engaged in. The Company cannot provide assurance that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail further exploration or development. Additionally, new rules and regulations that may be enacted may increase the Company's operating costs and may adversely affect the Company's results of operations and financial condition.

### 1.2.11 DEVELOPMENT ACTIVITIES EXPENSES

The company's efforts in strengthening its core business in harbor assistance with its international subsidiary led to Peak Flag Sdn. Bhd. the purchase of M/T Izar at Port Klang, Malaysia. The 48-ton bollard pull rated tugboat was acquired by Peak Flag from Japan to meet the current market demand for harbor tugs in Malaysia.

### 1.2.12 SAFETY, QUALITY, MAINTENANCE, AND COMPLIANCE WITH ENVIRONMENTAL LAWS

Safety, Quality, Maintenance, and Compliance with Environmental Laws are discussed in the Sustainability Report.

### 1.2.13 EMPLOYEES

As of 31 December 2024, the Company has a total of six hundred thirty-one (631) employees, of which four hundred forty-one (441) are crewmen and are stationed at various ports of operation, while the other one hundred ninety (190) employees are office personnel or are members of support services.

Benefits received by employees include government mandated benefits (Social Security System, Pag-Ibig, and Philhealth), rice subsidies, vacation leave of fifteen (15) days per year, health plans, and retirement pay. The Company supports employee development through the conduct of in-house seminars, drills, and training. Employees are enrolled in various technical, professional, management, and leadership training, here and abroad. The Company has no existing collective bargaining agreement with its employees. Furthermore, there is no labor union in the Company. Also, there has been no incidence of labor strikes in the past three (3) years up to the present. There is also no impending or threatened labor strike.

The following table presents the breakdown of employees per category and employment status.

**Table 2: Employee per Category**  
*As of 31 December 2024*

Category	Regular/ Probationary	Casual	Total
Office of the President	22	0	22
Operations	66	1	67
Finance & Procurement	29	0	29
DMCC	14	16	30
Support Services	33	0	33
Sales & Marketing	9	0	9
Vessel (Crew Members)	370	71	441
<b>Total</b>	<b>543</b>	<b>88</b>	<b>631</b>

#### 1.2.14 DISCUSSION OF RISKS

*Tugboats, the Company's primary assets, are susceptible to maritime accidents such as collision with target vessels and/or to the port where it is docked while in the course of operations.* Such accidents may result in extensive damage to the tugboat's hull and may result to the integrity and safety of the tugboat being compromised or even a complete loss of the tugboat. To mitigate this risk, the Company ensures that its crew members have undergone necessary orientations and trainings on operations and safety. Crewmen are also required to complete quarterly safety training seminars, semi-annual IMS seminars, and yearly assessments to promote the progressive enhancement of their skills. The Company also conducts drills to ensure crew safety and minimize damage to property and the environment.

*Harbor Star's operations are susceptible to acts of piracy and terrorism as the clients it services are potential targets of maritime pirates and terrorists.* To mitigate this risk, the Company works closely with the PCG and the Philippine National Police to ensure safety during operations. The Company also maintains insurance policies for its vessel fleet to shield it from losses arising from vessel damage, including war-risk coverage for tugboats deployed at high-risk areas.

*Tugboats, which are mechanical vessels, are susceptible to regular wear and tear that can cause operational downtime and opportunity losses for the Company.* To mitigate this risk, the Company has a programmed maintenance schedule for its tugboats. The Company also allocates extra tugboats at major ports to limit the suspension of operations. It also has a strategic deployment plan to allow quick redeployment of tugboats in ports where they are needed.

*Harbor Star is obliged to continue investing in capital-intensive assets such as its tugboat fleet in order to remain competitive in the market, thus necessitating significant capital expenditures on a regular basis.* To address this, the Company formulated a re-fleeting plan that presents a systematic retirement and acquisition of tugboats.

*Harbor Star is exposed to the volatility of global petroleum prices since diesel fuel is a key component in tug operations.* In the event of a sudden increase in world petroleum prices, the Company may not be able to impose a reactionary increase in its service fees in order to keep clients and will have to absorb the increase in direct costs, which will then decrease its profit margins. To mitigate this, the Company has negotiated tariff adjustments to ensure that a certain margin is maintained by the Company for each assist.

*Harbor Star bears the risk of losing its technically skilled boat-captains, engineers, and crewmen that seek employment in other countries that offer more attractive compensation packages.* Given the technical expertise and experience necessary in operating tugboats, foreign companies seek to recruit personnel from the Philippine shipping industry. To mitigate this, the Company progressively evaluates its employees' compensation packages and overall job satisfaction.

*The vertical integration of port operators may result in Harbor Star's loss of some clients.* Private port operators may choose to provide tug assistance services themselves, thereby negating the need for third party tug assistance services providers. To mitigate this risk, Harbor Star constantly markets and seeks new clients. The Company also strives to maintain a high service quality to satisfy existing clients.

*At present, the Philippine government is looking at possible privatization of certain public ports, which may increase the barrier to entry for Harbor Star into new ports and displace the Company from current ports serviced.* Port operators of such privatized ports may opt to engage an exclusive tug assistance services provider. The Company is currently expanding its port coverage and is dedicated to maintaining market share at current ports it services. It is also strengthening its operations in other service lines such as lighterage and salvage.

*The prospective deregulation of Philippine ports may cause the removal of existing cabotage restrictions and may increase the level of competition from foreign players, which may impede Harbor Star's plans in maintaining and increasing market share at the ports it currently services and penetrating up and coming ports.* Existing law disallows the entry of foreign marine services providers in the Philippines as long as there exists a Philippine entity that has the capability and capacity to provide the specific marine service. A repeal of this law will allow foreign operators to service ports that the Company currently services. To address this, the Company co-founded the Harbor Tugowners Association of the Philippines or HTAP, which is an industry group formed to protect the interests of local marine service providers and aims to become the official organization of the industry.

*Harbor Star is exposed to reputational risk when the Company conducts salvage operations. Unsuccessful salvage attempts may have an adverse impact on Harbor Star's reputation.* To minimize such incidents, the Company implements risk assessment procedures that attempt to measure the probability of succeeding in a salvage operation. In addition, for major salvage projects, the Company partners with established institutional salvors based in Singapore, Australia, and the USA who initially fund the salvage operation. The Company also employs highly competent maritime professionals and requires its crew members to attend training seminars both locally and abroad to further improve their knowledge and proficiency in conducting salvage operations.

*Harbor Star's tugboats may inadvertently damage high-cost port infrastructure in the course of its operations and may expose the Company to potential lawsuits, resulting in financial expenditures. The port operators may also impose a service ban on the Company. These types of accidents may negatively affect the Company's reputation in the shipping industry and the general public.* To mitigate this, the Company hires highly competent crewmen and provides them with adequate training to progressively improve their skills. The Company also implements international best practices in its systems and operational safety procedures. Financial liabilities arising from these occurrences are covered by the Company's indemnity coverage from the Shipowners' Mutual Protection and Indemnity Association (Luxembourg), a P&I Club to which Harbor Star is a contributor.

*The COVID-19 pandemic may result in Harbor Star's decrease in clients served due to less foreign vessels calling the Philippines.* To mitigate this, the Company initiated internal cost saving measures requiring departments and units to reduce fixed costs by 5% - 15%. These measures included terminating outsourced non-essential services, renegotiating with/changing suppliers, merging of office functions, and suspending non-critical office activities and programs. Further, the Company has also focused on generating more revenue from its other service lines such as its special projects division which focuses on construction and provision of specialized marine services.

## **ITEM 2. PROPERTIES**

### **2.1 PRINCIPAL FACILITIES (FLEET)**

Harbor Star maintains and manages a fleet of fifty-one (51) domestically and internationally classed tugboats; seven (7) barges; one (1) Landing Craft Tank (LCT); and one (1) dredger. The company has a total of sixty (60) vessels. The table below enumerates the Company's fleet as of 31 December 2024.

**Table 3: Fleet List**  
As of 31 December 2024

NO.	VESSEL NAME	ENCUMBRANCE
1	M/T ACHERNAR	Mortgage
2	M/T ADARA	Mortgage
3	M/T AGENA	Mortgage
4	M/T ALPHARD	Mortgage
5	M/T ALUDRA	Mortgage
6	M/T ALYA	Free Asset
7	M/T ARNEB	Mortgage
8	M/T ATRIA	Mortgage
9	M/T CANOPUS	Free Asset
10	M/T CAPELLA	Mortgage
11	M/T CAPH	Free Asset
12	M/T DABIH	Free Asset
13	M/T DENEK	Mortgage
14	M/T DUBHE	Mortgage
15	M/T ENIR	Mortgage
16	M/T GALINA	Mortgage
17	M/T GIEDI	Mortgage
18	M/T GREAT HAWK	Chartered
19	M/T GREAT LARK	Chartered
20	M/T HOMAM	Mortgage
21	M/T JABBAH	Free Asset
22	M/T KEID	Mortgage
23	M/T KRAZ	Mortgage
24	M/T LUCIDA	Mortgage
25	M/T MARKAB	Mortgage
26	M/T MERAK	Mortgage
27	M/T MERGA	Mortgage
28	M/T MIMOSA	Mortgage
29	M/T MINKAR	Mortgage
30	M/T MIRA	Mortgage
31	M/T MIZAR	Mortgage
32	M/T PROCYON	Free Asset
33	M/T PROPUS	Mortgage
34	M/T REGULUS	Mortgage
35	M/T RIGEL	Mortgage
36	M/T SAIPH	Free Asset
37	M/T SARGAS	Mortgage
38	M/T SARIN	Mortgage
39	M/T SHAULA	Mortgage
40	M/T SIRIUS	Mortgage
41	M/T SKAT	Mortgage
42	M/T SPICA	Mortgage

43	M/T TABIT	Mortgage
44	M/T TYL	Mortgage
45	M/T WEZEN	Mortgage
46	M/T ZANIAH	Mortgage

MALAYSIA TUGBOAT		
47	TB HAMAL	None
48	TB IZAR	None
49	TB MIRZAM	None
50	TB POLLUX	Mortgage
51	TB SYRMA	None

BARGES		
1	Barge AQUILA	Mortgage
2	Barge AURIGA	Mortgage
3	Barge CENTAURUS	Mortgage
4	Barge CORONA	None
5	Barge CORVUS	Mortgage
6	Barge HYDRUS	Mortgage
7	Barge KENRAM	Mortgage

OTHER MARINE VESSELS		
1	LCT DRACO	Mortgage
2	Dredger HYDRA	Mortgage

## 2.2 OTHER PROPERTIES

The Company invested in the following properties and/or mortgages the same:

- a. A 1,253.38 sq. m. parcel of land located at 2224 A. Bonifacio St. cor. Pres. Sergio Osmeña Highway, Bangkal, Makati City with improvements consisting of a 2-storey commercial building.
- b. A 377 sq. m. parcel of land located at Lot 11, Block 8, Phase 5A, Ayala Greenfield Estates, Calamba City, Laguna.
- c. A 356 sq. m. parcel of land located at Bansalangin Street, Barangay San Martin De Porres, Parañaque City.
- d. A 200 sq. m. parcel of land located at No. 31 Belarmino St., Bangkal, Makati City with improvements consisting of a 7-storey commercial building.
- e. 95 sq. m. office condominium units with 2 parking units at 12.5 sq. m. each located at 11th Ave. cor. 26th Street, High Street South Block, Bonifacio Global City, Taguig.
- f. A 39,930 sq. m. parcel of land located at Brgy. Balanga, Lemery, Batangas.

The Company leases/exercises real rights over the following properties for its operations:

- a. An 80 sq. m. office space located at Door No. 2, G/F, Bldg. 1, Insular Village Phase 1, Lanang, Davao City with a lease rate of PHP17,000.00 per month plus 12.0% VAT.
- b. A commercial 71 sq. m. office located at Door 15B, 2nd Floor, Mio Central Arcade, Cugman, Cagayan De Oro City, monthly rate of 12,018.72.

- c. A 47.5 sq. m. office space located at Unit 1, Benley Building, J. De Veyra Street, North Reclamation Area, Cebu City, 6000 with a monthly lease rate of PHP20,160.00 net, inclusive of 12.0% input tax, less withholding tax, and PHP1,187.50 for common area maintenance services.
- d. A 400 sq. m. storage facility located at SOS, Mabini Batangas with a lease rate of US\$660.00 per month.
- e. A 54 sq. m. office located at Sea Boulevard, Unit 4 Brgy Libertad, Iloilo City with a lease rate of 16,200 plus VAT.
- f. A 27.27 sq. m. more or less located at 2nd Floor, Batangas Business Center, Calicanto, Batangas City, water and electricity exclusive, VAT inclusive at PHP17,507.34 per month.

### 2.3 ESTIMATED CAPITAL EXPENDITURES AND SOURCES OF FINANCING

Due to the COVID-19 pandemic and the effects of Russia-Ukraine war, the Company did not invest in any tugboat or any expansion activities in the Philippines.

### ITEM 3. LEGAL PROCEEDINGS

The Company has no pending legal proceedings which would materially affect its financial auditing or operational capability to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for the matters taken up during the regular annual meeting, held 13 July 2022 covered by the Company's SEC Form 20-IS report, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise during the calendar year covered by this report.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### 5.1 MARKET INFORMATION

Principal Market where Company's common equity is traded: **Philippine Stock Exchange**

Principal Market for the Company's common equity: **Philippine Stock Exchange**

Harbor Star's share was listed in the Philippine Stock Exchange on 30 October 2013. The Company's common stock is traded in the PSE under the stock symbol "TUGS". As of the latest practicable trading date on 31 March 2025, the share prices of Harbor Star were:

<b>Price/Common Share</b> <i>(in Philippine Peso)</i>	
Opening :	0.58
High :	0.61
Low :	0.58
Closing :	0.60

The high and low share prices for 2022, 2023, 2024 and first quarter of 2025 are indicated below:

Calendar Period	Price/Common Share (in Philippine Peso)	
	High	Low
<b>2025</b>		
1st Quarter	0.71	0.56
<b>2024</b>		
4th Quarter	0.82	0.59
3rd Quarter	0.78	0.55
2nd Quarter	0.69	0.51
1st Quarter	0.89	0.65
<b>2023</b>		
4th Quarter	0.90	0.71
3rd Quarter	0.95	0.75
2nd Quarter	1.06	0.88
1st Quarter	1.13	0.89
<b>2022</b>		
4th Quarter	1.22	0.87
3rd Quarter	1.38	0.84
2nd Quarter	1.06	0.62
1st Quarter	0.91	0.68

As of 31 March 2023, Harbor Star's public float is 30.93%.

## 5.2 HOLDER

The number of stockholders of record as of the latest practicable date on 31 December 2024 was 17. Common shares outstanding as of the same date were Nine Hundred Seven Million Eight Hundred Fifty-Seven Thousand Eight Hundred Seventy (907,857,870) shares.

The following are the Company's registered common stockholders as of 31 December 2024:

**Table 4: Registered Stockholders**  
*As of 31 December 2024*

	<b>Name</b>	<b>Number of Shares Held</b>	<b>% of Total</b>
1	PCD Nominee Corp – Filipino	748,672,812.00	83.69%
2	PCD Nominee Corp – Non-Filipino	62,021,070.00	6.93%
3	Bella Jr., Geronimo Dela Paz	42,000,000.00	4.69%
4	Ricardo Rodrigo Dela Paz Bella	41,553,487.00	4.64%
5	Maria Elizabeth Jean E. Bella	225,000.00	Less than 1.0%
6	Filomena G. Galicia	30,000.00	Less than 1.0%
7	Myra P. Villanueva	20,000.00	Less than 1.0%
8	Milagros P. Villanueva	19,000.00	Less than 1.0%
9	Gene S. De Guzman	10,000.00	Less than 1.0%
10	Myrna P. Villanueva	9,000.00	Less than 1.0%
11	Marietta V. Cabreza	9,000.00	Less than 1.0%
12	Juan Carlos V. Cabreza	9,000.00	Less than 1.0%
13	Felicitas F. Tacub	3,000.00	Less than 1.0%
14	Stephen G. Soliven	2,500.00	Less than 1.0%
15	Alfred Reiterer	1,500.00	Less than 1.0%
16	Jesus San Luis Valencia	1,500.00	Less than 1.0%
17	Joselito T. Bautista	1.00	Less than 1.0%

### 5.3 DIVIDENDS AND DIVIDEND POLICY

The Company's dividend policy empowers its Board of Directors to declare at least 20.0% of the Company's prior year's net income as dividends, whether in stock or in cash or a combination of both, payable out of its unrestricted retained earnings and at such time as the Board may deem proper. No dividend shall be declared that will impair the capital stock of the Company.

No dividends were declared in 2024.

### 5.4 RECENT SALE OF UNREGISTERED SECURITY

No sales of unregistered securities were executed in 2024.

### 5.5 DESCRIPTION OF REGISTRANT'S SECURITIES

Harbor Star's capital stock is all common shares and is listed in the Philippine Stock Exchange. A discussion of the Company's Capital Stock may be seen in Note 13 of the Audited Financial Statement.

## ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis relate to the consolidated financial condition and results of operations of Harbor Star Shipping Services, Inc., and its subsidiary (the "Group") and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of and for the year ended 31 December 2024. References to "Harbor Star" and "the Company" pertain to Harbor Star Shipping Services, Inc., Parent Company, while references to "the Group" pertain to Harbor Star Shipping Services, Inc. and its subsidiaries.

### 6.1 RESULTS OF OPERATION

The table shows a summary of the consolidated results of operations for the years ended 31 December 2024, 2023, and 2022 as derived from the accompanying audited financial statements.

**Table 5: Condensed Statements of Total Comprehensive Income**

<i>In PHP thousands</i>	<b>December 2024</b>	<b>December 2023</b>	<b>December 2022</b>	<b>% Change 2024 vs 2023</b>	<b>% Change 2023 vs 2022</b>
Service income, net of discounts	3,037,838	2,663,062	2,699,555	14.07%	(1.35%)
Cost of service	(2,152,268)	(1,806,331)	(1,645,928)	19.15%	9.75%
General and administrative expenses	(558,820)	(454,559)	(380,909)	22.94%	19.34%
Net impairment losses on financial assets	(12,212)	(47,103)	(111,383)	(74.07%)	(57.71%)
Impairment loss on goodwill	-	-	(154,207)		(100%)
Other income (loss), net	239,844	43,183	(40,666)	455.41%	218.5%
Finance cost	(265,160)	(278,752)	(290,590)	(4.88%)	(4.1%)
Share in profit of associates	(57,968)	5,707	(4,546)	(1,115.74%)	(225.54%)
Income tax benefit (expense)	(82,013)	(49,733)	20,458	64.91%	(343.10%)
Profit (loss) after tax	189,055	19,266	10,499	881.29%	83.5%
EBITDA (1)	1,115,205	922,786	787,952	20.85%	17.11%

EBIT (2)	533,458	342,044	285,176	55.96%	19.94%
Remeasurements on retirement benefits, net of tax	3,877	(2,615)	(16,323)	(248.26%)	(84.0%)
Share in other comprehensive income (loss) of associates	-	-	-	-	-
Basic and diluted earnings (loss) per share	0.126	0.00	0.00	281.82%	1,550%

(1) EBITDA is not a uniform or legally defined financial measure. It generally represents earnings before interest, taxes, depreciation, and amortization. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. EBITDA is also frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in the industry. The Group's EBITDA figures are not; however, readily comparable with other companies' EBITDA figures as they are calculated differently and thus, must be read in conjunction with related additional explanations. EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under PFRS. Some of the limitations concerning EBITDA are:

- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for working capital needs;
- EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal debt payments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in the industry may calculate EBITDA differently, which may limit its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of the business. The Group compensates for these limitations by relying primarily on the PFRS results and uses EBITDA only as supplementary information.

(2) EBIT, or Earnings Before Interest and Taxes, is calculated by taking net revenues and deducting cash operating expenses and depreciation and amortization.

## 6.2 COMPARISON OF OPERATING RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024 VS. 31 DECEMBER 2023

### Service income

The breakdown of service income is presented as follows:

**Table 6: Service Income Breakdown December 2024 vs. December 2023**

<i>In PHP thousands</i>	<b>December 2024</b>	<b>December 2023</b>	<b>% Increase (Decrease)</b>	<b>December 2024 % Contribution</b>	<b>December 2023 % Contribution</b>
Harbor assistance*	1,875,997	1,783,626	5.2%	61.8%	67.0%
Revenue on generation of solar power	193,362	140,330	37.8%	6.4%	0.3%
Salvage income	6,623	8,928	(25.8%)	0.2%	4.2%
Lighterage services	56,209	113,086	(50.3%)	1.9%	2.7%
Construction revenue	210,605	72,598	190.1%	6.9%	2.1%
Towing services	39,217	56,603	(30.7%)	1.3%	18.3%
Others	655,825	487,891	34.4%	21.5%	5.3%
<b>Service Income</b>	<b>3,037,838</b>	<b>2,663,062</b>	<b>14.1%</b>	<b>100%</b>	<b>100%</b>

\*Net of service discount, which refers to discounts given to client for Harbor assistance service only.

The Group's consolidated service income increased by 14.1% from PHP2,663.0 million to PHP3,037.8 million on December 31, 2023 and 2024, respectively.

Major positive contributor is the construction revenue which grew from PHP72.6 million on December 31, 2023 to PHP210.6 million on December 31, 2024 due to the project that has been completed during the year. Harbor assistance also grew from PHP1,783.6 million on December 31, 2023 to PHP 1,876 million on December 31, 2024 pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port.

Below presents the breakdown of the cost of services.

**Table 7: Cost of Services Breakdown December 2024 vs. December 2023**

<i>In PHP thousands</i>	<b>December 2024</b>	<b>December 2023</b>	<b>% Increase (Decrease)</b>	<b>December 2024 % Contribution</b>	<b>December 2023 % Contribution</b>
Depreciation and amortization	536,421	538,642	(0.4%)	24.9%	29.8%
Fuel and lubricants	454,911	430,826	5.6%	21.1%	23.9%
Personnel costs	389,153	308,458	26.2%	18.1%	17.1%
Outside services	140,425	100,754	39.4%	6.5%	5.6%
Supplies and construction supplies	212,615	157,183	35.3%	9.9%	8.7%
Rent	58,312	17,353	236.0%	2.7%	1.0%
Insurance	75,740	73,597	2.9%	3.5%	4.1%
Charter hire	99,987	31,883	213.6%	4.6%	1.8%
Port expense	28,420	26,262	8.2%	1.3%	1.5%
Repairs and maintenance	50,772	44,340	14.5%	2.4%	2.5%
Professional fees	14,157	16,853	(16.0%)	0.7%	0.9%
Transportation and travel	24,600	24,223	2.8%	1.2%	1.3%
Amortization right-of-use asset	2,235	2,838	(21.2%)	0.1%	0.2%
Communication, light and water	3,643	5,739	(36.5%)	0.2%	0.3%
Taxes and licenses	21,934	4,426	395.6%	1.0%	0.2%
Others	38,641	22,954	68.3%	1.8%	1.3%
<b>Cost of Services</b>	<b>2,152,268</b>	<b>1,806,331</b>	<b>19.2%</b>	<b>100%</b>	<b>100%</b>

#### Cost of services

Cost of services increased by 19.2% amounting to PHP345.9 million from PHP1,806.3 million on December 31, 2023 to PHP2,152.3 million on December 31, 2024. The increase is mainly due to higher costs of rent, charter hire, repairs and maintenance, taxes and licenses, transportation and travel, outside services, personnel cost and supplies and construction supplies.

#### Gross profit and gross profit margin

The Group's gross profit is higher by 3% amounting to PHP28.8 million from PHP856.7 million on December 31, 2023 to PHP885.6 million on December 31, 2024, primarily due to increase in revenue. The Group's gross profit margin ratio has decreased to 29.2% in 2024 from 32.2% in 2023 due to the increase in cost of sales.

Below presents the breakdown of the general and administrative expenses.

**Table 8: General and Administrative Expenses Breakdown  
December 2024 vs. December 2023**

<i>In PHP thousands</i>	December 2024	December 2023	% Increase (Decrease)	December 2024 % Contribution	December 2023 % Contribution
Personnel costs	185,175	159,032	16.4%	33.1%	35.0%
Taxes and licenses	80,592	49,323	63.4%	14.4%	10.9%
Representation and entertainment	52,648	52,252	0.8%	9.4%	11.5%
Repairs and maintenance	29,192	36,061	(19.0%)	5.2%	7.9%
Depreciation and amortization	30,262	14,517	108.5%	5.4%	3.2%
Transportation and travel	31,233	35,097	(11.0%)	5.6%	7.7%
Provision for assessment	-	-	-	0.0%	0.0%
Professional fees	17,342	11,574	49.8%	3.1%	2.5%
Outsourced services	10,368	14,067	(26.3%)	1.9%	3.1%
Provision for impairment of input VAT	15,759	15,906	(0.9%)	2.8%	3.5%
Amortization of computer software	3,369	13,152	(74.4%)	0.6%	2.9%
Insurance	7,414	6,526	13.6%	1.3%	1.4%
Communications	3,852	5,988	(35.7%)	0.7%	1.3%
Supplies and construction supplies	36,572	12,858	184.4%	6.5%	2.8%
Utilities	6,580	4,498	46.3%	1.2%	1.0%
Rent	7,574	5,649	34.1%	1.4%	1.2%
Amortization of right-of-use assets	8,608	2,586	232.9%	1.5%	0.6%
Registration and membership fees	2,741	1,799	52.3%	0.5%	0.4%
Amortization of leasehold rights	852	1,891	(55.0%)	0.2%	0.4%
Advertising and promotions	640	143	347.7%	0.1%	0.0%
Fuel and lubricants	-	40	(100.0%)	0.0%	0.0%
Write-off of receivable	5,307	26	20,379.3%	0.9%	0.0%
Others	22,740	11,573	96.5%	4.2%	2.5%
<b>Gen. and Admin. Expenses</b>	<b>558,820</b>	<b>454,560</b>	<b>22.9%</b>	<b>100%</b>	<b>100%</b>

#### General and administrative expenses

The Group's general and administrative expenses increased by 22.9% amounting to PHP104.3 million from PHP454.5 million on December 31, 2023 to PHP558.8 million on December 31, 2024. This is mainly due to higher costs of rent, advertising and promotion, write-off of employee advances, professional fees, supplies and construction supplies, utilities, taxes and licenses, amortization of computer software and leasehold rights.

#### Other income (loss), net

Other income (loss), net consists of foreign exchange gain and loss, interest income, loss on debt restructuring, gain (loss) on sale of property and equipment, ship management, insurance claims, gain on reversal of finance lease liability, provision on construction receivables, cost recharges and non-routine special projects. This account increased by 455% amounting to PHP196.7 million from PHP43.2 million other income on December 31, 2023 to PHP239.8 million other income on December 31, 2024. This is mainly due to the recognized insurance claims in 2024.

### Operating profit (loss) and operating profit (loss) margin

The Group's operating profit has increased 74% amounting to PHP252.2 million from PHP342 million on December 31, 2023 to PHP594.2 million operating profit on December 31, 2024. This is mainly due to insurance claims. The Operating profit (loss) margin ratio has likewise increase from 12.8% in 2023 to 19.6% in 2024.

### Finance Cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange gain on borrowings. It decreased by PHP13.6 million from PHP278.8 million posted in 2023 to PHP265.2 million in 2024.

### EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) is higher by 20.85% from PHP922.8 million on December 31, 2023 to PHP1,115.2 million on December 31, 2024. The increase can be attributable to the lower impairment and other gains.

### Net profit (loss) and net profit (loss) margin

The Group's net profit has improved by 881% to PHP189.1 million net income in 2024 from PHP19.3 million in 2023. The ratio of consolidated net income to consolidated net service income has likewise improved to +6.2% in 2024 from +0.7% in 2023.

## **6.3 MATERIAL CHANGES TO THE STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2024 COMPARED TO THE STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2023**

### Cash and cash equivalents

The account increased by 34.3% amounting to PHP97.8 million from PHP285.2 million in 2023 to PHP383 million in 2024 mainly due to collections of receivables and proceeds from salvages, and short-term borrowings for operational requirements.

### Trade and other receivables, net

The account increased by 2.1% amounting to PHP28 million from PHP1,329.3 million in 2023 to PHP1,357.2 million in 2024 mainly due receivables from customers for rendering harbor assistance and other marine services and solar energy fee to energy supply which are not yet collected during the year.

### Property and equipment at revalued amounts, net

The account increased by 10.8% amounting to PHP260.6 million from PHP2,420.3 million in 2023 to PHP2,680.9 million in 2024 mainly due to revaluation of tugboats.

### Property and equipment at cost, net

The account decreased by 8.1% amounting to (PHP168.9) million from PHP2,085 million in 2023 to PHP1,916.1million in 2024 mainly due to depreciations of barges, building and building improvements, equipment for transportation, diving and oil spill, construction.

#### Computer software, net

The account increased by 31.2% amounting to PHP2.0 million from PHP6.5 million in 2023 to PHP8.6 million in 2024 mainly due to additions made during the year.

#### Investment properties

There's no movement during the year.

#### Investment in associates

The account decreased by 28.6% amounting to (PHP59.2) million from PHP206.6 million in 2023 to PHP147.5 million in 2024 mainly due to investment to Hi-Energy Marine Services Inc and recognition of dividends from associates.

#### Trade and other payables

The account increased by 20.8% amounting to PHP210.8 million from PHP1,013.6 million in 2023 to PHP1,224.4 million in 2024 mainly due to increases in payables related to operations, accrued interest on interest bearing loans, accrued construction costs in relation to unliquidated expenses of construction projects employees, other accrued expenses related to insurance companies and unliquidated business expenses.

#### Borrowings, current portion

The account increased by 264% amounting to PHP680.5 million from PHP257.8 million in 2023 to PHP938.3 million in 2024 mainly due to payment of borrowings current portion as well as reclassification of the remaining bank loan from non-current to current portion.

#### Lease liabilities, current portion

The account decreased by 20% amounting to (PHP1.8) million from PHP9.1 million in 2023 to PHP7.3 million in 2024 mainly due to the payment made during year.

#### Trade payables, non-current portion

The account increased by 100.0% amounting to PHP9.3 million from PHP0.0 million in 2023 to PHP9.3 million in 2024 mainly due to reclassification of trade payables from current to non-current portion.

#### Borrowings, net of current portion

The account decreased by 27.99% amounting to (PHP921.6) million from PHP3,292.9 million in 2023 to PHP2,371.2 million in 2024 mainly due to reclassification of non-current to current borrowings.

#### Lease liabilities, net of current portion

The account decreased by 5.96% amounting to (PHP2.5) million from PHP41.4 million in 2023 to PHP39 million in 2024 mainly due to renewal of long-term lease agreements.

#### Deferred income tax liabilities, net

The account increased by 2.69% amounting to (PHP6.5) million from PHP243.4 million in 2023 to PHP236.8 million in 2024 due to deferred income tax credited to profit or loss and other comprehensive income.

#### Retirement benefits obligation

The account increased by 8.21% amounting to PHP13.5 million from PHP164.5 million in 2023 to PHP178.0 million in 2024 mainly due to remeasurement brought about by experience adjustments.

#### Revaluation surplus, net of tax

The account decreased by 8.16% amounting to (PHP84.3) million from PHP1,033.2 million in 2023 to PHP948.8 million in 2024 due to revaluation.

#### Retained earnings (deficit)

The account reflects a profit of PHP248.0 million at the end of 2024 from PHP52.3 Million in 2023 or P195.8 million addition in retained earnings. The addition was mainly due to the company's net income.

### 6.4 COMPARISON OF OPERATING RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 VS. 31 DECEMBER 2022

#### Service income

The breakdown of service income is presented as follows:

**Table 9: Service Income Breakdown December 2023 vs. December 2022**

<i>In PHP thousands</i>	<b>December 2023</b>	<b>December 2022</b>	<b>% Increase (Decrease)</b>	<b>December 2023 % Contribution</b>	<b>December 2022 % Contribution</b>
Harbor assistance*	1,759,951	1,537,022	20.1%	66.1%	56.9%
Revenue on generation of solar power	140,330	324,358	(61.0%)	5.3%	12.0%
Salvage income	8,928	470,972	(177.5%)	0.3%	17.4%
Ligherage services	113,086	118,825	(5.2%)	4.2%	4.4%
Construction revenue	96,273	63,997	45.9%	3.6%	2.4%
Towing services	56,603	50,580	24.8%	2.1%	1.9%
Others	487,891	133,801	1,084.8%	18.4%	5.0%
<b>Service Income</b>	<b>2,663,062</b>	<b>2,699,555</b>	<b>(1.9%)</b>	<b>100%</b>	<b>100%</b>

*\*Net of service discount, which refers to discounts given to client for Harbor assistance service only.*

The Group's consolidated service income decreased by 1.9% from PHP2,699.6 million to PHP2,663.1 million on December 31, 2022 and 2023, respectively.

Major positive contributor is the Other income which grew from PHP133.8 million on December 31, 2022 to PHP487.9 million on December 31, 2023 due to some oil spill response during the year. Harbor assistance also grew from PHP1,537.0 million on December 31, 2022 to PHP 1,760 million on December 31, 2023 pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port.

Below presents the breakdown of the cost of services.

**Table 10: Cost of Services Breakdown December 2023 vs. December 2022**

<i>In PHP thousands</i>	<b>December 2023</b>	<b>December 2022</b>	<b>% Increase (Decrease)</b>	<b>December 2023 % Contribution</b>	<b>December 2022 % Contribution</b>
Depreciation and amortization	538,642	416,862	29.2%	29.8%	25.3%
Fuel and lubricants	430,826	467,909	(7.9%)	23.9%	28.4%
Personnel costs	308,458	270,039	14.2%	17.1%	16.4%
Outside services	100,754	110,518	(8.8%)	5.6%	6.7%
Supplies and construction supplies	157,183	123,572	27.2%	8.7%	7.5%
Rent	17,353	5,382	222.4%	1.0%	0.3%
Insurance	73,597	107,435	(31.5%)	4.1%	6.5%
Charter hire	31,883	43,900	(27.4%)	1.8%	2.7%
Port expense	26,262	20,297	29.4%	1.5%	1.2%
Repairs and maintenance	44,340	25,144	76.3%	2.5%	1.5%
Professional fees	16,853	3,224	422.6%	0.9%	0.2%
Transportation and travel	24,223	13,156	84.1%	1.3%	0.8%
Amortization right-of-use asset	2,838	4,378	(35.2%)	0.2%	0.3%
Communication, light and water	5,739	3,358	71.2%	0.3%	0.2%
Taxes and licenses	4,426	2,910	52.1%	0.2%	0.2%
Others	22,954	27,844	(17.6%)	1.3%	1.8%
<b>Cost of Services</b>	<b>1,806,331</b>	<b>1,645,928</b>	<b>9.7%</b>	<b>100%</b>	<b>100%</b>

#### Cost of services

Cost of services increased by 9.7% amounting to PHP160.4 million from PHP1,645.9 million on December 31, 2022 to PHP1,806.3 million on December 31, 2023. The increase is mainly due to higher costs of rent, charter hire, repairs and maintenance, taxes and licenses, transportation and travel, communication, light and water, professional fees and supplies and construction supplies.

#### Gross profit and gross profit margin

The Group's gross profit is lower by 18.7% amounting to (PHP196.8) million from PHP1,053.6 million on December 31, 2022 to PHP856.7 million on December 31, 2023, primarily due increase in cost of sales. Likewise, the Group's gross profit margin ratio has decreased to 32.2.0% in 2023 from 39.0% in 2022.

Below presents the breakdown of the general and administrative expenses.

**Table 11: General and Administrative Expenses Breakdown  
December 2023 vs. December 2022**

<i>In PHP thousands</i>	<b>December 2023</b>	<b>December 2022</b>	<b>% Increase (Decrease)</b>	<b>December 2023 % Contribution</b>	<b>December 2022 % Contribution</b>
Personnel costs	159,032	138,703	14.7%	35.0%	36.4%
Taxes and licenses	49,323	42,839	15.1%	10.9%	11.2%
Representation and entertainment	52,252	32,646	60.1%	11.5%	8.6%
Repairs and maintenance	36,061	32,951	9.4%	7.9%	8.7%
Depreciation and amortization	14,517	19,465	(25.4%)	3.2%	5.1%
Transportation and travel	35,097	26,088	34.5%	7.7%	6.8%
Provision for assessment	-	-	-	0.0%	0.0%
Professional fees	11,574	10,151	14.0%	2.5%	2.7%
Outsourced services	14,067	16,639	(15.5%)	3.1%	4.4%
Provision for impairment of input VAT	15,906	8,159	95.0%	3.5%	2.1%
Amortization of computer software	13,152	8,451	55.6%	2.9%	2.2%
Insurance	6,526	7,780	(16.1%)	1.4%	2.0%
Communications	5,988	4,070	47.1%	1.3%	1.1%
Supplies and construction supplies	12,858	6,976	85.8%	2.8%	1.8%
Utilities	4,498	3,036	48.2%	1.0%	0.8%
Rent	5,649	2,177	159.4%	1.2%	0.6%
Amortization of right-of-use assets	2,586	2,540	1.8%	0.6%	0.7%
Registration and membership fees	1,799	2,518	(28.5%)	0.4%	0.7%
Amortization of leasehold rights	1,891	770	16.7%	0.4%	0.2%
Advertising and promotions	143	205	(30.1%)	0.0%	0.1%
Fuel and lubricants	40	47	(14.0%)	0.0%	0.0%
Write-off of receivable	26	-	100%	0.0%	-
Others	11,573	14,698	(16.5%)	2.5%	3.9%
<b>Gen. and Admin. Expenses</b>	<b>454,560</b>	<b>380,909</b>	<b>19.3%</b>	<b>100%</b>	<b>100%</b>

#### General and administrative expenses

The Group's general and administrative expenses increased by 19.3% amounting to PHP73.6 million from PHP380.9 million on December 31, 2022 to PHP454.6 million on December 31, 2023. This is mainly due to higher costs of representation, professional fees, supplies and construction supplies, transportation and travel, rent, utilities and amortization of right-of-use assets.

#### Other income (loss), net

Other income (loss), net consists of foreign exchange gain and loss, interest income, loss on debt restructuring, gain (loss) on sale of property and equipment, ship management, insurance claims, gain on reversal of finance lease liability, provision on construction receivables, cost recharges and non-routine special projects. This account increased by 206% amounting to PHP83.8 million from (PHP40.6) million other loss on December 31, 2022 to PHP43.2 million

other income on December 31, 2023. This is mainly due to the recognized loss on debt restructuring and loss on sale of property and equipment.

#### Operating profit (loss) and operating profit (loss) margin

The Group's operating profit has increased 19.9% amounting to PHP56.8 million from PHP285.2 million on December 31, 2022 to PHP342 million operating profit on December 31, 2023. This is mainly due to increase in revenues. The Operating profit (loss) margin ratio has likewise increase from 10.6% in 2022 to 12.8% in 2023.

#### Finance Cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange gain on borrowings. It decreased by PHP11.8 million from PHP290.5 million posted in 2022 to PHP278.7 million in 2023.

#### EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) is higher by 17.11% from PHP285.1 million on December 31, 2022 to PHP342.0 million on December 31, 2023. The increase can be attributable to the lower impairment and other gains.

#### Net profit (loss) and net profit (loss) margin

The Group's net profit has improved by 83.5% to PHP19.3 million net income in 2023 from PHP10.5 million in 2022. The ratio of consolidated net income to consolidated net service income has likewise improved to +0.72% in 2023 from +0.39% in 2022.

### **6.5 MATERIAL CHANGES TO THE STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2023 COMPARED TO THE STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2022**

#### Cash and cash equivalents

The account increased by 7.0% amounting to PHP18.7 million from PHP266.5 million in 2022 to PHP285.2 million in 2023 mainly due to collections of receivables and proceeds from salvages, and short-term borrowings for operational requirements.

#### Trade and other receivables, net

The account increased by 6.5% amounting to PHP80.8 million from PHP1,249.6 million in 2022 to PHP1,329.3 million in 2023 mainly due receivables from customers for rendering harbor assistance and other marine services and solar energy fee to energy supply which are not yet collected during the year.

#### Property and equipment at revalued amounts, net

The account increased by 10.8% amounting to PHP235.7 million from PHP2,184.6 million in 2022 to PHP2,420.3 million in 2023 mainly due to revaluation of tugboats.

#### Property and equipment at cost, net

The account decreased by 3.9% amounting to (PHP85.4) million from PHP2,170.5 million in 2022 to PHP2,085.0 million in 2023 mainly due to depreciations of barges, building and building improvements, equipment for transportation, diving and oil spill, construction.

#### Computer software, net

The account decreased by 46.7% amounting to (PHP5.7) million from PHP12.2 million in 2022 to PHP6.5 million in 2023 mainly due to amortization.

#### Investment properties

The account increased by 29.6% amounting to PHP15.9 million from PHP54 million in 2022 to PHP69.9 million in 2023 mainly due to capitalized expenditure.

#### Investment in associates

The account increased by 6.4% amounting to PHP12.4 million from PHP194.2 million in 2022 to PHP206.6 million in 2023 mainly due to investment to Kaibuok Star Shipyard Inc. and recognition of dividends from associates.

#### Trade and other payables

The account increased by 13.0% amounting to PHP116.7 million from PHP896.8 million in 2022 to PHP1,013.6 million in 2023 mainly due to increases in payables related to operations, accrued interest on interest bearing loans, accrued construction costs in relation to unliquidated expenses of construction projects employees, other accrued expenses related to insurance companies and unliquidated business expenses.

#### Short term loans

The account decreased by 100.0% amounting to (PHP22.7) million from PHP22.7 million in 2022 to PHP0.0 million in 2023 due to conversion of short-term loans into long term loans.

#### Borrowings, current portion

The account decreased by 8.4% amounting to (PHP23.5) million from PHP281.3 million in 2022 to PHP257.8 million in 2023 mainly due to payment of borrowings current portion.

#### Lease liabilities, current portion

The account increased by 46.7% amounting to PHP2.9 million from PHP6.2 million in 2022 to PHP9.1 million in 2023 mainly due to reclassification of lease liabilities from non-current to current portion.

#### Trade payables, non-current portion

The account decreased by 100.0% amounting to (PHP7.1) million from PHP7.11 million in 2022 to PHP0.0 million in 2023 mainly due to reclassification of trade payables from non-current to current portion.

#### Borrowings, net of current portion

The account decreased by 6.2% amounting to (PHP216.5) million from PHP3,509.3 million in 2022 to PHP3,292.8 million in 2023 mainly due to reclassification of non-current to current borrowings.

#### Lease liabilities, net of current portion

The account increased by 53.5% amounting to PHP14.4 million from PHP27.0 million in 2022 to PHP41.4 million in 2023 mainly due to renewal of long-term lease agreements.

### Deferred income tax liabilities, net

The account increased by 42.9% amounting to PHP73.0 million from PHP170.4 million in 2022 to PHP243.4 million in 2023 due to deferred income tax credited to profit or loss and other comprehensive income.

### Retirement benefits obligation

The account increased by 15.7% amounting to PHP22.3 million from PHP142.2 million in 2022 to PHP164.5 million in 2023 mainly due to remeasurement brought about by experience adjustments.

### Revaluation surplus, net of tax

The account increased by 34.9% amounting to PHP267.3 million from PHP765.9 million in 2022 to PHP1,033.2 million in 2023 due to revaluation increment.

### Retained earnings (deficit)

The account reflects a profit of PHP52.2 million at the end of 2023 from a deficit of (PHP7.7) Million in 2022 or P59.9 million addition in retained earnings. The addition was mainly due to the company's net income.

## 6.6 KEY PERFORMANCE INDICATORS

The Company uses the following measures to assess its performance from period to period.

**Table 12: Key Performance Indicators**

	<b>2024</b>	<b>2023</b>	<b>2022</b>
Revenue Growth	14.1%	(1.4%)	41.4%
Gross Profit Margin	29.2%	(18.7%)	39.0%
EBITDA Margin	36%	34.7%	18.0%
Net Income Margin	6.2%	0.7%	0.0%
Return on Asset	3%	0.3%	0.0%
Return on Equity	8%	0.9%	0.1%
Current Ratio	1.00	1.53	0.53
Debt-to-Equity Ratio	2.10	2.22	2.71

- Revenue growth measures the percentage change in revenues for a given period
- Gross profit margin pertains to the ratio of gross profit to revenues. This reflects the profitability of the Group's core business
- EBITDA margin pertains to the ratio of EBITDA to revenues. This reflects the operating profitability of the Group
- Net income margin pertains to the ratio of net income after tax to revenues. This reflects the Group's overall profitability
- Return on Asset pertains to the ratio of the Group's net income to total assets. This measures the Group's ability to generate returns on its assets
- Return on Equity pertains to the ratio of the Group's net income to total equity. This measures the Group's ability to generate returns on its stockholders' equity
- Current ratio is the ratio of the Group's total current assets to total current liabilities. This reflects the Group's liquidity Debt-to-equity ratio is the ratio of the Group's total debt to total stockholders' equity. This reflects the degree to which the Group is financing its operations through debt versus wholly owned funds.

## 6.7 CASH FLOWS

The table below shows the Group's cash flows for the years ended 31 December 2024, 2023, and 2022:

**Table 13: Cash Flows**

<i>In PHP thousands,</i>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>% Change 2024 vs 2023</b>	<b>% Change 2023 vs 2022</b>
Net cash provided by operating activities	880,009	781,989	863,485	12.53%	(9.4%)
Net cash flow used in investing activities	(365,058)	(305,668)	(381,577)	(19.4%)	(19.9%)
Net cash provided by (used in) financing activities	(417,105)	(456,165)	(477,887)	(8.56%)	(4.57%)
EFFECTS OF EXCHANGE RATE CHANGES IN CASH	(4.36)	(1,428)	(1,520)	(99.7%)	(6.1%)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>97,847</b>	<b>20,156</b>	<b>4,020</b>	<b>385.45%</b>	<b>401.4%</b>
<b>CASH AT BEGINNING OF THE YEAR</b>	<b>285,190</b>	<b>266,464</b>	<b>263,963</b>	<b>7.0%</b>	<b>(0.9%)</b>
<b>CASH AT THE END OF THE YEAR</b>	<b>383,033</b>	<b>285,190</b>	<b>266,464</b>	<b>34.3%</b>	<b>7.0%</b>

Cash and cash equivalents increased by 34.3% amounting to PHP97.8 million from PHP285.2 million in 2023 to PHP383.0 million in 2024 mainly due to acquisition of property, plant and equipment, software, investment properties, payment of borrowings and payment of lease liabilities.

## 6.8 CAPITAL RESOURCES

The table below illustrates the Group's capital sources as of 31 December 2024, 2023, and 2022:

**Table 14: Capital Sources**

<i>In PHP thousands</i>	December 31, 2024	December 31, 2023	December 31, 2022	<b>% Change 2024vs 2023</b>	<b>% Change 2023 vs 2022</b>
Trade and other payables	1,233,717	957,271	903,938	28.88%	5.9%
Short-term loans	-	-	22,729	-	(100.0%)
Borrowings	3,309,546	3,550,642	3,790,612	(6.79%)	(6.3%)
Lease liabilities	46,219	50,499	33,174	(8.47%)	52.2%
<b>Total debt</b>	<b>4,589,483</b>	<b>4,558,412</b>	<b>4,750,453</b>	<b>0.68%</b>	<b>(4.0%)</b>
Share capital	907,858	907,858	907,858	-	-
Additional paid-in-capital	121,633	121,633	121,633	-	-
Retained earnings (Deficit) attributable to the owners of the Parent Company	248,064	52,269	(7,689)	374.59%	779.8%
Fair value reserve on financial assets at fair value through other comprehensive income	(160)	(160)	(160)	-	-
Treasury stock	(37,615)	(37,615)	(37,615)	-	-
Revaluation surplus, net of tax	948,829	1,033,172	765,856	(8.16%)	34.9%
<b>Total Equity</b>	<b>2,188,609</b>	<b>2,077,157</b>	<b>1,749,883</b>	<b>5.37%</b>	<b>18.7%</b>
<b>Total</b>	<b>6,778,092</b>	<b>6,635,569</b>	<b>6,500,336</b>	<b>%</b>	<b>2.1%</b>

Capital is a critical component of running a business from day to day and financing its future growth. Business capital may derive from the operations of the business or be raised from debt or equity financing.

## **6.9 TRENDS, EVENTS, OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS**

The Group is exposed to a number of trends, events and uncertainties which can affect its recurring revenues and profits. These include levels of general economic activity and containerized trade volume in countries where it operates, as well as certain cost items, such as labor, fuel, and power. In addition, the Group operates in a number of jurisdictions other than the Philippines and collects revenues in various currencies. Continued appreciation of the US dollar relative to other major currencies, particularly the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

The COVID-19 pandemic may also affect the operations of the Group.

## **6.10 RISKS**

The group's diverse operations expose the group to various risks such as market risks, credit, and liquidity which movements may materially impact the financial results of the group. The importance of managing these risks has significantly increased in light of the heightened volatility in both the Philippine and international financial markets. With a view to managing these risks, the group has incorporated a financial risk management function in its organization.

## **ITEM 7. FINANCIAL STATEMENTS**

The audited consolidated financial statements meeting the requirements of Securities Regulation Code (SRC) Rule 68, together with Statement of Management's Responsibility and Auditors' Report, and supplementary schedules are attached hereto as Exhibit 1 and incorporated herein by reference.

## **ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There were no changes or disagreements with Harbor Star's external auditors, Isla Lipana & Co., a member firm of PwC network, on accounting and financial statement disclosures.

### **8.1 INFORMATION ON INDEPENDENT ACCOUNTANT**

The principal external auditor is the firm Isla Lipana & Co. The Group has engaged Mr. Pocholo C. Domondon, partner of Isla Lipana & Co., for the audit of the Group's books and accounts in 2023.

### **8.2 EXTERNAL AUDIT FEES AND SERVICES**

Harbor Star paid its external auditors the following fees for the last three years for professional services rendered:

**Table 15: Audit Fees**

<i>In PHP thousands</i>	<b>2024</b>	<b>2023</b>	<b>2022</b>
<b>Audit Fees</b>	2,372	2,285	1,919

The Audit Committee makes recommendations to the Board concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for these services.

The reappointment of Isla Lipana and Co. as the Company's external auditors was approved by the stockholders in a regular meeting held on 17 July 2024.

## PART III - CONTROL AND COMPENSATION INFORMATION

### ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The following are the Company's Board of Directors and Key Officers as of 31 December 2024:

**Table 16: Board of Directors**

NAME	AGE	CITIZENSHIP	POSITION	YEAR APPOINTED
Geronimo P. Bella, Jr.	64	Filipino	Chairman of the Board	2006
Ricardo Rodrigo P. Bella	58	Filipino	Executive Director	2006
Ceasar Daniel T. Castro	50	Filipino	Director	2021
Ramon C. Liwag	68	Filipino	Director	2017
Ryota Nagata	60	Japanese	Director	2011
Gene S. De Guzman	63	Filipino	Independent Director	2020
Gemma V. Sadiua	59	Filipino	Independent Director	2020

*Latest Election of Directors held 17 July 2024.*

**Geronimo P. Bella, Jr., 64, Filipino, Chairman of the Board and President.** Mr. Bella, Jr. is the Chairman of the Board and President of Harbor Star since 2006. He is also the President and Director of ASTRONERGY Development Gensan Inc (ADGI), ASTRONERGY Development F1 (ADF1), ASTRONERGY Development F2 (ADF2), Harbor Star Energy Corporation (HSEC), Harbor Star Subic Corp (HSSC), Harbor Star East Asia (Myanmar) Ltd (HSEA), and Harbor Star Construction Company (HSCC). Prior to his present position, he worked in Transpacific Towage, Inc. from 1978 to 1988 and Keppel Smit-Transpacific from 1988 to 2000. Mr. Bella, Jr. is currently the President for the Harbor Tugowners Association of the Philippines, Inc. and a director in Harbor Star Subic Corp., and Peak Flag Sdn. Bhd. He obtained his Bachelor of Science degree in Commerce, Major in Business Management from De La Salle University in 1983.

**Ricardo Rodrigo P. Bella, 58, Filipino, Director and Vice President.** Mr. Bella is the Vice President of Harbor Star. He is the Director and Vice President of ASTRONERGY Development Gensan Inc (ADGI), ASTRONERGY Development F1 (ADF1), ASTRONERGY Development F2 (ADF2), Harbor Star Energy Corporation (HSEC), and Harbor Star Subic Corp (HSSC). He is also the Director of Harbor Star East Asia (Myanmar) Ltd (HSEA) and Harbor Star Construction Company (HSCC). Mr. Bella participated in various training seminars in the fields of corporate management, shipbuilding repair and maintenance, and other related disciplines, locally and abroad. Prior to his role as Vice President of Harbor Star, he served as the Vice President of Transpacific Towage, Inc. from 1983 to 1998. Currently, he is a director in various corporations, namely, Harbor Star Subic Corp., Great Eastern Tug Corporation, and Bellridge Resources, Inc. He pursued undergraduate studies in Business Management at De La Salle University in 1985.

**Cesar Daniel Castro, 50, Director.** Mr. Castro serves as a Director of Harbor Star Shipping Services, Inc. Currently he is the President of The Real Bank and Acting Deputy Chief Operating Officer of New San Jose Builders Inc. He obtained his Bachelor of Science degree in Commerce Major in Business Administration in University of Santo Tomas in 1996.

**Ramon C. Liwag, 68, Filipino, Director.** Mr. Liwag serves as a director of Harbor Star Shipping Services, Inc. Currently the President of Asia Security Education and Consultancy Inc., Inc. Member of the Philippine Military Academy Class of 1979 and served as the 23<sup>rd</sup> Commandant of the Philippine Coast Guard from 2011 to 2012. He was the commander of six (6) Coast Guard Districts and commanded five (5) Coast Guard Field Stations. He served as Chairman in the PCG's Deputy Commandant for Operations from 2008 to 2011 and the Chairman of the PCG's Board of Marine Inquiry (BMI). He was awarded with two (2) Legion of Honor (Degree of Maginoo); Gawad sa Kaunlaran Medal; Coast Guard Outstanding Achievement Medal; Six (6) Distinguished Service Stars Medals, Military Merit Medals; Military Commendation Medals, Insurgency Campaign and Rescue and Relief Medals; and scores of Plaques / Certificates of Merit / Appreciation and Letters of Commendation in various capacities and positions both in government and civic organization.

He graduated Bachelor of Science degree in Military Education from the Philippine Military Academy in 1979. And later on, in 1996, he then took his Master's degree in M.S in Maritime Safety Administration from the World Maritime University in Sweden.

**Ryota Nagata, 60, Japanese, Director.** Mr. Nagata serves as a Director of Harbor Star Shipping Services Inc (HSSSI), Harbor Star Subic Corp (HSSC), and Harbor Star Energy Corporation (HSEC). Currently, he is the President of Philster Corporation. He started his career as a Sales Representative in Kirin Brewery Company Limited from 1987 to 1990. He was a Sales Representative from 1990 to 1996 in Naigai Corporation. In 2001 to 2008, he became the Vice President of Naigai Corporation and eventually became the President and CEO from 2008 to 2011. He obtained his Bachelor of Arts degree in Politics in Keio University, Japan in 1987.

**Gene S. De Guzman, 63, Filipino, Independent Director.** Mr. De Guzman serves as an Independent Director of Harbor Star Shipping Services, Inc. Currently, he is the Vice President and heads the Service Assurance support for the whole PLDT domestic enterprise market, including Global Bilateral partners. He obtained his Bachelor of Science degree in Electrical Engineering from the University of Sto. Tomas in 1983, and pre-Masters at Ateneo School of Business Management in 2001.

**Gemma V. Sadiua, 59, Filipino, Independent Director.** Ms. Sadiua serves as an Independent Director of Harbor Star Shipping Services, Inc and Director of Harbor Star Construction Company (HSCC). Currently, she is the President of Venture Management Systems Inc. She previously led and served in various institutions such as Talent Bridge, Inc., MIASCOR Aviation Products Inc., Pacific Airside Services Inc., ISLA Logistics Corporation, Rapid Airfreight Inc., and Citadel Shipping Services, Inc. She obtained her degree in Business Management in De La Salle University in 1991, and completed post-graduate studies in Business Planning in the Asian Institute of Management in 2005.

**Table 17: Key Officers**

NAME	AGE	CITIZENSHIP	POSITION	YEAR ASSUMED
Geronimo P. Bella, Jr.	64	Filipino	President	2006
Ricardo Rodrigo P. Bella	58	Filipino	Vice President	2006
Charlene O. Ang	57	Filipino	Corporate Secretary	2023

NAME	AGE	CITIZENSHIP	POSITION	YEAR ASSUMED
Dany Cleo B. Uson	62	Filipino	Treasurer, Chief Finance Officer and Compliance Officer	2020
Lorenzo C. Caranzo	58	Filipino	Operations Division Head	2018
Emmanuel L. Falcunit	46	Filipino	Operations Manager (Fleet Operations)	2018
Rudiardo L. Arcellana	60	Filipino	Operations Manager (Salvage, Towage, Lighterage & Special Projects)	2016
Jay-R L. Castillo	39	Filipino	QHSE Manager	2016
Edwin G. Amejana	60	Filipino	Commercial Manager	2008
Virginia May P. Bella	50	Filipino	Legal Services Manager	2008
Elionarda L. Refil	56	Filipino	General Services Manager	2009
Mary Jane J. Logatoc	37	Filipino	Accounting Manager	2024
Effel T. Santillan	47	Filipino	Human Resource Manager	2014
Maria Elizabeth Jean E. Bella	36	Filipino	Procurement Manager	2019
Ryan L. Orila	46	Filipino	ICT Manager	2018
Ronaldo C. Samong	55	Filipino	Business Development Manager for Visayas & Mindanao	2019
Marvin William Trinidad	47	Filipino	Sales & Marketing Manager	2021
Elisalde M. Fantillo	53	Filipino	Engineering & Maintenance Manager	2022
Marlon D. Dabu	43	Filipino	Audit Manager	2022
Daisy A. Sta. Maria	52	Filipino	Treasury & Budget Manager	2022

**Charlene O. Ang, 57, Filipino, Corporate Secretary.** Atty. Ang serves as the Corporate Secretary of Harbor Star. Currently, she serves as a tax counsel, manager, and technical support for various financial institutions domestically and internationally. She previously served as a legal assistant and research consultant specializing in the field of taxation and corporate practices in various firms, among others. She also co-authored the Philippine volume of CCH's Tax Planning and Compliance in Asia. Atty. Ang obtained her Bachelor of Arts in Social Sciences Major in Economics and Development Studies from Ateneo de Manila University College of Arts and Sciences in 1988, and earned her Juris Doctor from Ateneo de Manila University School of Law in 1996.

**Dany Cleo B. Uson, 62, Filipino, Treasurer, Chief Finance Officer & Compliance Officer.** Mr. Uson is concurrently the Business Development for Asia Pacific and the Investor Relation Officer. He is also Director of ASTRONERGY Development Gensan Inc (ADGI) ASTRONERGY Development F1 (ADF1), ASTRONERGY Development F2 (ADF2), and Harbor Star East Asia (Myanmar) Ltd (HSEA). Mr. Uson served as Harbor Star's Budget Committee Head, Funds Planning & Financing and Marketing Manager before becoming the Corporate Planning Manager. He was involved in the Sales and Marketing department of a number of companies prior to his position at Harbor Star, including Servequest, Inc., Capitol Wireless, Inc., PNB Securities, Inc., G.K. Goh Securities Philippines, Fortune Life and General Insurance Co., and

RGV Real Estate Center. He also worked as a Stock Trader for AAA Southeast Equities, Inc. from 1990 to 1996. Mr. Usón obtained his Bachelor of Science degree in Marketing Management and Applied Economics from De La Salle University in 1983. He took up units in MS Computational Finance at De La Salle University.

**Lorenzo C. Caranzo, 58, Filipino, Operations Division Head.** As of 1 October 2015, Captain Caranzo is appointed as Operations Division Head of Harbor Star. He also serves as the Salvage Master of the Company. Capt. Caranzo is also the Director and Operations Head of Harbor Star Subic Corp (HSSC). Prior to his appointment, he served as the Company's Safety Manager from 2006 to 2015 and served as a Captain and Master for Harbor Star from 2004 until 2006. Prior to his stint with the Company, Capt. Caranzo was the Assistant Harbor Master for Philippine National Oil Company – Petrochemical Development Corp. from 2000 to 2003, and Master Chief Mate for Loadstar International Shipping Company, Inc. from 1990 to 2000. Currently, Captain Caranzo is also a director of Harbor Star Subic Corp. He obtained his Bachelor of Science degree in Marine Transportation from Bataan Heroes University formerly (BHMC) in 1989. He also finished the Business Leadership and Management course from Ateneo De Manila School of Business in 2015.

**Emmanuel L. Falcunit, 46, Filipino, Operations Manager - Fleet.** Capt. Falcunit is the Operations Manager of Harbor Star. He is a homegrown employee of the company, having started as a Cadet way back 2002. Also in the same year, he went onboard as a Deck Cadet. In 2003, he officially started his career as a seaman having been a Deck Rating onboard tug. Later on, he became tug master from 2006 to 2009. Then, he went back to head office to become a Safety Officer from 2009 to 2013. He again went back onboard via Harbor Star's AHTS vessel, M/V Rho Cas, as a 2<sup>nd</sup> Mate in 2013 and later on got promoted as Chief Mate. He officially became a full-pledged Captain in 2016. By 2018, he was assigned back to head office to take on the position of Operations Manager. Capt. Falcunit obtained his degree in B.S. Marine Transportation from the Philippine Merchant Marine School. He got his Marine Deck Officer license in 2005 and got his Master Mariner license in 2016.

**Rudiardo L. Arcellana, 60, Filipino, Operations Manager - Salvage, Towage, Lighterage & Special Projects.** Captain Arcellana is the Operations Manager for Salvage, Towage, Lighterage & Special Projects of Harbor Star. Prior to joining Harbor Star, he served as a Master Mariner in various vessel types, trading internationally. He also worked as a Crewing Manager in Blue Manila, Inc. Captain Arcellana completed his Bachelor of Science in Marine Transportation at Philippine Merchant Marine Academy in 1985 and is currently taking his Master in Ship Management in the same academy's graduate school. He is a licensed Master Mariner, with diverse professional experience in Seafaring for thirty-two (32) years. He is also a MARINA Licensed instructor for IMO course 6.09 and Assessor for IMO course 3.12. His land-based experience includes crew management, technical training, and dry-docking of manned vessels.

**Jay-R L. Castillo, 39, Filipino, Quality, Health, Safety, Environment (OHSE) Manager.** Mr. Castillo is the OHSE Manager of Harbor Star. Prior to his appointment, he served as the Company's Safety Officer from 2014 to 2015. Before joining the Company, he served as an Occupational Health and Safety Practitioner in various companies such as Atlantic Gulf and Pacific of Manila Inc., Asian Terminals, Inc., and Toshiba. He acquired his accreditation as Occupational Safety and Health (OSH) Consultant last 2020. Mr. Castillo obtained his Bachelor of Science in Mechatronics Engineering at Batangas State University in 2007.

**Edwin G. Amejana, 60, Filipino, Commercial Manager.** Mr. Amejana serves as the Commercial Manager of Harbor Star. Prior to his present position in the Company, he was the Operations Officer-in-Charge from 1999 to 2006 and became the Business Development Officer in 2006 to 2008. He obtained his degree in Bachelor of Science major in Marine Transportation in Iloilo Maritime Academy in 1983.

**Virginia May P. Bella, 50, Filipino, Legal Services Manager.** Ms. Bella is the Legal Services Manager of Harbor Star. Her role also includes serving the subsidiaries as Corporate Secretary to Harbor Star Energy Corporation (HSEC), Harbor Star Subic Corp (HSSC), and Harbor Star Construction Corporation (HSCC). Likewise, she also serves the subsidiaries of HSEC, where she acts as both a Director and Corporate Secretary of ASTRONERGY Development Gensan Inc (ADGI), ASTRONERGY Development F1 (ADF1), and ASTRONERGY Development F2 (ADF2). In her personal capacity, Ms. Bella is currently the Director and Corporate Secretary of Asclepius Recruitment Inc., and Belleridge Resources Inc. Prior to her present positions, Ms. Bella also served as Director of Bellport Shipping Corporation, Mearnz Green Technology Proponents, Inc., Earthlink Resources Inc., and Luscent Oil Services, Inc. She obtained her degree of Bachelor of Science Major in Biology in De La Salle University in 1993 and pursued her degree in Bachelor of Laws from San Beda College in 2000. After passing the bar exams, she worked as a Legal Associate at Rondain & Mendiola Law Offices for several years prior to joining Harbor Star.

**Elionarda L. Refil, 56, Filipino, General Services Department Manager.** Ms. Refil is the General Services Department Manager of Harbor Star. She is also a Director of Harbor Star Subic Corp (HSSC). Prior to her present position in the Company, she was the HR Manager and Executive Secretary of the Company from 2006 to 2009. She obtained her Bachelor of Arts Major in Journalism in 1988 at Manuel L. Quezon University. She finished Ateneo's Leadership and Management Development Program ("LMDP") in 2010 and completed her Master's Degree in Development Communication from the University of the Philippines Open University (UPOU) Los Banos, Laguna in 2016.

**Mary Jane J. Logatoc, 37, Filipino, Accounting Manager.** Ms. Logatoc is the Accounting Manager of Harbor Star. Prior to joining the Company, she held key leadership roles at CRIF Corporation where she progressed from Chief Accountant to Regional Finance Manager. She also served in the same capacity in CRIF D-B Philippines, Inc. In the early years of her career, she honed her technical skills at iBEAUTY (Philippines), Inc. She obtained her Bachelor of Science in Accountancy in Polytechnic University of the Philippines, and passed her Licensure Board Examination for Certified Public Accountants in 2008.

**Effel T. Santillan, 47, Filipino, Human Resource Manager.** Ms. Santillan is the Human Resource Manager of Harbor Star. Ms. Santillan has been an HR practitioner for the past twenty-three (23) years. Prior to joining Harbor Star, she worked as an Employee Administration Manager and later headed the crew retention team of Aboitiz Jebsen Company Inc. as Crew and Family Welfare and Protection and Indemnity Manager. Aside from her 13-year experience in the shipping industry, she also worked in various industries like BPO, IT, and retail. Ms. Santillan obtained her Bachelor of Science degree in Psychology from Pamantasan ng Lungsod ng Maynila (PLM) in 1998. She is currently completing her Master's in Business Administration in same University. She completed various certificate programs in San Beda specifically in Human Resource Development, Compensation and Benefits, and Organization Development.

**Maria Elizabeth Jean E. Bella, 36, Filipino, Procurement Manager.** Ms. Bella is the Procurement Manager of Harbor Star. Prior to her appointment, she was the Company's Management Trainee then eventually served as the Special Assistant to the Operations Division Head from 2013 to 2015 then served as the Procurement Officer-in-Charge from 2016 to 2018. Before joining Harbor Star, Ms. Bella worked for Topcon Positioning Systems Inc. as an International Sales Assistant. She completed her degree in International Business at St. Mary's College of California in Moraga, California in 2012. She also received a certification for taking courses in Naval Architecture from Lloyd's Maritime Academy in 2013.

**Ryan L. Orila, 46, Filipino and the ICT Manager** of Harbor Star. He is a dynamic IT professional with over 22 years of experience in administering and maintaining various IT systems, applications, and networks. He has solid experience in IT management particularly in data center infrastructure, analytics, security, endpoint solutions, and low-code development. Prior

to joining Harbor Star, he has been part of multinational companies like Philippine AXA Life Insurance Corporation, TeleTech, and AboJob Company Inc. where he was able to hone his technical skills as an IT practitioner. He completed his degree in Computer Science from AMA Computer College in 1999.

**Ronaldo Antonio C. Samong, 55, Filipino, Business Development Manager for Visayas & Mindanao.** Mr. Samong served as Davao Branch Head from 2010-2019 before becoming the Business Development Manager for Visayas & Mindanao of Harbor Star. He was involved in the Sales, Marketing, and Operation department of several companies prior to his position at Harbor Star, including Essen Pharma Inc, G&G Logistic Inc, Crown Pacific Logistics, and Sumifru (Phils.) Corporation. Mr. Samong obtained his Bachelor of Arts Major in Political Science from Western Mindanao State University in 1991 with Postgraduate studies in Master of Ship Management from John B Lacson Foundation Maritime University (Distance Learning module) in Iloilo City, Philippines from June 2015 to June 2016.

**Marvin William F. Trinidad, 46, Filipino, Sales & Marketing Manager.** Mr. Trinidad served as a Sales & Marketing Officer from 2011-2019 and Sales & Marketing Officer-in-Charge from 2019-2020 before becoming the Sales & Marketing Manager. Prior to joining Harbor Star, He was involved in the Sales & Marketing Department of a number of companies, namely, Mariveles Grain Corporation, Asian Terminals Incorporated, BCI Asia, and PCIB Signal Life Insurance Corporation and Security Bank Corporation. Mr. Trinidad obtained his degree in B.S.C. Major in Marketing Management from San Beda University (formerly San Beda Collage) in 1999.

**Elisalde M. Fantillo, 53, Filipino, Technical Manager.** Mr. Fantillo served as a Technical Auditor and Engineering & Maintenance Officer-in-Charge for more than one year before becoming the Technical Manager. Prior to His present position in the Company, he was the Technical Superintendent for GoldenStar Cargo Trade Shipping Corporation from 2018 until 2019, and Maintenance Supervisor for Loadstar Shipping Co. Inc. from 1996 until 2018. Mr. Fantillo obtained his degree in Bachelor of Science in Mechanical Engineering in Technological Institute of the Philippines in 1995 and Bachelor of Science in Marine Engineering in the same University in 1997. He also received a Certificate of Participation in Ship Management Course ISM Internal Audits by ClassNK Academy.

**Marlon D. Dabu, 43, Filipino, Audit Manager.** Mr. Dabu served as an Internal Auditor from 2009 to 2016, Senior Internal Auditor from 2016 to 2021, Audit Officer-in-Charge from 2021 to 2022 before becoming the Audit Manager. Prior to joining Harbor Star, he was the Auditor of Tri SM Professional Services before becoming the Internal Audit Supervisor of Executive Optical Inc. Mr. Dabu obtained his Bachelor in Science in Accountancy from Philippine School of Business Administration in 2002.

**Daisy A. Sta. Maria, 52, Filipino, Treasury and Budget Manager.** Ms. Sta Maria served as Accounting Clerk upon joining the Company in June 2001 and rose to ranks from being the Accountant from 2001 to 2009 and Budget Officer from 2009 to 2022 before becoming the Treasury and Budget Manager. Prior to her present position with Harbor Star, she was the Junior Supervisor of A Open Inc. Taiwan (Acer Group of Co.) and she was involved in Accounting Department of several companies, including Golden Landmark, Inc., Renaissance Towers Condo Corporation and Jollibee Foods Corporation. Ms. Sta. Maria obtained her degree in Bachelor of Science in Accountancy from Polytechnic University of the Philippines in 1993.

## 9.1 SIGNIFICANT EMPLOYEES

A competitive strength of the Company is its roster of technically skilled and most experienced work force in the maritime industry, led by its management team. While the Company values the contribution of each employee, no single person is expected to contribute more significant than others due to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

## 9.2 FAMILY RELATIONSHIPS

Mr. Geronimo P. Bella, Jr., Ricardo Rodrigo P. Bella, who are major shareholders, directors and key officers of the Company and Virginia May P. Bella who is the Legal Services Manager are siblings. Meanwhile Procurement Manager, Maria Elizabeth Jean E. Bella, is the daughter of Mr. Geronimo P. Bella, Jr.

There are no other family relationships known to the Company other than the ones disclosed.

## 9.3 INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company is not aware of any of legal cases which occurred during the past five years that are material to an evaluation of the ability or integrity of any of its directors/ independent directors and officers, including but not limited to the following:

- a. any bankruptcy petition filed by or against any business of which a director/independent director or officer or person nominated for election as a director/independent director or officer was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- b. any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any director/independent director or officer or person nominated for election as a director/independent director or officer, except as noted below;
- c. any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director or officer or person nominated for election as a director/independent director or officer in any type of business, securities, commodities or banking activities; and
- d. any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any director/independent director or officer or person nominated for election as a director/independent director or officer, has violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

## ITEM 10. EXECUTIVE COMPENSATION

As of 31 December 2024, the following are the Company's top four (4) compensated executive officers, including its CEO/President:

**Table 17: Top Four (4) Compensated Executive Officers**

Name	Present Position
Geronimo P. Bella, Jr.	Chairman of the Board and President
Ricardo Rodrigo P. Bella	Director and Vice President
Dany Cleo B. Uson	Chief Finance Officer and Compliance Officer
Lorenzo C. Caranzo	Operations Division Head

The following summarizes the executive compensation received by the top four (4) most highly compensated officers of the Company for 2022, 2023 and 2024. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

**Table 18: Executive Compensation**

Name and Position	Year	Total	Salary	Bonus	Other Annual Compensation
Geronimo P. Bella, Jr. <i>Chairman &amp; President</i> Ricardo Rodrigo P. Bella <i>Director and Vice President</i> Dany Cleo B. Uson <i>Chief Finance Officer</i> Lorenzo C. Caranzo <i>Operations Division Head</i>	2022	PHP26,731,598	PHP22,132,000	PHP1,975,583	PHP624,015
Geronimo P. Bella, Jr. <i>Chairman &amp; President</i> Ricardo Rodrigo P. Bella <i>Director and Vice President</i> Dany Cleo B. Uson <i>Chief Finance Officer</i> Lorenzo C. Caranzo <i>Operations Division Head</i>	2023	PHP30,677,218	PHP27,045,600	PHP2,816,000	PHP815,618
Geronimo P. Bella, Jr. <i>Chairman &amp; President</i> Ricardo Rodrigo P. Bella <i>Director and Vice President</i>	2024	PHP32,551,218	PHP28,318,000	PHP3,564,000	PHP669,218

Name and Position	Year	Total	Salary	Bonus	Other Annual Compensation
Dany Cleo B. Uson <i>Chief Finance Officer</i> Lorenzo C. Caranzo <i>Operations Division Head</i>					
Aggregate compensation paid to all officers and directors as a group unnamed	2022	PHP62,622,313	PHP55,562,604	PHP5,034,765	PHP2,024,944
	2023	PHP70,436,426	PHP60,409,909	PHP6,323,215	PHP3,703,302
	2024	PHP91,085,266	PHP79,085,515	PHP9,374,147	PHP2,625,605

## COMPENSATION OF DIRECTORS

Under the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10.0%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

The Directors total per diem allowance for 2022, 2023 and 2024 are presented in the following table:

**Table 19: Director's Per Diem Allowance**

Year	Amount
2022	PHP 1,330,927
2023	PHP 520,000
2024	PHP 655,250

## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of 31 December 2024, the Company does not know of anyone who beneficially owns in excess of 5.0% of the Company's common stock except as set forth in the table below:

### 11.1 SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS OF MANAGEMENT AS OF 31 DECEMBER 2024

**Table 20: Summary of Ownership of Management**  
*As of 31 December 2024*

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
Geronimo P. Bella, Jr.	366,012,998	975,000	366,987,998	41.02%
Ricardo Rodrigo P. Bella	241,553,487	2,642,000	244,195,487	27.30%
Ryota Nagata	6,089,645	0	6,089,645	0.68%
Ramon C. Liwag	15,000	0	15,000	0.00%

Cesar Daniel T. Castro	10,000	0	10,000	0.00%
Gene S. De Guzman	10,000	0	10,000	0.00%
Gemma V. Sadiua	10,000	0	10,500	0.00%
Dany Cleo B. Uson	500,000	0	500,000	0.00%

## 11.2 VOTING TRUST OF HOLDERS 5.0% OR MORE

To the best of the Company's knowledge, there were no persons holding more than 5.0% of common shares of the Company under a voting trust or similar agreement as of this writing.

## 11.3 CHANGES IN CONTROL

There are no arrangements which may result in a change in control of the Company as of this writing.

## ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the material related party transactions described in Note 21 of the Company's audited financial statements for the years 2024, 2023 and 2022 there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent (10.0%) of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of more than ten percent (10.0%) of the Company's voting shares had or is to have a direct or indirect material interest.

The Company has no transaction for the covered period with parties that fall outside the definition of "related parties" under PAS 24, Related Party Disclosures, but with whom the Company or its related parties has a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

## PART IV - CORPORATE GOVERNANCE

### ITEM 13. CORPORATE GOVERNANCE

Harbor Star is committed to conducting all aspects of its business to the highest ethical and legal standards. On 11 December 2017, the Board of Directors adopted a revised Manual on Corporate Governance in order to monitor and assess the Company's compliance with leading practices on good corporate governance as specified in the Manual and relevant SEC circulars and memoranda.

During the Board of Directors' meeting on 29 May 2019, the board unanimously approved the Board of Director's Charter and the Insider Trading Policy.

The Board of Directors, Management, Employees and Shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

## 1. BOARD OF DIRECTORS

Compliance with the principles of good corporate governance shall start with the Board of Directors. The Board shall act in a manner characterized by transparency, accountability and fairness. It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its shareholders.

The Board shall take care of the interests of the shareholders and protect their investment through the implementation of sound corporate policies and plans while maintaining its independent assessment on Management's performance.

The Chairman of the Board is responsible for designating a Compliance Officer to ensure that the Company adheres to the Manual and to corporate best practices.

## 2. INDEPENDENT DIRECTOR

An "independent director" means a person who, apart from his/her fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his/her exercise of independent judgment in carrying out his/her responsibilities as a director of the Corporation.

## 3. EXECUTIVE COMMITTEE

The Executive Committee, when the Board of Directors is not in session, may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, except with respect to: (a) approval of any action for which stockholders' approval is also required; (b) the filling of vacancies in the Board of Directors; (c) the amendment or repeal of these By-Laws or the adoption of new By-Laws; (d) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; (e) a distribution of cash dividends to the stockholders; and (f) such other matters as may be specifically excluded or limited by the Board of Directors.

## 4. AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its oversight responsibility of the Company's corporate governance processes relating to the: Financial statements and financial reporting process; Internal control systems; Internal and external auditors; Compliance with accounting standards, legal and regulatory requirements, including disclosure policies and procedures; Risk management policies and processes; and Business practices and ethical standards. The Audit Committee also ensures that, in the performance of the work of the Internal Auditor, it shall be free from interference by outside parties.

## 5. CORPORATE GOVERNANCE COMMITTEE

The Governance Committee assists the Board with respect to governance matters, most especially in the implementation of practices and standards to be observed in an effective stewardship environment. The Committee plays a critical role in fostering a healthier and better culture among the Board Members and Management. Part of the Committee's role is to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Committee also establishes a formal and transparent procedure for developing a policy on remuneration of directors and

officers to ensure that their compensation is consistent with the Company’s culture, strategy and the business environment in which it operates.

Harbor Star will continue to improve its corporate governance, systems and processes to enhance adherence to practices of good governance.

For further details about the Corporation’s governance practices, kindly refer to the Corporation’s Annual Corporate Governance Report (“ACGR”).

## **PART V - EXHIBITS AND SCHEDULES**

### **ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C**

#### **14.1 EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
1	Audited Consolidated Financial Statements as of 31 December 2024, 2023 and 2022
2	Sustainability Report
3	SEC Form 17-L

#### **14.2 REPORTS ON SEC FORM 17-C**

<b>REPORT DATE</b>	<b>ITEM REPORTED</b>
18 March 2024	Changes in Stock and Transfer Agent
15 April 2024	Postponement of Annual Stockholders’ Meeting
23 May 2024	Notice of Annual or Special Stockholders’ Meeting
03 June 2024	Material Information/Transactions - Nominees for Election to the Board of Directors
18 June 2024	Material Information/Transactions - Reason of Postponement of the 2024 Annual Stockholders’ Meeting
18 July 2024	Results of Annual or Special Stockholders’ Meeting
18 July 2024	Results of the Organizational Meeting of the Board of Directors
26 July 2024	Material Information/Transactions - TUGS Signs Contract to Salvage M/T Terranova

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 15 MAY 2025.

By:

  
**GERONIMO P. BELLA, JR.**  
Principal Executive Officer

  
**RICARDO RODRIGO P. BELLA**  
Principal Operating Officer

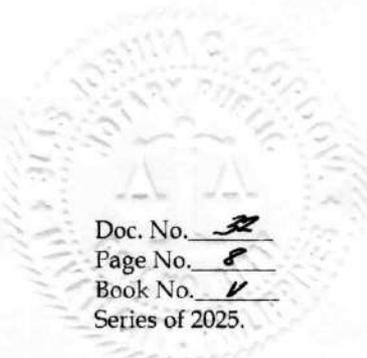
  
**DANY CLEO B. USON**  
Principal Financial Officer

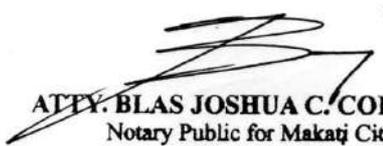
  
**CHARLENE O. ANG**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this 15 MAY 2025 in Makati City, affiant(s) exhibiting to me their respective government issued identification as follows:

NAMES	TIN No.
Geronimo P. Bella, Jr.	138-640-367
Ricardo Rodrigo P. Bella	162-916-129
Charlene O. Ang	900-321-341
Dany Cleo B. Uson	131-298-796

**Notary Public**

  
Doc. No. 32  
Page No. 8  
Book No. V  
Series of 2025.

  
**ATTY. BLAS JOSHUA C. CORDOVA**

Notary Public for Makati City  
Appointment No. M-066  
Until 31 December 2026  
Roll of Attorney's No. 81887  
PTR No. 10469858 / 08 Jan 2025 / Makati City  
IBP No. 494045 / 02 Jan 2025 / PPLM  
MCLE Compliance: Exempted  
2224 A. Bonifacio St. cor. President Osmena  
Highway, Bangkal, Makati City



# COVER SHEET

SEC Registration Number

						1	5	2	8	9	7
--	--	--	--	--	--	---	---	---	---	---	---

Company Name

H	A	R	B	O	R		S	T	A	R		S	H	I	P	P	I	N	G		S	E	R	V	I	C	E	S	,	
I	N	C	.																											

Principal Office (No./Street/Barangay/City/Town/Province)

2	2	2	4		A		B	O	N	I	F	A	C	I	O		S	T	.	,		C	O	R	.				
P	R	E	S	.		S	E	R	G	I	O		O	S	M	E	Ñ	A		H	I	G	H	W	A	Y	,		
B	A	N	G	K	A	L	,		M	A	K	A	T	I		C	I	T	Y		1	2	3	3					
P	H	I	L	I	P	P	I	N	E	S																			

Form Type

A	F	S	
---	---	---	--

Department requiring the report

C	R	R	
---	---	---	--

Secondary License Type, if applicable

	N	A	
--	---	---	--

**COMPANY INFORMATION**

Company's Email Address

www.harborstar.com.ph
-----------------------

Company's Telephone Number/s

(+632) 8886-3703
------------------

Mobile Number

N/A
-----

No. of Stockholders

116
-----

Annual Meeting Month/Day

Every Last Wednesday of May
-----------------------------

Fiscal Year Month/Day

12/31
-------

**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Dany Cleo B. Uson
-------------------

Email Address

dbuson@harborstar.com.ph
--------------------------

Telephone Number/s

(+632) 8886-3703
------------------

Mobile Number

N/A
-----

Contact Person's Address

2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233, Philippines
--

**Note:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designate

# **First Section**

Audited Consolidated Financial Statements with  
Supplemental Schedules for the  
Securities and Exchange Commission  
December 31, 2024

## **Table Of Contents**

### **First Section**

Statement of management responsibility

Report of independent auditors

Consolidated statements of financial position

Consolidated statements of total comprehensive income

Consolidated statements of changes in equity

Consolidated statements of cash flows

Notes to consolidated financial statements

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

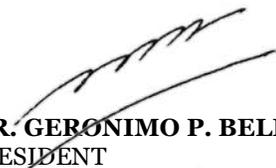
The management of Harbor Star Shipping Services, Inc and its Subsidiaries (“the Group”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error.

In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group’s financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Isla Lipana & Co, the independent auditor, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



**MR. GERONIMO P. BELLA JR.**  
PRESIDENT



**MR. RICARDO RODRIGO P. BELLA**  
VICE PRESIDENT



**MR. DANY CLEO B. USÓN**  
TREASURER

Signed this 14<sup>th</sup> day of May, 2025



**HARBOR STAR**  
SHIPPING SERVICES, INC.



REPUBLIC OF THE PHILIPPINES )  
CITY OF MAKATI ) S.S.

SUBSCRIBED AND SWORN TO BEFORE ME, this \_\_\_\_\_ day of 15 MAY 2025,  
2025, affiants exhibiting to me the following:

Name	Community Tax Certificate	Date / Place Issued
GERONIMO P. BELLA JR.	# 19829831	07 Jan 2025/ Makati City
RICARDO RODRIGO P. BELLA	# 19829833	07 Jan 2025/ Makati City
DANY CLEO B. USON	# 19829837	07 Jan 2025/ Makati City

Doc. No. 34 ;  
Page No. 2 ;  
Book No. V ;  
Series of 2025 .

*(Signature)*  
**ATTY. BLAS JOSHUA C. CORDOVA**  
Notary Public for Makati City  
Appointment No. M-066  
Until 31 December 2026  
Roll of Attorney's No. 81887  
PTR No. 10469858 / 08 Jan 2025 / Makati City  
IBP No. 494045 / 02 Jan 2025 / PPLM  
MCLE Compliance: Exempted  
2224 A. Bonifacio St. cor. President Osmeña  
Highway, Bangkal, Makati City





## Independent Auditor's Report

To the Board of Directors and Shareholders of  
**Harbor Star Shipping Services, Inc. and Subsidiaries**  
2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway  
Bangkal, Makati City

### Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Harbor Star Shipping Services, Inc. and Subsidiaries (the "Group") as at December 31, 2024 and 2023, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

#### *What we have audited*

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2024;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2024;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2024; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, [www.pwc.com/ph](http://www.pwc.com/ph)



Independent Auditor's Report  
 To the Board of Directors and Shareholders of  
 Harbor Star Shipping Services, Inc. and Subsidiaries  
 Page 2

**Our Audit Approach**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

*Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

<b>Key audit matters</b>	<b>How our audit addressed the key audit matters</b>
<p><i>Revaluation of tugboats</i></p> <p>Refer to Note 6 for the details on revaluation of tugboats presented as part of property, plant and equipment and to Notes 26.6 and 26.8 to the consolidated financial statements for the related accounting policies.</p> <p>In 2024, the Group recognized a net revaluation decrease amounting to P10.55 million, net of tax, based on the results of most recent appraisal reports finalized during the year. Accordingly, this resulted in the decrease of the Group's tugboats' net book value and revaluation surplus, which amounted to P2.68 billion and P948.83 million, respectively, as at December 31, 2024. This is an area of focus due to the material impact of these account balances to total assets and total comprehensive income.</p>	<p>We addressed the matter through the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained the appraisal reports for tugboats and assessed the objectivity and competence of the accredited appraiser engaged by the Group by evaluating their professional qualifications, experience and reporting responsibilities, as well as confirmed that they are duly accredited by the Securities and Exchange Commission (SEC).</li> <li>• Performed understanding and evaluation of the accredited appraiser's work including but not limited to the completeness of data used, reasonableness of assumptions and calculation methods used.</li> </ul>



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Harbor Star Shipping Services, Inc. and Subsidiaries  
Page 3

---

<b>Key audit matters</b>	<b>How our audit addressed the key audit matters</b>
<p>Likewise, the process of revaluation entails distinct expertise particularly third-party appraiser, whose calculations also depend on certain assumptions such as listing of comparable properties, adjustments to sales price based on weight, capacity and year built, as well as replacement cost.</p>	<ul style="list-style-type: none"><li>• Confirmed that appraised values were determined using market approach and cost approaches. Correspondingly, we have performed the following:<ol style="list-style-type: none"><li>1. Under the cost approach, we compared relevant information used in calculating replacement cost such as more significant material parts and labor as against historical costs with consideration of inflation and current market data. Assessed reasonableness of depreciation rate applied relative to service life and remaining estimated useful life as at reporting date.</li><li>2. Under the market approach, we traced indicated values to available listing of similar properties as referred to by the third-party appraiser, and confirmed comparability based on gross tonnage, power or capacity and year built, among others.</li></ol></li><li>• We checked the accuracy of adjustments made to property, plant and equipment, revaluation surplus and to impairment losses, as applicable.</li></ul>

---



Key audit matters	How our audit addressed the key audit matters
<p><i>Revenue recognition</i></p> <p>Refer to Note 14 for the details of the Group's revenues and to Note 26.18 to the consolidated financial statements for the related accounting policies.</p> <p>The Group's revenue stream is mainly revenue recognized over a period of time particularly on harbor assistance, salvage, lighterage, towing, construction and other diving and other underwater services which comprise 94% of total consolidated revenue for the year ended December 31, 2024.</p> <p>Accordingly, ascertaining proper recognition in the correct accounting period requires audit attention. In addition, these revenue streams are comprised of significant volume of transactions that are processed manually. There is also a need to consider the type of services rendered and the related pricing.</p> <p>For the year ended December 31, 2024, the total consolidated revenue recognized over time amounted to P2.84 billion.</p>	<p>We addressed the matter through the following procedures:</p> <ul style="list-style-type: none"> <li>• We obtained understanding of the Group's revenue recognition policies in accordance with PFRS 15, <i>Revenue from Contracts with Customers</i>, and the related business processes.</li> <li>• We performed substantive audit procedures on a sampling basis over service income which include inspection of customer contracts, billing invoices, dispatch tickets, collection receipts and certification of completed services.</li> <li>• We performed revenue cut-off procedures over the risk period identified.</li> <li>• We evaluated certain journal entries posted to revenue accounts, on a specific risk-based sample basis, and by examining the relevant supporting documentation to confirm appropriateness and authorization of these journal entries.</li> </ul>

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Harbor Star Shipping Services, Inc. and Subsidiaries  
Page 5

When we read the other information above which have not yet been received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Harbor Star Shipping Services, Inc. and Subsidiaries  
Page 6

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Harbor Star Shipping Services, Inc. and Subsidiaries  
Page 7

The engagement partner on the audit resulting in this independent auditor's report is  
Paul Chester U. See.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "Paul Chester U. See". The signature is written in a cursive, flowing style.

Paul Chester U. See  
Partner

CPA Cert. No. 104941

P.T.R. No. 0011425; issued on January 3, 2025 at Makati City

T.I.N. 202-215-515

BIR A.N. 08-000745-122-2024; issued on February 13, 2024; effective until February 12, 2027

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
May 14, 2025



## **Statements Required by Rule 68 Securities Regulation Code (SRC)**

To the Board of Directors and Shareholders of  
**Harbor Star Shipping Services, Inc. and Subsidiaries**  
2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway  
Bangkal, Makati City

We have audited the consolidated financial statements of Harbor Star Shipping Services, Inc. and Subsidiaries (the "Group") as at and for the year ended December 31, 2024, on which we have rendered the attached report dated May 14, 2025. The supplementary information shown in the Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration, A Map Showing the Relationships between and among the Parent Company and its Subsidiaries and Associates, and Schedules A, B, C, D, E, F and G as required by the Revised SRC Rule 68, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic consolidated financial statements. Such supplementary information and schedules are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information and schedules have been prepared in accordance with the Revised SRC Rule 68.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "Paul Chester U. See". The signature is written in a cursive, flowing style.

Paul Chester U. See  
Partner

CPA Cert. No. 104941

P.T.R. No. 0011425; issued on January 3, 2025 at Makati City

T.I.N. 202-215-515

BIR A.N. 08-000745-122-2024; issued on February 13, 2024; effective until February 12, 2027

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
May 14, 2025



## **Statements Required by Rule 68 Securities Regulation Code (SRC)**

To the Board of Directors and Shareholders of  
**Harbor Star Shipping Services, Inc. and Subsidiaries**  
2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway  
Bangkal, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Harbor Star Shipping Services, Inc. and Subsidiaries (the "Group") as at December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated May 14, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024 and no material exceptions were noted.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "Paul Chester See". The signature is written in a cursive, flowing style.

Paul Chester U. See  
Partner  
CPA Cert. No. 104941  
P.T.R. No. 0011425; issued on January 3, 2025 at Makati City  
T.I.N. 202-215-515  
BIR A.N. 08-000745-122-2024; issued on February 13, 2024; effective until February 12, 2027  
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
May 14, 2025

## Harbor Star Shipping Services, Inc. and Subsidiaries

Consolidated Statements of Financial Position  
As at December 31, 2024 and 2023  
(All amounts in Philippine Peso)

	Notes	2024	2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	383,033,395	285,190,441
Trade and other receivables, net	3	1,357,237,750	1,329,272,272
Prepayments and other current assets	4	480,205,306	375,986,874
<b>Total current assets</b>		<b>2,220,476,451</b>	<b>1,990,449,587</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	6	4,597,045,297	4,505,325,781
Right-of-use assets, net	21	39,062,624	94,366,832
Computer software, net	7	8,556,758	6,520,820
Investment properties	8	69,983,207	69,983,207
Investments in associates	5	147,460,440	206,628,414
Other non-current assets, net	9	254,389,049	260,127,557
<b>Total non-current assets</b>		<b>5,116,497,375</b>	<b>5,142,952,611</b>
<b>Total assets</b>		<b>7,336,973,826</b>	<b>7,133,402,198</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Trade and other payables	10	1,224,417,978	1,013,592,635
Borrowings	11	938,338,867	257,790,997
Lease liabilities	21	7,253,871	9,065,472
Advances from related parties	20	17,725,458	17,316,820
Income tax payable		35,967,073	6,004,558
<b>Total current liabilities</b>		<b>2,223,703,247</b>	<b>1,303,770,482</b>
<b>Non-current liabilities</b>			
Trade payables, net of current portion	10	9,298,942	-
Borrowings, net of current portion	11	2,371,207,544	3,292,851,423
Lease liabilities, net of current portion	21	38,966,037	41,433,779
Deferred income tax liabilities, net	22	236,833,784	243,382,220
Retirement benefit obligation	19	178,034,829	164,520,519
<b>Total non-current liabilities</b>		<b>2,834,341,136</b>	<b>3,742,187,941</b>
<b>Total liabilities</b>		<b>5,058,044,383</b>	<b>5,045,958,423</b>
<b>Equity</b>			
Attributable to owners of the Parent Company			
Share capital	12	907,857,870	907,857,870
Share premium	12	121,632,762	121,632,762
Revaluation surplus, net of tax	6	948,829,194	1,033,172,477
Cumulative translation difference	26.17	(6,068,601)	(7,829,025)
Fair value reserve on financial assets at fair value through other comprehensive income (FVOCI)		(160,000)	(160,000)
Treasury shares	12	(37,614,990)	(37,614,990)
Retained earnings		248,064,613	52,269,904
		2,182,540,848	2,069,328,998
Non-controlling interest		96,388,595	18,114,777
<b>Total equity</b>		<b>2,278,929,443</b>	<b>2,087,443,775</b>
<b>Total liabilities and equity</b>		<b>7,336,973,826</b>	<b>7,133,402,198</b>

The notes on pages 1 to 60 are integral part of these consolidated financial statements.

## Harbor Star Shipping Services, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income  
For each of the three years in the period ended December 31, 2024  
(All amounts in Philippine Peso)

	Notes	2024	2023	2022
Service income, net	14	2,844,476,009	2,522,732,041	2,375,197,590
Revenue on generation of solar power	14	193,362,467	140,330,004	324,357,740
Total revenues, net		3,037,838,476	2,663,062,045	2,699,555,330
Cost of services	15	(2,152,267,654)	(1,806,330,960)	(1,645,927,641)
<b>Gross profit</b>		885,570,822	856,731,085	1,053,627,689
General and administrative expenses	16	(558,819,802)	(454,559,973)	(380,909,458)
Reversal of (Provision for) impairment losses on property, plant and equipment	6	39,814,418	(56,206,741)	(81,286,247)
Net impairment losses on trade and other receivables	3	(12,212,023)	(47,103,248)	(111,382,619)
Impairment loss on goodwill	1.2	-	-	(154,207,159)
Other income (loss), net	18	239,843,610	43,183,188	(40,665,782)
<b>Operating profit</b>		594,197,025	342,044,311	285,176,424
<b>Finance cost</b>				
Interest expense	10,11,21	(262,389,303)	(280,161,155)	(289,083,467)
Foreign exchange (loss) gain on borrowings	11,23	(2,771,121)	1,408,908	(1,506,721)
		(265,160,424)	(278,752,247)	(290,590,188)
Share in (loss) profit of associates	5	(57,968,214)	5,706,738	(4,546,498)
<b>Income (loss) before income tax</b>		271,068,387	68,998,802	(9,960,262)
Income tax (expense) benefit	22	(82,012,911)	(49,733,067)	20,458,990
<b>Net income for the year</b>		189,055,476	19,265,735	10,498,728
<b>Other comprehensive (loss) income</b>				
<b>Items that will not be subsequently reclassified to profit or loss</b>				
Revaluation (decrement) increment on tugboats, net of tax	6	(10,552,189)	300,773,629	515,682,323
Remeasurements on retirement benefits, net of tax	19	3,877,984	(2,615,257)	(16,323,060)
<b>Total other comprehensive (loss) income, net of tax</b>		(6,674,205)	298,158,372	499,359,263
<b>Total comprehensive income for the year</b>		182,381,271	317,424,107	509,857,991
Income (Loss) attributable to:				
Owners of the parent	13	112,930,293	29,705,469	2,047,025
Non-controlling interest		76,125,183	(10,439,734)	8,451,703
		189,055,476	19,265,735	10,498,728
Total comprehensive income (loss) attributable to:				
Owners of the parent		106,256,088	327,863,841	501,406,288
Non-controlling interest		76,125,183	(10,439,734)	8,451,703
		182,381,271	317,424,107	509,857,991
<b>Earnings per share</b>				
Basic and diluted	13	0.126	0.033	0.002

The notes on pages 1 to 60 are integral part of these consolidated financial statements.

## Harbor Star Shipping Services, Inc. and its Subsidiaries

Consolidated Statements of Changes in Equity  
For each of the three years in the period ended December 31, 2024  
(All amounts in Philippine Peso)

	Notes	Equity attributable to owners of the Parent Company							Total	Non-controlling interest	Total equity
		Share capital (Note 12)	Treasury stock (Note 12)	Share premium (Note 12)	Revaluation surplus (Note 6)	Cumulative translation difference (Note 26.17)	Fair value reserve on financial assets at FVOCI	Retained earnings			
<b>Balances at January 1, 2022</b>		907,857,870	(37,614,990)	121,632,762	286,743,411	(7,874,394)	(160,000)	(32,194,999)	1,238,389,660	20,530,000	1,258,919,660
<b>Comprehensive income (loss)</b>											
Net income for the year		-	-	-	-	-	-	2,047,025	2,047,025	8,451,703	10,498,728
Other comprehensive income (loss)											
Remeasurements on retirement benefits, net of tax	19	-	-	-	-	-	-	(16,323,060)	(16,323,060)	-	(16,323,060)
Revaluation increment on tugboats, net of tax	6	-	-	-	515,682,323	-	-	-	515,682,323	-	515,682,323
<b>Total comprehensive income for the year</b>		-	-	-	515,682,323	-	-	(14,276,035)	501,406,288	8,451,703	509,857,991
<b>Depreciation transfer of revaluation surplus</b>	6	-	-	-	(36,569,647)	-	-	36,569,647	-	-	-
<b>Translation adjustments</b>	26.17	-	-	-	-	376,938	-	2,211,892	2,588,830	-	2,588,830
<b>Balances at December 31, 2022</b>		907,857,870	(37,614,990)	121,632,762	765,856,087	(7,497,456)	(160,000)	(7,689,495)	1,742,384,778	28,981,703	1,771,366,481
<b>Comprehensive income (loss)</b>											
Net income for the year		-	-	-	-	-	-	29,705,469	29,705,469	(10,439,734)	19,265,735
Other comprehensive income (loss)											
Remeasurements on retirement benefits, net of tax	19	-	-	-	-	-	-	(2,615,257)	(2,615,257)	-	(2,615,257)
Net revaluation on tugboats, net of tax	6	-	-	-	300,773,629	-	-	-	300,773,629	-	300,773,629
<b>Total comprehensive income for the year</b>		-	-	-	300,773,629	-	-	27,090,212	327,863,841	(10,439,734)	317,424,107
<b>Depreciation transfer of revaluation surplus</b>	6	-	-	-	(33,457,239)	-	-	33,457,239	-	-	-
<b>Translation adjustments</b>	26.17	-	-	-	-	(331,569)	-	(588,052)	(919,621)	(427,192)	(1,346,813)
<b>Balances at December 31, 2023</b>		907,857,870	(37,614,990)	121,632,762	1,033,172,477	(7,829,025)	(160,000)	52,269,904	2,069,328,998	18,114,777	2,087,443,775
<b>Comprehensive income (loss)</b>											
Net income for the year		-	-	-	-	-	-	112,930,293	112,930,293	76,125,183	189,055,476
Other comprehensive income (loss)											
Remeasurements on retirement benefits, net of tax	19	-	-	-	-	-	-	3,877,984	3,877,984	-	3,877,984
Net revaluation on tugboats, net of tax	6	-	-	-	(10,552,189)	-	-	-	(10,552,189)	-	(10,552,189)
<b>Total comprehensive income for the year</b>		-	-	-	(10,552,189)	-	-	116,808,277	106,256,088	76,125,183	182,381,271
<b>Depreciation transfer of revaluation surplus</b>	6	-	-	-	(49,010,387)	-	-	49,010,387	-	-	-
<b>Transfer of revaluation surplus through depreciation, net of tax</b>		-	-	-	(26,418,919)	-	-	26,418,919	-	-	-
<b>Translation adjustments</b>	26.17	-	-	-	1,638,212	1,760,424	-	3,557,126	6,955,762	2,148,635	9,104,397
<b>Balances at December 31, 2024</b>		907,857,870	(37,614,990)	121,632,762	948,829,194	(6,068,601)	(160,000)	248,064,613	2,182,540,848	96,388,595	2,278,929,443

The notes on pages 1 to 60 are integral part of these consolidated financial statements.

## Harbor Star Shipping Services, Inc. and its Subsidiaries

### Consolidated Statements of Cash Flows For each of the three years in the period ended December 31, 2024 (All amounts in Philippine Peso)

	Notes	2024	2023	2022
<b>Cash flows from operating activities</b>				
Income (Loss) before income tax		271,068,387	68,998,802	(9,960,262)
Adjustments for:				
Depreciation and amortization	6,9,15,16	567,534,700	555,050,543	437,948,773
Interest expense	10,11,21	262,389,303	280,161,155	289,083,467
Share in loss (profit) of associates	5	57,968,214	(5,706,738)	4,546,498
Loss on sale of property, plant and equipment	18	24,223,988	-	42,618,496
Retirement benefit expense	17,19	20,283,826	20,231,822	14,703,354
Provision for impairment of input VAT	4,9,16	15,759,091	15,906,103	8,158,784
Net impairment losses on trade and other receivables	3	12,212,023	47,103,248	111,382,619
Loss on write-off of CWT	18	11,220,363	-	-
Amortization of right-of-use assets	15,16,21	10,843,267	5,423,579	6,918,160
Unrealized foreign exchange loss (gain), net	23	5,607,980	10,145,276	(2,761,923)
Direct write-off of other receivables	3,16	5,306,812	25,913	-
Amortization of computer software	7	3,369,300	13,151,618	8,451,037
Unrealized foreign exchange loss (gain) on borrowings	11,23	2,771,121	(1,408,908)	1,506,721
Impairment loss on goodwill	1.2	-	-	154,207,159
Loss on debt restructuring, net	11,18	-	-	31,646,568
Interest income	2,3,18	(1,451,287)	(1,304,427)	(678,233)
Gain on reversal of other payables	18	(53,631,193)	(13,015,811)	-
(Reversal of) Provision for impairment loss on property, plant and equipment, net	6	(39,814,418)	56,206,741	81,286,247
Income from insurance claims	6,18	(100,247,716)	-	-
Operating profit before changes in working capital		1,075,413,761	1,050,968,916	1,179,057,465
Decrease (Increase) in:				
Trade and other receivables		(44,469,583)	(127,470,501)	(400,617,947)
Prepayments and other current assets		(159,723,664)	(90,004,965)	(57,802,227)
Other non-current assets		(10,734,767)	(653,962)	(20,234,603)
Increase (Decrease) in:				
Trade and other payables		29,169,280	(41,414,845)	164,220,393
Advances from related parties		408,638	674,446	-
Cash generated from operations		890,063,665	792,099,089	864,623,081
Interest received		1,376,085	700,505	678,233
Retirement benefit obligation paid	19	(1,598,870)	(1,424,085)	(231,200)
Income taxes paid		(9,830,922)	(9,386,925)	(1,585,414)
Net cash provided by operating activities		880,009,958	781,988,584	863,484,700
<b>Cash flows from investing activities</b>				
Proceeds from disposal of property, plant and equipment	6	19,046,378	-	19,638,342
Dividends received	5	1,199,760	9,895,945	8,537,452
Proceeds from insurance for machinery breakdown	6	43,715,319	-	-
Acquisition of investment properties	8	-	(2,500,000)	(1,810,714)
Acquisition of property, plant and equipment and computer software	6,7	(429,019,483)	(313,064,164)	(407,942,374)
Net cash used in investing activities		(365,058,026)	(305,668,219)	(381,577,294)
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	11	87,616,000	26,546,740	9,211,669
Net proceeds from short-term loans	11	55,725,500	(22,728,600)	(1,486,839)
Payment of short-term loans	11	(55,725,500)	-	-
Payment of interest on lease liabilities	21	(1,396,556)	(444,113)	(854,444)
Payment of lease liabilities	21	(10,555,598)	(9,074,930)	(8,231,512)
Payments of borrowings	11	(265,762,419)	(255,505,251)	(317,673,358)
Payment of interest on borrowings	11	(227,006,046)	(194,958,664)	(158,852,647)
Net cash used in financing activities		(417,104,619)	(456,164,818)	(477,887,131)
<b>Net increase in cash and cash equivalents</b>		97,847,313	20,155,547	4,020,275
Cash and cash equivalents at January 1	2	285,190,441	266,463,521	263,963,505
Effect of foreign exchange rate changes on cash and cash equivalents		(4,359)	(1,428,627)	(1,520,259)
<b>Cash and cash equivalents at December 31</b>	2	383,033,395	285,190,441	266,463,521

The notes on pages 1 to 60 are integral part of these consolidated financial statements.

## Harbor Star Shipping Services, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

As at December 31, 2024 and 2023 and

for each of the three years in the period ended December 31, 2024

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated.)

### 1 Business information

#### 1.1 General information

Harbor Star Shipping Services, Inc. (the "Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 5, 1988. The primary and secondary purpose of the Parent Company is to invest, own, operate, venture into domestic and international maritime commerce, domestic and international manning recruitment, transport in and between ports of the Philippines, domestic and international port and terminal operations, construction and rehabilitation of marine facilities and real estate development.

In July 2012, the Parent Company commenced activities for an initial public offering (IPO) of its common shares in the Philippines. On October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the Parent Company completed its listing in the Philippine Stock Exchange (PSE) and became a public company (Note 12). The Group did not have any follow-on offering subsequent to its initial public offering.

As at December 31, 2024, the Parent Company has 116 shareholders (2023 - 114), 114 of which holds at least 100 common shares (2023 - 113). For the year ended December 31, 2024, the Parent Company's major shareholders are its own directors holding 69.07% (2023 - 68.93%) of its total issued shares and the remaining 30.93% of total issued shares are held by the public (2023 - 31.07%).

The Group's registered office, which is also its principal place of business, is located at 2224 A. Bonifacio Street corner Pres. Sergio Osmena Highway, Bangkal, Makati City, 1233, Philippines.

#### 1.2 Significant developments

Acquisition of Astronergy Development Gensan Inc. (ADGI);  
Astronergy Development F1 Inc. (ADF1) and Astronergy Development F2 Inc. (ADF2)

On October 6, 2017, the Parent Company's BOD resolved to acquire 60% shareholdings of ADGI, an entity engaged in power generation through renewable energy through HSEC, a new subsidiary. On the same date, which became the acquisition date, a total of 599,997 shares were acquired, representing 60% of the issued and outstanding shares of ADGI. As a result, ADGI became a subsidiary of HSEC effective October 6, 2017.

ADGI was registered with the Department of Energy (DOE), with Registration No. SESC 2014-12-096 on December 29, 2014, as a Renewable Energy (RE) Developer of Solar Energy Resources. Pursuant to Section 15 Chapter VI of Republic Act (RA) No. 9513, An Act Promoting The Development, Utilization and Commercialization of Renewable Energy Resources and For Other Purposes, ADGI, as RE Developer, is entitled to certain incentives including income tax holiday (ITH) for the first seven (7) years of its commercial operations, from 2019 to 2026.

ADGI has permits, licenses and entitlements to operate 25MW, expandable to 75MW, solar power plant in General Santos. Agreement (PPA) with South Cotabato II Electric Cooperative, Inc. ("SOCOTECO II"). Under the PPA, SOCOTECO-II will purchase all the energy output from the project. On March 15, 2018, the Parent ADGI has been issued a Certificate of Commerciality by the DOE and has an existing ERC-approved Power Purchase Company's BOD resolved to acquire the following shares of stocks through HSEC, its subsidiary:

- 40% additional shareholdings of ADGI
- 100% shareholdings of Astronergy Development F1 Inc. (ADF1)
- 100% shareholdings of Astronergy Development F2 Inc. (ADF2)

On April 12 and October 18, 2018, HSEC acquired the remaining 25% and 15% shareholdings of ADGI which represents 250,000 and 150,000 shares of stock, respectively for a total of P75,108,479. The acquisition resulted in the reversal of NCI and a charge to retained earnings amounting to P18,695,948 and P83,342,728, respectively. The acquisition of the remaining shares of stocks made ADGI a wholly-owned subsidiary of HSEC.

The total consideration given with respect to the acquisition of ADGI's 60% shares and 100% shares of ADF1 and ADF2 is P147,453,712. This is attributable to the continuing operations of the acquired businesses. It will not be deductible for tax purposes.

ADF1 and ADF2 have their own ancillary permits and contracts to support the expansion of the 25 MW ADGI solar power plant to 75MW.

On July 27, 2019, ADGI started the commercial operation of its solar power plant in Sitio Changco, Brgy. Bawing, General Santos City, South Cotabato with a capacity of 25MW.

#### *Cash paid for the acquisitions*

Cash paid for the acquisition of 60% of ADGI amounting to P20,559,425 is presented net of cash from acquired subsidiary of P50,000 for a net cash paid of P20,509,425 in the consolidated statement of cash flows for the year ended December 31, 2017. In 2018, the cash paid was subsequently adjusted by P20,161,428 due to adjustments in purchase price.

Cash paid for the acquisition of 100% of ADF1 and ADF2 amounting to P147,053,712 is presented net of cash from acquired subsidiaries in the consolidated statement of cash flows for the year ended December 31, 2018.

On May 29, 2019, ADGI has received the Certificate of Approval of Increase in Capital Stock from the SEC. The authorized capital stock was increased from P2,000,000 divided into 2,000,000 shares with a par value of P1 each to P600,000,000 divided into 600,000,000 shares with a par value of P1. Subsequently, HSEC, the parent company of ADGI subscribed to an additional 300,000,000 shares with a par value of P1 for a total of P300,000,000. HSEC has settled P92,000,000 from the subscribed amount through application of its advances of deposit for future subscription.

On December 3, 2019, Energy Regulatory Commission (ERC) granted the Certificate of Compliance (COC No. 19-12-M-00188M) to ADGI after having found to comply with all the requirements in the 2014 Revised COC Rules, the Philippine Grid Code, the Philippine Distribution Code, the Wholesale Electricity Spot Market (WESM) Rules and related laws, orders and regulations. The COC shall be valid for a period of five (5) years, from December 31, 2019 to December 2, 2024, and its application for renewal shall be filed at least six (6) months before its expiration date. As at report date, renewal of the application is ongoing.

In 2020, ADGI commenced commercial operations for the entire year. On January 26, 2021, SOCOTECO II and ADGI filed an Application on ERC Case No. 2013-2017 RC seeking the Commission's approval of their Renewable Energy Supply Agreement (RESA) for issuance of final authority and collection for the supply of power based on the RESA as at December 31, 2020. In 2020, ADGI has submitted to the ERC all documents to support their claims. As at reporting date, ADGI is awaiting for final ruling from the ERC.

On December 23, 2022, the Department of Energy (DOE) declared the commercial operation of the Wholesale Electricity Spot Market (WESM) in the Mindanao Grid (DC2022-12-0039) mandating all Mindanao Electric Power Industry Participants and entities to become WESM members. On January 26, 2023, ADGI transferred its generation of solar power from SOCOTECO II to WESM.

## Critical accounting estimate

### *Impairment of goodwill*

The Group's goodwill is carried at cost and is reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of goodwill and the amount and timing of recorded provision for any period. Goodwill is monitored by the Group's management following its acquisition of ADGI, ADF1 and ADF2.

As at December 31, 2022, management assessed that the goodwill may not be recoverable mainly due to adverse impact of higher interest to discount rate and volatility in electricity prices. As a result, the Group recognized an impairment loss on goodwill amounting to P154,207,159 in 2022.

As at December 31, 2022, the recoverable amount of ADGI's business was determined based on value in use calculation (using Level 3 inputs) using certain assumptions. The calculations made use of cash flow projections based on financial forecasts. The significant assumptions affecting the cash flow projections is limited to the pre-tax adjusted discount rate.

The cash flow forecasts reflect management's expectations of revenue growth, operating costs and margins based on past experience and outlook, consistent with internal measurements and monitoring.

Pre-tax adjusted discount rate applied to the cash flow forecasts is derived using the weighted average cost of capital as at December 31, 2022. The pretax discount rate used was 11% in 2022.

### Harbor Star East Asia (Myanmar) Limited (HSEAM)

On April 20, 2018, the Parent Company subscribed to 97% or equivalent to 48,500 shares of the 50,000 authorized shares of HSEAM and paid 50% of the subscription amounting to P1,354,522 which gave the Parent Company 100% controlling interest over HSEAM.

HSEAM was incorporated on February 6, 2018 in The Republic of the Union of Myanmar in accordance with Myanmar Companies Act under Registration and Permit no. 1054FC/2017-2018 (YGN) as a Private Company. HSEAM is engaged in providing consultancy and support services, underwater, marine and maritime related business in Myanmar. The period of the validity of permit was from February 6, 2018 to February 5, 2023. The validity of permit was renewed and extended until March 6, 2026.

### Hi-Energy Marine Services, Inc. (HEMSI)

On August 16, 2018, the Parent Company subscribed to 31% (218,464 shares) of the 705,924 authorized shares of Hi-Energy Marine Services, Inc. (HEMSI) and paid 100% of the subscription amounting to P85,368,971. As a result, HEMSI became an associate.

HEMSI was incorporated and registered with the SEC on February 13, 2012 primarily to engage in towage, mooring, maritime commerce and navigation.

### Other business updates

On January 29, 2020, the Maritime Industry Authority (MARINA) issued its first endorsement that it has no objection to the amendment of the Second Article of the Articles of Incorporation of TUGS authorizing it to engage in operation of maritime schools/ educational/training facilities. This is in line with the process of applying for an amendment on AOI with the SEC based on the BOD resolution issued last March 6, 2017. On July 7, 2020, the SEC approved the amendment of the AOI.

On September 8, 2020, the Parent Company has been accredited by the Philippine Contractors Accreditation Board (PCAB) for General Building and Engineering. The Parent Company is licensed to perform both private and public construction work which includes building, rehabilitating and repairing roads, piers, terminations and other infrastructure.

On March 17, 2021, the Parent Company has subscribed to 29,999,999 shares of Harbor Star Construction Corporation (HSCC) for a total amount of P29,999,997, which gave the Group 100% controlling interest over HSCC.

On April 23, 2021, the SEC approved the Certificate of Incorporation of HSCC. Its primary purpose is to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.

On June 6, 2023, the Parent Company has subscribed to 30% or equivalent to 16,500,000 of the 55,000,000 authorized shares of Kaibuok Star Shipyard Inc. (KSSI) for a total amount of P16,624,025. The total subscribed amount is presented as part of investment in associates (Note 5).

On July 24, 2023, the SEC approved the Certificate of Incorporation of KSSI, the primary purpose of which is to build, construct, fabricate, repair, own, manage, operate, maintain, buy, sell, or otherwise deal in and with ships, vessels, boats, and marine structures of every kind and nature, graving docks, drydocks, floating docks, various land, and other structures and other conveniences for building, repairing, or docking of ships and other vessels for building and repairing marine and other land structures.

### 1.3 Consolidation

As at December 31, 2024 and 2023, the consolidated financial statements include the Parent Company and its Subsidiaries, namely, Harbor Star Subic Corp., Peak Flag SDN BHD; HSEC; HSEAM; HSCC; ADGI; ADF1 and ADF2, collectively referred to as the “Group”.

The principal activities of the subsidiaries and associates are set out below.

	Relationship	% of interest held		Registered place of business/ Country of incorporation	Main activity
		2024	2023		
Harbor Star Subic Corp. (HSSC)	Subsidiary	100%	100%	Philippines	HSSC was incorporated on September 17, 2015 and registered in the Philippines primarily to engage in marine-related ancillary services such as harbor assistance, towage, lighterage, oil spill response and underwater marine services.  Its registered address, which is also its principal place of business, is located at Units 9 and 10, Alava Quay, Waterfront Road, Subic Bay Freeport Zone, Subic, Zambales.
Harbor Star Energy Corporation (HSEC)	Subsidiary	100%	100%	Philippines	HSEC was incorporated on May 11, 2017 and registered in the Philippines primarily to engage in the production and sale of renewable energy.  Its registered address is at 2224 A. Bonifacio cor Pres. Osmeña Bangkal Makati, Metro Manila.
Harbor Star East Asia (Myanmar) Limited (HSEAM)	Subsidiary	100%	100%	Myanmar	HSEAM was incorporated in Myanmar and registered on February 6, 2018 primarily engage in providing consultancy and support services, including, (but not limited to) underwater, marine, maritime-related businesses in Myanmar.  Its registered address, which is also its principal place of business is No. Level 8 A, Union Financial Center, Corner of Mahabandoola and Thein Phyu Road, Botahtaung Township, Yangon.
Harbor Star Construction Corporation (HSCC)	Subsidiary	100%	100%	Philippines	HSCC was incorporated on April 23, 2022 and registered in the Philippines primarily to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.  Its registered address, which is also its principal place of business is located at 2224 A. Bonifacio cor Pres. Osmena Bangkal Makati, Metro Manila.
Peak Flag SDN BHD (Peak Flag)	Subsidiary	45%	45%	Malaysia	Peak Flag was incorporated and registered in Malaysia, primarily to carry on the business of providing tugboat harbor assist/ marine support services.  Its registered address, which is also its principal place of business, is at Suite N-6-04, The Gamuda Biz Suites, No. 12, Persiaran Anggerik Vanilla 31/99 Seksyen 31, Kota Kemuning 40460 Shah Alam, Selangor.
Astronergy Development Gensan, Inc. (ADGI)	Subsidiary (indirect)	100%	100%	Philippines	In 2018, HSEC completed full subscription to total share of ADGI, an entity engaged in power generation through renewable energy.  Its registered address is at Unit 202 Midway Court Building, EDSA Mandaluyong, Metro Manila and principal place of business is at 2224 A. Bonifacio St. corner Pres. Sergio Osmeña Highway, Bangkal, Makati City.

	Relationship	% of interest held		Registered place of business/ Country of incorporation	Main activity
		2024	2023		
Astronergy Development F1 Inc. (ADF1)	Subsidiary (indirect)	100%	100%	Philippines	<p>During 2018, HSEC acquired 100% ownership of Astronergy Development F1 Inc., an entity engaged in power generation through renewable energy (Note 1.2). ADF1 has not started commercial operations as at December 31, 2024.</p> <p>Its registered address, which is also its principal place of business, is at 2224 A, Bonifacio Street corner President Sergio Osmeña Highway, Bangkal, Makati City, Philippines.</p>
Astronergy Development F2 Inc. (ADF2)	Subsidiary (indirect)	100%	100%	Philippines	<p>During 2018, HSEC acquired 100% ownership of Astronergy Development F2 Inc., an entity engaged in power generation through renewable energy (Note 1.2). ADF2 has not started commercial operations as at December 31, 2024.</p> <p>Its registered address, which is also its principal place of business, is at 2224 A, Bonifacio Street corner President Sergio Osmeña Highway, Bangkal, Makati City, Philippines.</p>
Harbor Star East Asia (Myanmar) Limited (HSEAM)	Subsidiary	100%	100%	Myanmar	<p>During 2018, HSSSI acquired 97% ownership of HSEAM, an entity providing consultancy and support services including underwater, marine and maritime related business.</p> <p>Its registered address, which is also its principal place of business, is at No. Level 8 A, Union Financial Center, Corner of Mahabandoola and Thein Phyu Road, Botahtaung Township, Yangon.</p>
Hi-Energy Marine Services, Inc. (HEMSI)	Associate	31%	31%	Philippines	<p>During 2018, HSSSI acquired 31% ownership of HEMSI, an entity engaged in towage, mooring, maritime commerce and navigation.</p> <p>Its registered address, which is also its principal place of business, is at Bldg. No. 1811 CUO 14, Studio Zen, Taft Ave. St. Zone 03, Brgy. 36, Pasay City, Philippines.</p>
Great Eastern Tug Corporation (GETC)	Associate	20%	20%	Philippines	<p>GETC was incorporated and registered with the Philippine SEC on September 9, 2002, primarily to own, charter in/out, operate and manage tugboats or domestic services.</p> <p>Its registered address, which is also its principal place of business, is located at 11F Marc 2000 Tower, 1973 Taft Avenue, Malate, Manila.</p>
Kaibukok Star Shipyard Inc. (KSSI)	Associate	30%	30%	Philippines	<p>KSSI was incorporated and registered with the Philippine SEC on July 24, 2023, primarily to build, construct, fabricate, repair, own, manage, operate, maintain, buy, sell, or otherwise deal in and with ships, vessels, boats, and marine structures of every kind and nature, graving docks, drydocks, floating docks, various land, and other structures and other conveniences for building, repairing, or docking of ships and other vessels for building and repairing marine and other land structures.</p> <p>Its registered address, which is also its principal place of business, is located at Polloc Freeport and Economic Zone Polloc, Parang, Maguindanao, Autonomous Region in Muslim Mindanao.</p>

## Critical accounting judgment

### *Determining control over investments with ownership of less than half of an entity's total equity*

The Parent Company follows the guidance of Philippine Financial Reporting Standards (PFRS) 10, "Consolidated Financial Statements" in determining if control exists for investments with ownership of less than half of its total equity. In making this judgment, the Parent Company considers the power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the Board of Directors (BOD), or power to cast the majority of votes at meetings of the BOD.

Having a significant influence based on the percentage ownership, the Parent Company initially considered Peak Flag as an associate. However, effective January 1, 2014, the Parent Company has gained control over the key economic decisions and policies affecting Peak Flag under the duly signed amended shareholders' agreement including majority board representation. Consequently, based on management's judgment and continuous assessment of the Parent Company, Peak Flag is considered as a subsidiary as at December 31, 2024 and 2023.

### *Non-controlling interest*

Set out below are the summarized financial information of Peak Flag, a subsidiary, that has non-controlling interests to the Group. The amounts disclosed are before intercompany eliminations.

	2024	2023
Total current assets	127,828,021	165,755,310
Total non-current assets	376,183,989	217,506,794
Total current liabilities	249,208,783	325,634,356
Total non-current liabilities	78,363,556	26,810,108
Equity	176,439,671	30,817,640
Total revenue	171,941,552	111,294,607
Total expenses	(80,170,948)	(130,275,942)
Total income (loss) for the year	91,770,604	(18,981,335)
Total comprehensive income (loss) for the year	138,409,424	(18,981,335)
Net cash provided by operating activities	65,349,650	2,328,912
Net cash provided by (used in) financing activities	21,943,138	(21,644,116)

### **1.4 Approval of the consolidated financial statements**

The consolidated financial statements of the Group were approved and authorized for issue by the Parent Company's BOD on May 14, 2025.

### **2 Cash and cash equivalents**

Cash and cash equivalents as at December 31 consist of:

	2024	2023
Cash on hand	2,708,159	2,394,176
Cash in banks	276,742,969	216,000,729
Cash equivalents	103,582,267	66,795,536
	383,033,395	285,190,441

Cash equivalents pertain to investment of the Parent Company with local banks, with original maturity of less than three (3) months from date of placement. Cash equivalents earn interest at an average rate of 5.38% for 2024, 2023 and 2022.

Interest income earned from cash in banks and cash equivalents for the year ended December 31, 2024 amounted to P1,374,793 (2023 - P700,505; 2022 - P678,233) (Note 18).

The carrying values of cash and cash equivalents represent maximum exposure to credit risk other than cash on hand. While cash and cash equivalents are also subject to the impairment of Philippine Financial Reporting Standards (PFRS) 9, the assessed impairment loss is immaterial.

### **3 Trade and other receivables, net**

Trade and other receivables, net as at December 31 consist of:

	2024	2023
Trade receivables	1,564,761,615	1,456,708,311
Allowance for impairment of trade receivables	(412,592,644)	(417,742,128)
	1,152,168,971	1,038,966,183
Advances to officers, employees and others	186,516,788	261,403,423
Allowance for impairment of advances to employees and others	(40,397,715)	(23,625,837)
	146,119,073	237,777,586
Unbilled revenue	40,142,500	49,967,124
Others	18,807,206	2,561,379
	1,357,237,750	1,329,272,272

Trade receivables are amounts due from customers for rendering harbor assistance and other marine services and solar energy fee in the ordinary course of the business with an average credit term of 30 to 60 days.

Advances to employees represent outstanding balances with existing employees and regular collections are made through liquidation and salary deduction. As at December 31, 2024, advances to officers and others representing key management personnel amounted to P19,363,715 (2023 - P68,506,112) (Note 20).

The carrying value of trade and other receivables as at December 31, 2024 and 2023 approximates its fair value as at reporting date.

#### Allowance for impairment

The Group applies PFRS 9 simplified approach in measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of service fees over a period of 36 months before January 1, of every reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in such rates.

For advances to officers and others, and other receivables, the Group applies a general approach in calculating expected credit losses. The Group recognizes a loss allowance based on either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk on these financial assets since initial recognition.

Movements in the provision for impairment of trade and other receivables for the years ended December 31 are as follows:

	Note	2024	2023
As at January 1		441,367,965	398,064,101
Provision for impairment, net		12,212,023	47,103,248
Write-off		-	(2,892,049)
Cumulative translation adjustment	26.17	(589,629)	(907,335)
As at December 31		452,990,359	441,367,965

In 2024, net reversal of impairment on trade receivables amounting to P4,559,855 (2023 - P47,103,248 provision; 2022 - P111,382,619 provision) and provision for impairment loss on advances to inactive employees amounting to P16,771,878 (2023 and 2022 - nil) was recognized. These were charged to net impairment losses on trade and other receivables in the consolidated statements of total comprehensive income, as a result of management's assessment of collectability.

In 2024, the Group directly wrote-off uncollectible advances to officers, employees and others amounting to P5,306,812 (2023 - P25,913; 2022 - nil). This was charged to general and administrative expenses in the consolidated statements of total comprehensive income (Note 16).

In 2023, the Group wrote-off uncollectible advances to officers, employees and others previously provided with an allowance amounting to P2,892,049. There are no similar transactions in 2024 and 2023.

For the year ended December 31, 2024, the Group recognized interest income amounting to P76,494 (2023 - P603,922; 2022 - nil) as a result of the late payment of a third-party customer relating to the salvage services provided and generation of solar power (Note 18).

Unbilled revenue pertains to revenue that has been recognized as earned but not yet billed to the customer from operations in relation to diving and other underwater services and construction projects of the Parent Company. As at reporting date, the costs incurred and estimated earnings in excess of billings on uncompleted contracts have not been invoiced and as such they represent a contract asset.

The Group recognized contract assets of P40,142,500 as at December 31, 2024 (2023 - P49,967,124) for revenue accrued based on percentage of completion at year-end. The movements on contract assets are mainly attributable to the completed projects and additional accruals for unbilled costs.

#### Critical accounting estimates and assumptions

##### *Recoverability of trade and other receivables*

The allowance for impairment related to the Group's trade and other receivables that are financial assets is based on assumptions about risk of default and expected loss rates. The Group uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are discussed above.

Estimates and assumptions related to provision for impairment of trade and other receivables are continually evaluated based on historical experiences and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

#### **4 Prepayments and other current assets**

Prepayments and other current assets as at December 31 consist of:

	2024	2023
Construction advances	135,952,244	121,728,437
Input value-added tax (VAT)	185,543,075	102,832,239
Allowance for impairment of input VAT	(1,150,401)	(962,646)
Input VAT, net	184,392,674	101,869,593
Prepayments	98,069,203	80,586,492
Advances to suppliers	55,646,337	57,636,147
Refundable deposits	6,144,848	14,166,205
	<b>480,205,306</b>	<b>375,986,874</b>

Construction advances pertain to advances to suppliers, contractors and employees related to construction projects subject to liquidation. In 2023, the Group wrote-off the previously fully provided construction advances amounting to P24,521,086 due to high likelihood that this amount will not be liquidated. No similar transaction in 2024.

Prepayments mainly consist of unexpired hull and machinery insurance, motor car insurance, life and health insurance, and fuel which are expected to be utilized for a period of less than a year.

Advances to suppliers consist of advance payments on services to be performed within 12 months.

In 2024, the Parent Company wrote-off unsupported creditable withholding taxes (CWT) classified under prepayments amounting to P11,220,363 (2023 and 2022 - nil) (Note 18).

The movement in allowance for impairment of input VAT for the years ended December 31 follows:

	Note	2024	2023
As at January 1		962,646	627,879
Provision for impairment	16	187,755	334,767
As at December 31		<b>1,150,401</b>	<b>962,646</b>

Management's assessment on the recoverability of input VAT is discussed in Note 9.

## 5 Investments in associates

Investments in associates as at December 31 consist of:

	2024	2023
GETC	19,275,755	19,695,850
HEMSI	111,560,660	170,308,539
KSSI	16,624,025	16,624,025
	147,460,440	206,628,414

The movement of investments in associates for the years ended December 31 are as follows:

	2024	2023	2022
At January 1	206,628,414	194,193,596	207,277,546
Additions	-	16,624,025	-
Share in adjusted net (loss) profit	(57,968,214)	5,706,738	(4,546,498)
Dividends	(1,199,760)	(9,895,945)	(8,537,452)
At December 31	147,460,440	206,628,414	194,193,596

### (a) GETC

The movements of investment in GETC for the years ended December 31 are as follows:

	2024	2023	2022
At January 1	19,695,850	16,976,429	15,950,725
Dividends received	(1,199,760)	-	-
Share in net profit	779,665	2,719,421	1,025,704
At December 31	19,275,755	19,695,850	16,976,429

In 2024, the Parent Company received dividend income from GETC amounting to P1,199,760 (2023 and 2022 - nil).

Set out below is the Groups' share in net assets of GETC as at and for the years ended December 31:

	2024	2023	2022
Net assets, December 31	96,378,773	98,479,251	84,882,146
Group's share in %	20%	20%	20%
Group's share in net assets	19,275,755	19,695,850	16,976,429

### (b) HEMSI

The movements of investment in HEMSI for the years ended December 31 are as follows:

	2024	2023	2022
At January 1	170,308,539	177,217,167	191,326,821
Share in adjusted net (loss) profit	(58,747,879)	2,987,317	(5,572,202)
Dividends received	-	(9,895,945)	(8,537,452)
At December 31	111,560,660	170,308,539	177,217,167

In 2023 and 2022, the Parent Company received dividend income from HEMSI amounting to P9,895,945 and P8,537,452, respectively.

Set out below is the reconciliation of the Group's share in net assets to carrying amount of investment in HEMSI as at and for the years ended December 31:

	2024	2023	2022
Net assets, December 31	200,615,663	390,124,949	412,410,850
Group's share in %	31%	31%	31%
Group's share in net assets	62,190,855	120,938,734	127,847,362
Goodwill	49,369,805	49,369,805	49,369,805
Carrying amount	111,560,660	170,308,539	177,217,167

(c) *KSSI*

On June 6, 2023, HSSSI subscribed to 30% of the issued and outstanding capital stock of Kaibuok Star Shipyard Inc. (KSSI). Balance of investment amounted to P16,624,025, P16,499,998 of which is equivalent to the cost of investment. Remaining balance pertains to its transaction costs which amounted to P124,027. As at report date, KSSI remains in the pre-operating phase.

The shares of GETC, HEMSI, and KSSI are unquoted.

The summarized individual financial information of the associates were not presented because based on management's assessment, the said information and the investments in the associates are not material to the Group's business operations and consolidated financial statements.

Critical accounting estimate

*Impairment of investments in associates*

The Group's investments in associates are carried using equity method. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those management assessment and judgment could have a significant effect on the carrying value of investments in associates and the amount and timing of recorded provision for any period.

As at December 31, 2024 and 2023, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its investment in associates may not be recoverable.

## 6 Property, plant and equipment, net

Details of property, plant and equipment as at December 31 and the movements in the account for the years then ended are as follows:

	Tugboat	Land	Barges	Building and building improvements	Transportation equipment	Diving and oil spill equipment	Furniture, fixtures and leasehold improvements	Construction equipment	Construction-in-progress	Total
<i>At December 31, 2022</i>										
Cost	16,304,205,394	39,556,011	614,663,052	2,021,400,784	75,528,644	472,699,846	7,291,274	22,104,770	23,007,603	19,580,457,378
Accumulated depreciation	(14,119,652,735)	-	(402,604,699)	(372,690,868)	(62,581,324)	(251,248,938)	(6,863,977)	(13,469,579)	-	(15,229,112,120)
Cumulative translation adjustments	-	-	-	-	-	3,399,114	288,335	-	-	3,687,449
<b>Net carrying amount</b>	<b>2,184,552,659</b>	<b>39,556,011</b>	<b>212,058,353</b>	<b>1,648,709,916</b>	<b>12,947,320</b>	<b>224,850,022</b>	<b>715,632</b>	<b>8,635,191</b>	<b>23,007,603</b>	<b>4,355,032,707</b>
<i>January 1, 2023</i>										
Opening net carrying amount	2,184,552,659	39,556,011	212,058,353	1,648,709,916	12,947,320	224,850,022	715,632	8,635,191	23,007,603	4,355,032,707
Additions	177,316,267	-	45,601,596	47,121,481	3,998,026	80,408,779	519,280	112,497	250,047	355,327,973
Disposal	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	(30,102,560)	-	-	-	-	-	(30,102,560)
Accumulated depreciation	-	-	-	6,142,678	-	-	-	-	-	6,142,678
Reclassification	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	4,107,143	-	4,107,143
Accumulated Depreciation	-	-	-	-	-	-	-	(4,107,143)	-	(4,107,143)
Revaluation	-	-	-	-	-	-	-	-	-	-
Cost	4,819,840,608	-	-	-	-	-	-	-	-	4,819,840,608
Accumulated depreciation	(4,418,348,520)	-	-	-	-	-	-	-	-	(4,418,348,520)
Reversal of impairment	31,178,062	-	-	-	-	-	-	-	-	31,178,062
Impairment loss	(63,424,921)	-	-	-	-	-	-	-	-	(63,424,921)
Depreciation	(310,834,837)	-	(107,801,168)	(94,622,550)	(3,774,992)	(33,966,717)	(600,633)	(1,558,178)	-	(553,159,075)
Translation adjustments	-	-	-	-	-	2,774,137	64,692	-	-	2,838,829
<b>Closing net carrying amount</b>	<b>2,420,279,318</b>	<b>39,556,011</b>	<b>149,858,781</b>	<b>1,577,248,965</b>	<b>13,170,354</b>	<b>274,066,221</b>	<b>698,971</b>	<b>7,189,510</b>	<b>23,257,650</b>	<b>4,505,325,781</b>
<i>At December 31, 2023</i>										
Cost	21,301,362,269	39,556,011	660,264,648	2,038,419,705	79,526,670	553,108,625	7,810,554	26,324,410	23,257,650	24,729,630,542
Accumulated depreciation	(18,881,082,951)	-	(510,405,867)	(461,170,740)	(66,356,316)	(285,215,655)	(7,464,610)	(19,134,900)	-	(20,230,831,039)
Cumulative translation adjustments	-	-	-	-	-	6,173,251	353,027	-	-	6,526,278
<b>Net carrying amount</b>	<b>2,420,279,318</b>	<b>39,556,011</b>	<b>149,858,781</b>	<b>1,577,248,965</b>	<b>13,170,354</b>	<b>274,066,221</b>	<b>698,971</b>	<b>7,189,510</b>	<b>23,257,650</b>	<b>4,505,325,781</b>
<i>January 1, 2024</i>										
Opening net carrying amount	2,420,279,318	39,556,011	149,858,781	1,577,248,965	13,170,354	274,066,221	698,971	7,189,510	23,257,650	4,505,325,781
Additions	335,412,202	-	122,112,199	5,975,928	8,178,499	38,873,849	986,867	20,246,965	42,306,446	574,092,955
Transfer	274,520,352	-	-	-	-	(274,520,352)	-	-	-	-
Adjustment	-	-	-	-	-	46,660,072	4,133	-	-	46,664,205
Disposal	-	-	-	-	-	-	-	-	-	-
Cost	(826,509,351)	-	-	-	(2,066,958)	(5,884,694)	-	-	-	(834,461,003)
Accumulated depreciation	784,866,973	-	-	-	2,066,958	4,156,705	-	-	-	791,090,636
Reclassification	-	-	-	-	-	-	-	-	-	-
Cost	-	-	72,975,686	-	-	-	-	-	-	72,975,686
Accumulated depreciation	-	-	(22,582,480)	-	-	-	-	-	-	(22,582,480)
Revaluation	-	-	-	-	-	-	-	-	-	-
Cost	(1,033,861,262)	-	-	-	-	-	-	-	-	(1,033,861,262)
Accumulated depreciation	1,016,038,608	-	-	-	-	-	-	-	-	1,016,038,608
Impairment loss	(31,224,134)	-	-	-	-	-	-	-	-	(31,224,134)
Reversal of impairment	71,038,552	-	-	-	-	-	-	-	-	71,038,552
Depreciation	(327,777,081)	-	(90,102,270)	(103,061,235)	(7,570,793)	(35,658,722)	(568,164)	(1,944,896)	-	(566,683,161)
Translation adjustments	(1,875,885)	-	-	-	-	10,506,293	506	-	-	8,630,914
<b>Closing net carrying amount</b>	<b>2,680,908,292</b>	<b>39,556,011</b>	<b>232,261,916</b>	<b>1,480,163,658</b>	<b>13,778,062</b>	<b>58,199,370</b>	<b>1,122,313</b>	<b>25,491,579</b>	<b>65,564,096</b>	<b>4,597,045,297</b>
<i>At December 31, 2024</i>										
Cost	20,050,924,209	39,556,011	855,352,533	2,044,395,633	85,638,219	358,237,500	8,801,554	46,571,375	65,564,096	23,555,041,131
Accumulated depreciation	(17,368,140,033)	-	(623,090,617)	(564,231,975)	(71,860,157)	(316,717,672)	(8,032,775)	(21,079,796)	-	(18,973,153,025)
Cumulative translation adjustments	(1,875,885)	-	-	-	-	16,679,542	353,534	-	-	15,157,191
<b>Net carrying amount</b>	<b>2,680,908,292</b>	<b>39,556,011</b>	<b>232,261,916</b>	<b>1,480,163,658</b>	<b>13,778,062</b>	<b>58,199,370</b>	<b>1,122,313</b>	<b>25,491,579</b>	<b>65,564,096</b>	<b>4,597,045,297</b>

The net book values of the tugboats, had the assets been carried at cost and not at revalued amount, as at December 31 would have been as follows:

	2024	2023
As at January 1		
Cost	3,029,195,505	2,851,879,238
Accumulated depreciation	(1,980,348,013)	(1,681,409,765)
Net carrying amount	1,048,847,492	1,170,469,473
Year ended December 31		
Opening net carrying amount	1,048,847,492	1,170,469,473
Adjustment	274,520,352	-
Additions	335,412,202	177,316,267
Disposals		
Cost	(104,450,816)	-
Accumulated depreciation	98,012,830	-
Depreciation	(262,927,881)	(266,691,390)
Reversal of impairment	71,038,552	(63,424,920)
Impairment (loss) gain	(31,224,134)	31,178,062
Translation Adjustment	(1,875,887)	-
Closing net carrying amount	1,427,352,710	1,048,847,492
At December 31		
Cost	3,534,677,244	3,029,195,505
Accumulated depreciation	(2,105,448,647)	(1,980,348,013)
Translation Adjustment	(1,875,887)	-
Net carrying amount	1,427,352,710	1,048,847,492

The movements of revaluation surplus in equity for the years ended December 31 are as follows:

	2024	2023
Beginning of year, net of tax	1,033,172,477	765,856,087
Revaluation		
Revaluation (decrement) increment during the year	(17,822,654)	401,492,088
Deferred tax in OCI at 25%	22,548,796	(100,804,818)
Deferred tax in OCI at 5%	(550,283)	86,359
Deferred tax in OCI at 24%	(14,728,048)	-
Revaluation increment of tugboats, net of tax	(10,552,189)	300,773,629
Amortization		
Amortization of revaluation increment through depreciation	(64,849,202)	(44,143,447)
Amortization of revaluation increment through asset disposal	(35,225,226)	-
Deferred tax in profit and loss at 25%	24,551,752	10,598,794
Deferred tax in profit and loss at 5%	93,371	87,414
Amortization of revaluation, net of tax	(75,429,305)	(33,457,239)
Cumulative translation adjustment	1,638,211	-
End of year, net of tax	948,829,194	1,033,172,477

In 2024, 47 out of 49 tugboats have been revalued by the Group's independent valuation specialists (2023 - 46 out of 48). The tugboats which were not subject to revaluation in 2024 and 2023 are located in Malaysia during the time of inspection of independent valuation specialists.

In 2024, the Group recognized a decrease in carrying amount of some of the previously revalued tugboats resulting in a decrease in revaluation surplus amounting to P90,195,184 (2023 - P41,780,736). A revaluation increment of P72,372,530 was recognized for the remaining tugboats (2023 - P443,272,824).

As at December 31, 2024, certain tugboats with a net carrying value of P2,514,973,913 (2023 - P1,884,659,685) were valued at P2,536,965,676 (2023 - P2,253,904,914) by an accredited independent appraisers. The tugboats were revalued based on both market and cost approach due to the specialized nature of the properties. The fair value hierarchy of these assets is Level 2.

In 2024, the Parent Company sold certain property and equipment with a net book value of P43,370,366 for a total consideration of P19,146,378 which resulted to a loss on disposal amounting to P24,223,988 (Note 18). As at December 31, 2024, P100,000 of the total consideration remains uncollected and recorded as advances to employees (Note 3). No similar transactions in 2023. In 2022, the Group sold certain property and equipment with a carrying value of P62,256,838 for a total consideration of P19,638,342 resulting in a loss amounting to P42,618,496 (Note 18). The total consideration was received in cash during the 2023.

In 2024, the Parent Company acquired one tugboat from a third party amounting to P102,007,400. In 2023, the Group acquired one of the tugboats of GETC amounting to P13.50 million. This was fully paid during the year. As at December 31, 2024, the Group's unpaid acquisitions of property and equipment amounted to P97,748,893 (2023 - P 100,725,512), which is considered as non-cash investing activity.

On July 14, 2023, a significant incident occurred involving ADGI's transformer which forms part of the plant, building and improvements, resulting in write-off of certain equipment with a net book value of P23,959,883. Following the incident, ADGI resumed its operations from July 19 to August 16, 2023 with 40% plant capacity. Consequently, on August 17, 2023, ADGI initiated an immediate 100% shutdown of the solar power plant to prevent any additional hazards. ADGI resumed its full operations on December 22, 2023.

In 2023, the Group recognized additions to solar power plant for the shutdown amounting to P45,703,069. Negotiations for the insurance claims to cover the damages are still ongoing as at December 31, 2023.

On July 2, 2024, ADGI received the final letter offer from the third-party insurer relating to ADGI's financial loss on insured properties due to the incident in 2023. After evaluation of the insurance company, total insurance claims to cover the damages and to be rewarded to ADGI amounted to P100,247,716, wherein P43,715,319 and P56,532,397 relate to machinery breakdown and business interruption, respectively. This is recognized and presented under other income, net in the statement of total comprehensive income (Note 18).

As at December 31, 2024 and 2023, the ADGI's long-term debt is collateralized by a security agreement on the Company's existing property, plant and equipment with carrying values of P1,451,344,699 and P1,539,551,775, respectively (Note 11). The security agreement provides that insurance indemnity proceeds on the corresponding properties and assets shall be applied automatically to the ADGI's account. As a result, ADGI agreed with DBP that the business interruption insurance proceeds amounting to P56,532,397, exclusive of gross receipts tax of P28,500, will be applied to the ADGI's outstanding borrowings (Note 11).

As at December 31, 2024, plant, building and improvements include capitalized costs on solar power plant with a carrying value amounting to P1.45 billion (2023 - P1.54 billion).

In 2024, at the end of the finance lease agreement with DBP Leasing, the Group exercised its option to purchase the Barge Queen Jade (Corvus). The Group obtained ownership over the asset and reclassified the net carrying value of P50,393,206 from right-of-use asset (Note 22) to property and equipment, net.

In 2023, the Group reclassified the cost and related accumulated depreciation of construction equipment under lease (Note 21) amounting to P4,107,143 to property and equipment, net. This was considered a non-cash transaction in the consolidated statements of cash flows.

Depreciation for the years ended December 31 charged to profit or loss consists of:

	Notes	2024	2023	2022
Cost of services	15	536,420,977	538,641,975	416,861,876
General and administrative expenses	16	30,262,184	14,517,100	19,465,430
		566,683,161	553,159,075	436,327,306

Construction-in-progress as at December 31, 2024 and 2023 mainly comprise of condominium property, plant and warehouse being prepared for its intended use.

Certain tugboats, transportation equipment (other marine vehicles) and barges were used as collateral to secure the loans obtained from various banks (Note 12). Carrying amount of property and equipment used as collateral are as follows:

	2024	2023
Tugboats	1,594,899,537	1,296,597,919
Barges	168,217,867	76,271,211
Transportation equipment (other marine vehicles)	11,285,965	16,887,338
	1,774,403,369	1,389,756,468

### Critical accounting estimates

#### *(a) Useful lives of property and equipment at revalued amounts*

The Group's management determines the estimated useful lives for its property and equipment at revalued amounts based on the period over which the assets are expected to be available for use. The Parent Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. If the actual useful lives of the property and equipment differ by +/- 10% from management's estimates, the carrying amount of property and equipment at revalued amount, net as at December 31, 2024 would have been P60,901,443 higher or P74,435,097 lower (2023 - P66,017,773 higher or P80,688,389 lower). The range used was based on the management's assessment where potential impact to operations might occur.

#### *(b) Useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives for its property, plant and equipment at cost based on the period over which the assets are expected to be available for use. The Group annually reviews the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

If the actual useful lives of the property and equipment differ by +/- 10% from management's estimates, the carrying amount of property and equipment at cost, net as at December 31, 2024 would have been P11,212,146 higher or P13,703,734 lower (2023 - P9,834,468 higher or P12,019,905 lower). The range used was based on the management's assessment where potential impact to operations might occur.

#### *(c) Revaluation of tugboats*

The Group carries its tugboats at appraised value, with changes in fair value being recognized directly in equity under revaluation surplus. The Group reviews the fair value of its tugboats periodically every 3 to 5 years. The tugboats are revalued on a rolling basis to keep the revalued amounts up to date.

The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimates on recent market transactions on arm's length terms at the end of each reporting period. However, it is reasonably possible, on the basis of existing knowledge, that changes in estimates would impact the recorded cost of services and property and equipment at a revalued amount.

The Group engaged independent valuation specialists in determining the fair value of its tugboats as at December 31, 2024 and 2023. Management deems that the revalued amounts of tugboats not subjected to the independent appraisal in 2024 and 2023 still approximate the fair value as at reporting dates with these only recently acquired at substantially comparable prices.

The fair value of the tugboats is within Level 2 hierarchy. The fair value of tugboats was determined using market approach and cost approach. Under the market approach, an estimate was made using prices and other relevant information based on market transactions of comparable assets. Prices were derived from market listings of identical tugboats. Under the cost approach, an estimate was made of the current cost of reproduction and/or replacement of the property in accordance with prevailing market prices for materials, equipment and labor, among others. Prices were derived from available dealers and manufacturers. If certain materials are of foreign origin, pricing process considered import costs including freight and handling. Adjustments are then made to reflect depreciation resulting from physical deterioration plus any functional and economic obsolescence taking into account age and condition.

#### Critical accounting judgment

##### *(a) Impairment of property, plant and equipment*

The Group's property, plant and equipment, except for tugboats, is carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of property, plant and equipment and the amount and timing of recorded provision for any period.

As at December 31, 2024 and 2023, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of their property, plant and equipment may not be recoverable.

##### *(b) Decommissioning cost*

As at reporting date, ADGI is still discussing with lessor and confirming its contractual obligation to dismantle facilities upon termination of its lease agreement. Hence, management has assessed any obligation to be less likely as at reporting date.

## **7 Computer software, net**

The details of computer software, net as at December 31 and the movements in the account for the years then ended:

	Note	2024	2023
<b>Cost</b>			
At January 1		45,404,201	37,975,713
Additions		5,405,238	7,428,488
At December 31		50,809,439	45,404,201
<b>Accumulated amortization</b>			
At January 1		38,883,381	25,731,763
Amortization	16	3,369,300	13,151,618
At December 31		42,252,681	38,883,381
Net book values		8,556,758	6,520,820

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Management assessed that there are no indicators that computer software is impaired as at December 31, 2024 and 2023.

## 8 Investment properties

As at December 31, 2024 and 2023, the Group's investment properties consist of parcels of land in various locations, which are held for capital appreciation.

The movements in investment properties for the years ended December 31 are as follows:

	Note	2024	2023
As at January 1		69,983,207	54,004,619
Additions		-	2,500,000
Reclassification	9	-	13,478,588
As at December 31		69,983,207	69,983,207

In 2023, the San Vicente, Palawan land previously recognized as leasehold rights (Note 9) is reclassified as Investment property. The management assessed that the asset qualifies as an investment property as the land is held for long-term capital appreciation.

Additions in 2023 pertains to the land acquired by the Parent Company in Oriental Mindoro.

The estimated fair value of the investment properties in Lemery, Batangas as at December 31, 2024 and 2023 amounted to P527.08 and P526.88 million, respectively, based on identified market prices. As at December 31, 2024, the Palawan and Oriental Mindoro land have an estimated fair value of P362.33 million (2023 - P286.40 million) and P309.98 million (2023 - P296.03 million).

Direct operating expenses amounting to P4.61 (2023 - P1.69 million), pertaining to the payment for the security and other expenses of Lemery property were incurred for the year ended December 31, 2024. There was no income earned related to the investment properties for the years ended December 31, 2024 and 2023.

### Critical accounting judgment

#### *Impairment of investment properties*

The carrying value of the Group's investment properties is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of investment properties and the amount and timing of recorded provision for any period.

As at December 31, 2024 and 2023, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its investment properties may not be recoverable.

## 9 Other non-current assets, net

Other non-current assets as at December 31 consist of:

	2024	2023
Input VAT, net of output VAT	332,777,710	332,777,710
Allowance for impairment of input VAT	(106,941,761)	(91,370,425)
Input VAT, net	225,835,949	241,407,285
Leasehold rights, net	16,179,241	17,030,780
Performance bond	829,092	829,092
Financial asset at FVOCI	810,000	810,000
Refundable deposits	10,734,767	50,400
	254,389,049	260,127,557

The movements in allowance for impairment of input VAT for the years ended December 31 follows:

	Note	2024	2023
As at January 1		91,370,425	75,799,089
Provision for impairment	16	15,571,336	15,571,336
As at December 31		106,941,761	91,370,425

The Group's leasehold rights pertain to the following:

- (a) The Parent Company previously had existing leasehold rights for a piece of land in San Vicente, Palawan for 25 years. This was reclassified to leases (Note 21) and investment properties (Note 8) in 2023.

The movements in leasehold rights for the year ended December 31, 2023 are as follows:

	Notes	Amount
Cost		
As at January 1 and December 31		20,598,235
Accumulated amortization		
As at January 1		(3,079,719)
Amortization	16	(1,039,929)
As at December 31		(4,119,648)
		16,478,587
Reclassification	9, 21	(16,478,587)
Net book value		-

- (b) ADF1 and ADF2 have existing rights over a property in General Santos City for 25 years.

The movements in leasehold rights for the years ended December 31 are as follows:

	Note	2024	2023
Cost			
As at January 1 and December 31		21,288,472	21,288,472
Accumulated amortization			
As at January 1		(4,257,692)	(3,406,153)
Amortization	16	(851,539)	(851,539)
As at December 31		(5,109,231)	(4,257,692)
Net book value		16,179,241	17,030,780

Performance bond is a security required by the contracting party to ensure completion of performance of obligation in the event that the performing party cannot fulfill its obligations, as set forth in circular no. DOE DC 2009-07-0011 Sec 16 Obligations of a Developer.

#### Critical accounting estimate

##### *Recoverability of input VAT*

Allowance for impairment of input VAT is maintained at a level considered adequate to provide for potentially unrecoverable tax claims from excess input VAT. An evaluation of the recoverability of the excess input VAT, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to the evaluation of its future utilization, in determining provision for impairment of input VAT. A change in the provision would impact the Group's recorded carrying value of input VAT and provision for impairment.

Further, based on management assessment, out of the total carrying amount of input VAT as at December 31, 2024, P184,392,674 presented under “Prepayments and other current assets” in the consolidated statements of financial position (2023 - P101,869,593) (Note 4), will be realized in the next twelve (12) months after reporting date. The remaining balance amounting to P225,835,949 presented under “Other non-current assets” will be realizable beyond twelve (12) months after the reporting date (2023 - P241,407,285).

Management believes that the net carrying amount of input VAT is recoverable based on the long-term business plans of the Group.

## 10 Trade and other payables

Trade and other payables as at December 31 consist of:

	Note	2024	2023
<b>Current</b>			
Trade payables		612,184,906	444,721,791
Accrued expenses			
Interest	11	357,883,395	318,732,232
Tug assistance		45,469,757	45,469,757
Fuel		61,011,304	42,497,254
Construction costs		20,519,002	36,986,835
Real Property Tax		13,600,300	-
Marketing		8,006,311	8,006,311
Employee-related costs		5,898,817	4,831,489
Accrued contracted services		2,440,212	23,215,963
Others		21,015,581	18,599,447
Advances from officers and employees		46,957,021	44,152,673
Unearned income		-	9,373,484
Payable to government agencies		18,196,869	9,961,049
Others		11,234,503	7,044,350
		<b>1,224,417,978</b>	<b>1,013,592,635</b>
<b>Non-current</b>			
Trade payable		9,298,942	-

Trade payables are generally non-interest-bearing and are settled in thirty (30) to ninety (90) days’ term.

In 2019, the Group entered into a purchase agreement with a foreign supplier for the purchase of tugboat to be settled in twenty-four (24) monthly installment payments bearing an interest rate of 2.87%. In 2020, the terms of purchase agreement were modified by extending the monthly installments to thirty-six (36) months bearing an interest rate of 5.30%. The modification did not result in any gain or loss. This was fully settled by the Group in 2022.

In 2021, the Group entered into another purchase agreement with the same foreign supplier for the purchase of tugboat with an upfront payment of 50% and the remaining balance to be settled in 36 monthly installment payment bearing an interest rate of 5.25% per annum. This was fully settled in 2024.

In 2024, the Group entered into another purchase agreement with the same foreign supplier for the purchase of an additional tugboat. An upfront payment of P74,500,000 was made and the remaining balance is to be settled in 36 monthly installment payments from June 2024 until May 2027, with an interest of 7.25% per annum.

As at December 31, 2024, P9,298,942 is classified as trade payable, non-current in the consolidated statements of financial position.

In 2024, total interest expense related to trade payables to local suppliers charged in the consolidated statement of total comprehensive income amounted to P2,815,452 (2023 - P1,901,937; 2022 - P5,505,368).

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made for professional fees, and delivered goods and services not yet billed by suppliers as of reporting period. Accruals are made based on prior month's billings and/or contracts and are normally settled within twelve (12) months from the reporting period. Accrued construction costs pertain to unliquidated expenses of employees in relation to the construction projects of the Group, while accrued contracted services pertain to unbilled repairs and maintenance services from third party contractors. Other accrued expenses are mainly composed of outstanding payable to insurance companies and unliquidated business expenses which are expected to be settled in the subsequent year.

The Group has outstanding advances from officers amounting to P30,592,380 in 2024 (2023 - P42,250,380) (Note 20), which is part of advances from officers and employees.

Unearned income pertains to advance collection from customers. Unearned income amounting to P9,373,484 and P9,742,511 as at January 1, 2024 and 2023, was recognized as service income in 2024 and 2023, respectively.

Payable to government agencies mainly refers to outstanding withholding taxes and other employee-related statutory contributions that were subsequently paid and remitted by the Group.

## 11 Short-term loans and borrowings

Details of short-term loans and borrowings as at December 31 are as follows:

	2024	2023
Current portion	938,338,867	257,790,997
Non-current portion	2,371,207,544	3,292,851,423
	3,309,546,411	3,550,642,420

### (a) Long-term borrowings

The movement in borrowings for the years ended December 31 are as follows:

	2024	2023
As at January 1	3,550,642,420	3,790,611,825
Cash transactions		
Proceeds from new borrowings	87,616,000	26,546,740
Principal payments	(265,762,419)	(255,505,251)
Principal payments thru insurance claims	(55,933,866)	-
Non-cash transactions		
Amortization of discount and premium on debt restructuring	(9,786,845)	(9,601,986)
Total	3,306,775,290	3,552,051,328
Unrealized foreign exchange loss (gain)	2,771,121	(1,408,908)
As at December 31	3,309,546,411	3,550,642,420

### Parent Company

Due to the impact of the COVID-19 pandemic and community quarantine, the Parent Company has entered into loan restructuring agreement with Rizal Commercial Banking Corporation (RCBC) and Asia United Bank (AUB) in 2020 and with Chinatrust Philippines Commercial Bank Corporation (CTBC) in 2021.

On October 16, 2020, the Parent Company availed of the Credit Assistance and Recovery (CARE) Program of RCBC. The Parent Company entered into a loan conversion agreement whereby its outstanding promissory notes amounting to P1.14 billion and term loan amounting to P146.3 million with maturity dates ranging from October 2019 to November 2020 and from March to July 2019, respectively, were converted into 57 monthly term loan of P1.291 billion with the principal amount payable in 48 monthly installments of P11.125 million starting July 15, 2021 and a balloon payment of P757 million on the 57th month on July 14, 2025. Under the loan conversion agreement, compliance with debt covenants will be effective starting 2021 upon the start of repayment. Gain on debt restructuring was not recognized as it is deemed immaterial.

On July 13, 2020, the Parent Company received the Notice of Approval of Amendments to its outstanding borrowings with AUB amounting to P142.1 million. The amendments to the borrowings include the extension of nine (9) months from original maturity date of September 27, 2022, principal amount to be repaid in 11 quarterly amortizations commencing nine (9) months from December 23, 2020 and a revised fixed interest rate of 7.5% per annum from 6.25%. Loss on debt modification was not recognized as it is deemed immaterial. On June 26, 2023, the Parent Company has fully paid the remaining principal and interest balance amounting to P28.09 million and P0.80 million, respectively.

On October 7, 2021, the Parent Company entered into a loan restructuring agreement with CTBC whereby outstanding promissory notes were consolidated into one (1) promissory note with the principal amount of P477.3 million. The interest rate previously ranging from 4.88% to 7.00% was revised to three (3) month BVAL plus 3.5% per annum or a minimum of 5.25% per annum subject to quarterly repricing. The principal amount of the long-term borrowing amounting to P477.3 million is to be settled in 20 quarterly payment starting January 2022 with a final balloon payment amounting to 45.53% of the principal to be settled in December 2026. A gain on debt restructuring amounting to P3,928,685 was recognized in 2021.

On June 30, 2022, the Parent Company entered into a loan restructuring agreement with Development Bank of the Philippines (DBP) whereby outstanding promissory notes were consolidated into one (1) promissory note with the principal amount of P496.6 million. The interest rate previously ranging from 5.25% to 5.50% was revised to 6.50%. The principal amount of the long-term borrowing amounting to P496.6 million is to be settled on December 29, 2028 in 24 quarterly payments starting March 30, 2023. A loss on debt restructuring amounting to P22,892,226 (Note 18) was recognized and the corresponding loan balance amounting was reclassified from short-term loans to borrowings in 2022. These are considered non-cash transactions in the statements of cash flow.

The restructured loan agreement with DBP requires compliance by the Parent Company to various covenants including, among others, the maintenance of financial ratios as follow:

- maintaining, at all times, during the entire term of the loan a total debt-to-equity ratio of 70:30;
- not permit the ratio of its current assets to current liabilities to be less than 1.0:1.0 at any time; and
- not permit the ratio of its net operating income to total debt service to be less than 1.0:1.0 at any time.

In 2024 and 2023, the Parent Company is compliant with all its debt covenants.

As at December 31, 2024, the Parent Company's long-term borrowings bear annual interest rate ranging from 8.5% to 15.0% (2023 - 6.5% to 9.6%) are payable in various installments maturing on various dates from 2025 to 2028. These are secured by chattel mortgages to certain Parent Company-owned property, plant and equipment (Note 6).

Total interest expense from borrowings charged through profit or loss in the consolidated statements of total comprehensive income for the year ended December 31, 2024 amounted to P149,388,775 (2023 - P152,063,393; 2022 - P161,068,179).

## ADGI

On January 19, 2018, ADGI secured an Omnibus Loan Agreement with DBP for a principal amount of P1.59 billion available in the form of advance term loan or Import Letter of Credit payable in 12 years, inclusive of a one (1) year and six (6) months-grace period, with the principal payable in 42 quarterly amortizations with 35% balloon payment due at maturity to commence at the end of seventh (7th) quarter from date of initial drawdown until fully paid. The loan is covered by various securities which include among others 100% ownership shares pledged, continuing deed of assignment of receivables from customers, continuing deed of assignment of rights arising from engineering, procurement and construction contracts with the DOE. The purpose of the borrowing is to finance the construction of the 26.88-megawatt solar power plant in General Santos City.

On February 12, 2020, ADGI entered into an Amendment to the Omnibus Loan Agreement with DBP and agreed on a change in repayment terms. ADGI shall repay the loan in 12 years, inclusive of two (2) years grace period, the principal payable in 40 quarterly amortizations with thirty-five percent (35%) balloon payment due at maturity to commence at the end of the ninth (9th) quarter from the date of initial drawdown until fully paid. All principal payment affected shall be re-amortized.

Due to the impact of the COVID-19 pandemic and community quarantine, ADGI has subsequently entered into a loan restructuring agreement with DBP in 2021.

On April 16, 2021, ADGI has entered into a loan restructuring agreement with DBP whereby its outstanding term loan with a principal amount of P1,584,900,000 payable in 40 quarterly amortization starting in July 2020 with thirty-five percent (35%) balloon payment due in April 2030, was extended with an additional two (2) year grace period payable in 43 quarterly amortization to commence on October 19, 2022, with a final maturity on April 19, 2033. Interest on the restructured loan is at a fixed rate for five (5) years based on the lender's prevailing rate at effective date renewable at the end of every five (5) years based on the then prevailing rate. In addition, the interest and other charges related to the term loan amounting to P90.20 million as at January 19, 2021 was capitalized and restructured into a five (5) year term loan with a fixed interest rate based on the lender's prevailing rate at effective date, payable quarterly to commence on October 19, 2022, with a final maturity on October 19, 2025. Under the loan restructured agreement, debt covenants exclude compliance with financial ratios. ADGI is compliant with all its debt covenants as at December 31, 2021. In 2021, a loss on debt restructuring amounting to P48,975,828 was recognized from this restructuring.

Due to the pending approval of RESA applied by ADGI and SOCOTECO II with ERC and effect of COVID pandemic in the prior years, ADGI has entered into second loan restructuring agreement with DBP in December 16, 2022, whereby its outstanding term loan with a principal amount of P1,584,900,000 payable in 43 quarterly amortization starting in October 19, 2022 was extended with an additional one (1) year grace period payable in 39 quarterly amortization to commence on October 19, 2023, with a final maturity on April 19, 2033. The interest and other charges related to the term loan amounting to P90.20 million which was capitalized and restructured, in January 19, 2021, into a five (5) year term loan with a fixed interest rate based on the lender's prevailing rate at effective date, payable quarterly to commence on October 19, 2022, with a final maturity on April 19, 2025 was extended with an additional one (1) year grace period payable in nine (9) quarterly amortization to commence on October 19, 2023 with seventy-three percent (73%) balloon payment due in October 19, 2025. Under the loan restructured agreement, debt covenants exclude compliance with financial ratios. ADGI is compliant with all its debt covenants as at December 31, 2022. In 2022, a loss on debt restructuring amounting to P8,754,342 was recognized from this restructuring. This is considered a non-cash transaction in the statements of cash flows.

As at December 31, 2024 and 2023, ADGI's long-term borrowings bear annual interest rate of 6.50% and are payable in various installments maturing on October 19, 2025.

Total interest expense from borrowings charged through profit or loss in the consolidated statements of total comprehensive income amounted to P105,317,475 (2023 - P104,449,372; 2022 - P117,420,444).

In 2023, due to default of payment on the interest and advances due, the Company incurred interest on advances on loans and corresponding loan charges amounting to P1,508,668 and P14,130,491 respectively. There is no similar transaction during 2024. These amounts are presented as part of interest expense in the consolidated statements of total comprehensive income.

## HSSC

On April 23, 2019, HSSC entered into a three (3) year loan agreement with a local bank for a principal amount of P741,071, to finance the purchase of a vehicle. The amount was drawn with a fixed interest rate of 9.22% per annum. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing April 23, 2019 until maturity of the loan. The vehicle was pledged as collateral for the loan. The loan was fully paid in 2022.

Total interest expense from loans payable charged through profit or loss for the year ended December 31, 2022 amounted to P1,068. No interest expense was incurred for the years ended December 31, 2024 and 2023.

## Peak Flag

On May 14, 2024, Peak Flag entered into a three (3) year loan agreement with a local financial institution for a principal amount of P45,455,200 or MYR 3,500,000 for working capital purposes. The amount was drawn with a fixed interest rate of 8.25% per annum. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing on May 15, 2024 until maturity of the loan. A tugboat was pledged as collateral for the loan.

Total interest expense from borrowings charged though profit or loss for the year ended December 31, 2024 amounted to P6,074,226 (2023 - P4,442,424; 2022 - P3,033,734).

The fair value of long-term borrowings approximates its carrying value as at December 31, 2024 and 2023.

### (b) Short-term loans

The movements in short-term loans for the years ended December 31 are as follows:

	2024	2023
Beginning balance	-	22,728,600
Cash transactions		
Proceeds	55,725,500	-
Payments	(55,725,500)	(22,728,600)
Ending balance	-	-

On October 28, 2022, the Parent Company entered into a new loan agreement with the same director and shareholder for a principal of USD405,000 or P23,625,270 for working capital of the Parent Company. The loan bears an interest rate of 8.50% per annum and is payable monthly starting November 27, 2022 and was presented as short-term loans in the consolidated statements of financial position. The principal amount of the loan was paid on July 25, 2023.

On April 30, 2024, the Parent Company entered into a new short-term loan agreement with the director for a principal amount of JPY15,000,000 or P5,725,500 for working capital. The loan bears an interest rate of 8.50% per annum and is payable monthly starting on the same date. The principal amount of loan was fully settled in 2024.

In 2024, the Parent Company entered into various short term loans with a third-party creditor for a total principal of P50,000,000. The loan bears an average interest rate of 1.50% per month which was fully settled as at December 31, 2024.

The movements in interest payable for the years ended December 31 are as follows:

	Note	2024	2023
Beginning balance		318,732,232	243,133,721
Interest expense		266,727,240	270,557,175
Insurance indemnity		(570,031)	-
Interest payments		(227,006,046)	(194,958,664)
Ending balance	10	357,883,395	318,732,232

Both short-term loans and long-term borrowings were obtained specifically for working capital purposes and to finance capital expenditures that are non-qualifying assets. There are no qualifying assets as at December 31, 2024 and 2023, hence, no borrowing costs are capitalized.

#### Net debt reconciliation

Detailed analysis of net debt and the movements in net debt for the years ended December 31 are presented below:

	Notes	2024	2023
Cash and cash equivalents	2	383,033,395	285,190,441
Borrowings, current portion		(938,338,867)	(257,790,997)
Borrowings, net of current portion		(2,371,207,544)	(3,292,851,423)
Interest payable	10	(357,883,395)	(318,732,232)
Unrealized foreign currency exchange (loss) gain		(2,771,121)	1,408,908
Lease liability, current portion	21	(7,253,871)	(9,065,472)
Lease liability, net of current portion	21	(38,966,037)	(41,433,779)
Net debt		(3,333,387,440)	(3,633,274,554)

Net unrealized foreign exchange loss for the year ended December 31, 2024 amounted to P2,771,121 (2023 - P1,408,908 gain; 2022 - P1,506,721 loss) (Note 23). Total borrowings denominated in foreign currency as at December 31, 2024 amounted to P55,834,154 (2023 - P36,326,197).

## **12 Paid-in capital**

As at December 31, 2024 and 2023, the Parent Company's authorized share capital amounting to P2 billion is composed of 2 billion shares with par value of P1 per share.

Details of issued and outstanding shares and paid-in capital as at December 31 are as follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
At December 31, 2024 and 2023	894,586,870	907,857,870	121,632,762	(37,614,990)

As discussed in Note 1.1, on October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the IPO of the Parent Company's shares were issued with an issue/offer price of P1.88 per share. Total shares registered and subscribed was 181.6 million shares resulting in share capital of P181.6 million and additional paid-in capital of P121.6 million net of transaction costs amounting to P24.6 million. There are no other share offering after the IPO in 2013.

On March 6, 2017, the BOD and shareholders approved to amend the Parent Company's articles of incorporation to increase its authorized share capital from P1.5 billion to P2 billion shares (Note 1.2).

On September 5, 2017, the SEC issued an order, in favor of the Parent Company, authorizing the issuance of 302,619,290 common shares with a par value of P1 per share, as stock dividends to shareholders of record as of September 19, 2017, which was subsequently issued by the Parent Company on October 31, 2017.

### *Treasury shares*

On September 24, 2018, the Parent Company's BOD approved the share buyback program which was implemented in various dates in 2018 and 2019. The Parent Company acquired a total of 13,271,000 treasury shares for a total amount of P37,614,990. No shares were repurchased for the years ended December 31, 2024 and 2023.

### **13 Earnings per share**

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury shares, if any.

Earnings per share for the years ended December 31 is calculated as follows:

	2024	2023	2022
Net earnings attributable to Parent Company	112,930,293	29,705,469	2,047,025
Weighted average number of common shares - basic and diluted	894,586,870	894,586,870	894,586,870
Basic and diluted earnings per share	0.126	0.033	0.002

The basic and diluted earnings per share are the same each for the year presented as there are no potential dilutive common shares.

### **14 Revenues, net**

The components of revenues, net for the years ended December 31 are:

	2024	2023	2022
<i>Over time</i>			
Harbor assistance, net of discounts	1,875,996,853	1,783,626,172	1,537,021,589
Salvage	6,623,380	8,928,060	470,972,084
Lighterage services	56,209,170	113,085,735	118,825,497
Construction	210,605,451	72,597,897	63,997,041
Towing services	39,217,220	56,603,494	50,579,864
Others	655,823,935	487,890,683	133,801,515
	2,844,476,009	2,522,732,041	2,375,197,590
<i>At a point in time</i>			
Generation of solar power	193,362,467	140,330,004	324,357,740
	3,037,838,476	2,663,062,045	2,699,555,330

Harbor assistance pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port. The amount of income recognized for the year ended December 31, 2024 is net of discounts amounting to P146.85 million (2023 - P129.15 million; 2022 - P116.38 million).

Others consist of income generated from diving and other underwater services, among others. The Group revenue are divided into two business segments - harbor assistance and renewable energy (Note 26.22).

## 15 Cost of services

The components of cost of services for the years ended December 31 are:

	Notes	2024	2023	2022
Depreciation	6	536,420,977	538,641,975	416,861,876
Fuel and lubricants		454,911,282	430,825,522	467,909,365
Personnel costs	17	389,152,957	308,457,825	270,039,265
Supplies and construction supplies		212,615,468	157,183,325	123,572,242
Outside services		140,424,608	100,754,305	110,518,320
Charter hire		99,986,839	31,882,939	43,900,444
Repairs and maintenance		50,772,152	44,340,154	25,144,880
Insurance		75,739,500	73,596,756	107,435,041
Rent	21	58,312,133	17,353,239	5,382,028
Port		28,420,476	26,261,938	20,297,518
Transportation and travel		24,900,176	24,223,333	13,156,413
Taxes and licenses		21,934,273	4,425,811	2,910,031
Professional fees		14,156,832	16,852,780	3,224,593
Communications, light and water		3,643,155	5,739,016	3,353,009
Amortization right-of-use assets	21	2,235,346	2,837,766	4,377,945
Others		38,641,480	22,954,276	27,844,671
		2,152,267,654	1,806,330,960	1,645,927,641

Others mainly consisted of expenses such as survey and valuation fees, commission and utilities expenses.

## 16 General and administrative expenses

The components of general and administrative expenses for the years ended December 31 are:

	Notes	2024	2023	2022
Personnel costs	17	185,174,635	159,032,211	138,703,306
Taxes and licenses		80,592,018	49,323,317	42,839,375
Representation and entertainment		52,647,698	52,252,418	32,646,203
Supplies and construction materials		36,572,451	12,857,914	6,976,254
Transportation and travel		31,233,215	35,096,616	26,087,749
Depreciation and amortization	6	30,262,184	14,517,100	19,465,430
Repairs and maintenance		29,192,128	36,061,277	32,950,597
Professional fees		17,341,899	11,573,635	10,150,983
Provision for impairment of input VAT	4,9	15,759,091	15,906,103	8,158,784
Outsourced services		10,367,819	14,066,807	16,639,091
Amortization of right-of-use assets	21	8,607,921	2,585,813	2,540,215
Rent	21	7,574,366	5,649,434	2,177,560
Insurance		7,414,345	6,526,040	7,779,761
Utilities		6,580,145	4,498,400	3,035,858
Direct write-off of other receivables	3	5,306,812	25,913	-
Communications		3,851,618	5,987,937	4,069,909
Amortization of computer software	7	3,369,300	13,151,618	8,451,037
Registration and membership fees		2,741,031	1,799,400	2,517,819
Amortization of leasehold rights	9	851,539	1,891,468	1,621,467
Advertising and promotions		640,224	143,009	204,683
Fuel and lubricants		-	40,300	46,874
Others		22,739,363	11,573,243	13,846,503
		558,819,802	454,559,973	380,909,458

Others mainly consisted of expenses such as directors' fee, membership fees, postage, courier, bank service charges and other expenses.

## 17 Personnel costs

The components of personnel costs for the years ended December 31 are:

	Notes	2024	2023	2022
<b>Cost of services</b>				
Salaries and wages		156,082,749	161,788,140	150,845,231
Crew expense		17,809,553	39,787,971	37,033,390
Tug and barge operations		31,738,534	29,980,383	25,684,228
Retirement benefits	19	14,676,588	14,544,141	11,044,354
Other employee benefits		168,845,533	62,357,190	45,432,062
	15	389,152,957	308,457,825	270,039,265
<b>General and administrative expenses</b>				
Salaries and wages		144,239,243	134,320,457	116,388,430
Retirement benefits	19	5,607,238	5,687,681	3,659,000
Other employee benefits		35,328,154	19,024,073	18,655,876
	16	185,174,635	159,032,211	138,703,306
		574,327,592	467,490,036	408,742,571

Other employee benefits mainly pertain to the employer's share on statutory contributions and insurance.

## 18 Other income (loss), net

The components of other income (loss), net for the years ended December 31 consist of:

	Notes	2024	2023	2022
Insurance claims		229,474,176	40,640,732	22,600,425
Gain on write-off or reversal of payables		53,631,193	13,015,811	-
Interest income	2, 3	1,451,287	1,304,427	678,233
Loss on debt restructuring, net	11	-	-	(31,646,568)
Foreign exchange (loss) gain, net	23	(1,041,920)	(8,959,994)	5,925,064
Loss on write-off of CWT	4	(11,220,363)	-	-
Loss on sale of property, plant and equipment, net	6	(24,223,988)	-	(42,618,496)
Others		(8,226,775)	(2,817,788)	4,395,560
		239,843,610	43,183,188	(40,665,782)

Insurance claims mainly pertain to reimbursements from insurance companies for the damages on tugboats incurred by the Group in previous years. On July 2, 2024, ADGI received the final letter offer from the third-party insurer relating to ADGI's financial loss on insured properties due to the incident in 2023. Total insurance claims to cover the damages and to be rewarded to ADGI amounted to P100,247,716 (Note 6). This is considered as non-cash transaction.

Others pertain to cost recharges including depreciation expense, wreck stage, care taking services and non-routine special projects provided by the Group to their customers which do not fall under regular service income.

## 19 Retirement benefits

The Group has an unfunded, non-contributory, and actuarially computed retirement benefit plan which provides a retirement benefit in accordance with the local conditions and practices in the Philippines. Under the Plan, the normal retirement age is 60 with a minimum of five years of service.

The retirement benefit obligation is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement benefit is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation reports of the Group prepared by the independent actuary is for the year ended December 31, 2024.

The amounts recognized in the consolidated statements of financial position as present value of defined benefit obligation amounted to P178,034,829 and P164,520,519 as at December 31, 2024 and 2023, respectively.

The Group does not have any plan assets. The movements in the retirement benefit obligation recognized in the consolidated statements of financial position as at December 31 are as follows:

	2024	2023
As at January 1	164,520,519	142,225,772
Current service cost	12,412,363	12,148,416
Interest cost	7,871,463	8,083,406
Benefits paid	(1,598,870)	(1,424,085)
Remeasurement (gain) loss due to:		
Experience adjustments	(5,081,481)	8,505,253
Changes in financial assumptions	(89,165)	8,270,271
Change in demographic assumptions	-	(13,288,514)
As at December 31	178,034,829	164,520,519

The amounts recognized in as retirement benefit expense in the consolidated statements of total comprehensive income for the years ended December 31 are as follows:

	2024	2023	2022
Current service cost	12,412,363	12,148,416	10,106,013
Net interest cost	7,871,463	8,083,406	4,597,341
	20,283,826	20,231,822	14,703,354

Retirement benefit expense is included as part of personnel cost under cost of services and general and administrative expenses (Notes 15 and 16).

The amounts of remeasurement (gain) loss on defined benefit obligation recognized in other comprehensive income for the years ended December 31 are as follows:

	Note	2024	2023	2022
Due to change in financial assumptions		(89,165)	8,270,271	(18,369,029)
Due to change in demographic assumption		-	(13,288,514)	-
Due to experience		(5,081,481)	8,505,253	40,133,109
Remeasurement (gain) loss		(5,170,646)	3,487,010	21,764,080
Deferred income tax expense	22	1,292,662	(871,753)	(5,441,020)
Remeasurement (gain) loss, net of tax		(3,877,984)	2,615,257	16,323,060

Movements in cumulative other comprehensive income related to retirement benefit obligation for the years ended December 31 presented as part of retained earnings in the consolidated statements of financial position follows:

	Note	2024	2023
As at January 1		43,769,184	41,153,927
Remeasurement gain for the year		(5,170,646)	3,487,010
Deferred income tax effect	22	1,292,662	(871,753)
As at December 31		39,891,200	43,769,184

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2024	2023
Less than one year	77,595,898	69,071,143
More than one year to five years	61,498,497	62,651,499
More than five years to 10 years	49,068,976	41,265,653
More than 10 years to 15 years	84,931,461	77,413,515
More than 15 years to 20 years	70,186,594	81,028,155
More than 20 years	156,538,797	156,104,305
<b>Total expected payments</b>	<b>499,820,223</b>	<b>487,534,270</b>

The average duration of the defined benefit obligation at the end of the reporting period is 7.97 years (2023 - 8.46 years).

There are no unusual or significant risks to which the Plan exposes the Group.

#### Demographic assumptions

Demographic assumptions, such as mortality rates, are set having regard to the latest trends in life expectancy (including expectations for future improvements), plan experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension plan. The assumptions used in 2024 are consistent with those applied in 2023.

Assumptions regarding future mortality experience are set based on advice from published statistics and experience within the industry.

#### Critical accounting estimate

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pension include the discount rate and future salary increase. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation.

The significant actuarial assumptions used by the Group for the years ended December 31 are as follows:

	2024	2023
Discount rate	6.11%	6.10%
Salary growth rate	5.00%	5.00%

The sensitivity of the defined benefit obligation at December 31 to changes in the significant weighted principal assumptions is:

	2024			2023		
	Change in assumption	Increase in assumption	Decrease in assumption	Change in assumption	Increase in assumption	Decrease in assumption
		Increase (decrease) in defined benefit obligation				
Discount rates	1%	(7,338,336)	8,406,933	1%	(7,321,689)	8,388,023
Salary growth rate	1%	9,335,619	(8,332,560)	1%	9,255,551	(8,253,243)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

HSEC, HSSC and ADGI provide for the estimated retirement benefits based on the retirement due under Republic Act (RA) No. 7641, the Retirement Pay Law. Under the Retirement Pay Law, the retirement benefit obligation is computed as one-half of monthly salary for every year of service, a fraction of six months being considered as one whole year. The term one-half of monthly salary shall mean 15 days plus the one-twelfth of the 13<sup>th</sup> month, and the cash equivalent of not more than five days service incentive leaves.

## 20 Related party transactions and balances

The table below summarizes the Group's transactions with their related parties for the years ended December 31:

	Terms and conditions	2024	2023	2022
<i>Purchase of services</i>				
Associate	Services rendered to the Parent Company are billed based on agreed prices. These are unsecured, non-interest bearing and are payable in cash within 30 days after invoice date.	32,983,169	63,070,507	30,526,960

The table below summarizes the outstanding balances with related parties as at December 31:

	Terms and conditions	Notes	2024	2023
<i>Advances to related party, net of provision:</i>				
Officers and shareholders	These are unsecured, non-interest bearing and are subject to liquidation.	3	19,363,715	68,506,112
<i>Advances from related parties:</i>				
Officers	These are unsecured, non-interest bearing, due on demand and are to be paid in cash.	10	(30,592,380)	(42,250,380)
Associate	These are unsecured, non-interest bearing, due on demand and are to be paid in cash.		17,725,458	17,316,820

### Key management compensation and benefits

Key management compensation and benefits for the years ended December 31 consist of:

	Terms and conditions	2024	2023	2022
Salaries and short term employee benefits	Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in accordance with the Group's payroll period. These were fully paid at reporting date.	83,432,319	72,988,847	65,654,240
Retirement benefits	Retirement benefits are determined and payable in accordance with policies disclosed in Note 27.13. These will be settled upon retirement of key management.	7,414,088	7,279,278	3,402,465
Professional fees	Professional fees are paid to a director holding key position in the Parent Company.	655,250	520,000	665,000
		91,501,657	80,788,125	69,721,705

As at December 31, 2024 and 2023, amounts due from and to key management personnel are reflected as part of advances to and from officers (Notes 3 and 10) and retirement benefit obligation.

The Group has not provided share-based payments, termination benefits or other long-term benefits other than retirement benefits to its key management personnel for the years ended December 31, 2024, 2023 and 2022.

For the years ended December 31, 2024 and 2023, receivables from related parties have been determined to be collectible, hence, there were no net provision for impairment of receivable from related parties that was charged to net impairment losses on trade and other receivables in consolidated statements of total comprehensive income, as a result of management's assessment of collectability.

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements for the years ended December 31:

	2024	2023	2022
Advances to related parties	1,428,012,119	1,538,271,906	1,512,181,645
Advances from related parties	1,428,012,119	1,538,271,906	1,512,181,645
Investment in subsidiaries	(206,311,958)	(147,143,984)	(143,051,304)

Advances to and from related parties are made to finance respective working capital requirements. These are non-interest bearing and payable in cash and on demand.

There are no unrealized gains and losses eliminated in the consolidation.

The Group has a Manual on Corporate Governance that has established a Related Party Transactions Committee which is tasked to review all material related party transactions. Current related party policy also includes appropriate review and approval of material related party transactions that guarantee fairness and transparency of transactions.

## 21 Leases

The Group has entered into long term and short term lease agreements in 2024 and 2023.

### (a) Long-term lease agreements

#### (i) Office space and warehouse lease

The Parent Company entered into two (2) operating lease agreements for its Cebu and Davao branch office spaces. The Cebu Branch office is located at Unit No. 1 Benley Building, J. de Veyra Street, North Reclamation Area, Cebu City. The lease term of the Cebu Branch office covers a period of two (2) years from February 15, 2019 to February 14, 2021, and was renewed for another two (2) years until February 14, 2023. The most recent renewal of the contract for office space is until February 14, 2025.

The Davao Branch office is located at DR 2 Ground Floor Building 1, Insular Village One Commercial Area, Lanang, Davao City. The lease term of the Davao branch office initially covers a period of one (1) year from April 1, 2019 to March 31, 2020, and was renewed annually until March 31, 2023. The most recent renewal of the lease agreement is for another two (2) years until March 31, 2025. As at December 31, 2024 and 2023, the required security deposit amounted to P50,400 (Notes 4 and 9).

The Parent Company entered into an operating lease agreement for a 200 square meter warehouse space in SOS Mabini Storage Facility, Mabini, Batangas. The lease term initially covers a period of one (1) year from January 9, 2019 to January 4, 2020 which was subsequently renewed for three (3) consecutive years to end on January 4, 2024. The lease agreement has been renewed for another year until December 31, 2024. No further renewal was made thereafter.

In 2023, the Parent Company entered into one (1) operating lease agreement for Iloilo branch office space which is located at Unit No. 2 & 3, Ground Floor, Sea Eagle Boulevard, Brgy. Libertad, Lapuz, Iloilo City. The lease term of the Iloilo Branch office covers a period of two (2) years from March 1, 2023, to February 28, 2024, subject to renewal upon agreement by both parties. The lease agreement has been renewed for another five (5) years until February 28, 2029.

On November 18, 2021, HSSC entered into sublease agreement for its Subic office space with a third party. The agreement provides HSSC with the exclusive rights over Unit 9 and 10, Alava Quay, Global Commercial Building located at Central Business District Area, Waterfront Road, Subic Bay Freeport consisting of 48.68 square meters for a period of three (3) years to expire on September 30, 2024. The sublease agreement may be renewed upon the mutual consent of the parties and written consent of SBMA. In October 2024, upon expiration of the lease agreement, the Company renewed the contract for another year which will expire on September 2025. This lease agreement was considered as short-term and low value lease under PFRS 16, "Leases" because the lease term is less than 12 months.

(ii) Barge Queen Jade

The Parent Company entered into a lease agreement covering Barge Queen Jade with the Development Bank of the Philippines (DBP) on February 27, 2014. The lease term covers a period of ten (10) years with an annual interest rate of 6%. The first monthly lease payment commenced on September 15, 2014 until August 15, 2024. The lease agreement required the Parent Company to pay a lease guarantee deposit amounting to P4,301,032 at the inception of the contract which will be applied as final payment at the end of the lease term. The lease guarantee deposit was classified as part of the right-of-use asset upon adoption of PFRS 16 as it will be applied as final payment at the end of the lease term. In 2024, the Parent Company exercised its option to purchase, resulting in the transfer of ownership to the Parent Company (Note 6).

(iii) Construction equipment

On February 1, 2021, the Parent Company entered into a lease agreement with a third party for the lease of a construction equipment. The lease term covers a period of two (2) years starting February 1, 2021 until January 31, 2023. The Parent Company can purchase the construction equipment at the end of the lease term upon settlement of the final lease payment at the end of the lease term. On February 1, 2023, upon expiration of the lease, the ownership of the construction equipment was transferred to the Parent Company and was capitalized under, "Property, plant and equipment:" in the consolidated statements of financial position (Note 6).

On November 1, 2024, the Parent Company entered into a lease agreement with a third party for the lease of construction equipment. The lease term covers a period of two (2) years starting November 2024 until October 2026. The Parent Company can purchase the construction equipment at the end of the lease term upon settlement of the final lease payment at the end of the lease term.

(iv) Land

On April 12, 2016, ADGI entered into a forest land use agreement with the Department of Environment and Natural Resources (DENR). The agreement provides ADGI with the exclusive right to occupy, manage and develop approximately one hundred fifty-six (156) hectares of forestland in Sitio Chanco, Barangay Bawing, General Santos City, South Cotabato, for the solar power plant project for a period of twenty-five (25) years to expire on April 12, 2041. The agreement is renewable for another twenty-five (25) years subject to mutual agreement by both parties. ADGI shall pay an annual lease of P468,000 upon the signing of the agreement in April 2016 to be increased cumulatively by 10% every year.

On October 21, 2023, the Parent Company entered into a memorandum of agreement for the transfer of rights, title, and interest over a 5.3450-hectare parcel of land in Bauayan Island, Poblacion San Vicente, Palawan. Under the agreement, the Parent Company will have the right to possess, occupy and use the property during the pendency of the agreement and until execution of the deed of assignment and transfer of rights upon fully payment by the end of the lease term. Considering these provisions in the contract, the Parent Company assessed that this agreement qualifies as a finance lease under PFRS 16, Leases.

On December 12, 2018, the Parent Company made its first downpayment amounting to P3.0 million, and was initially recognized as leasehold rights. The second downpayment amounting to P1.0 million was made on October 3, 2023, followed by the first monthly installment of P500,000 which will start on December 23, 2023. The Parent Company shall make 51 monthly payments afterwards.

As a result of such, the Parent Company recognized a right-of-use asset relating to parcel of land amounting to P26,953,066 upon commencement of the first monthly payment in December 2023, P3.0 million of which was reclassified from leasehold rights (Note 9).

(b) *Short-term lease agreements*

(i) Office space

The Parent Company and subsidiaries have various operating lease agreements covering office spaces for provincial branches for periods ranging from six (6) months to one (1) year which can be extended or renewed upon mutual agreement by both parties.

(ii) Other short-term lease agreements

The Parent Company also entered into various operating lease agreements with third parties for rental of generator set, equipment, boats, truck, car, housing and other items as the need arises during the normal course of its business operations. The lease term covers a period ranging for one (1) day to less than one (1) year.

Rent expense from the foregoing lease agreements recognized in profit or loss for the years ended December 31 are as follows:

	Notes	2024	2023	2022
Cost of services	15	58,312,133	17,353,239	5,382,028
General and administrative expenses	16	7,574,366	5,649,434	2,177,560
		65,886,499	23,002,673	7,559,588

These short-term lease agreements require the Parent Company to pay the refundable deposits which are presented within prepayments and other current assets (Note 4) in the consolidated statements of financial position. As at December 31, 2024, refundable deposits amounted to P6.14 million (2023 - P14.17 million) (Note 4).

These lease agreements were considered as short-term and low value lease under PFRS 16, "Leases" because the lease term is less than 12 months.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(c) Amounts recognized in the consolidated statements of financial position

Leased assets and lease liabilities are presented as separate line items in the consolidated statements of financial position. As at December 31, the carrying amounts of right-of-use assets, net related to the lease agreements above are as follows:

	Office space and warehouse	Construction equipment	Barge	Land	Total
<b>Cost</b>					
January 1, 2023	5,999,211	4,107,143	72,975,686	20,956,053	104,038,093
Additions	1,226,306	-	-	26,953,066	28,179,372
Modification	-	(4,107,143)	-	-	(4,107,143)
December 31, 2023	7,225,517	-	72,975,686	47,909,119	128,110,322
<b>Accumulated amortization</b>					
January 1, 2023	4,485,260	3,936,012	18,138,088	5,867,694	32,427,054
Amortization	1,747,571	171,131	2,666,635	838,242	5,423,579
Modification	-	(4,107,143)	-	-	(4,107,143)
December 31, 2023	6,232,831	-	20,804,723	6,705,936	33,743,490
<b>Net carrying amount</b>					
December 31, 2023	992,686	-	52,170,963	41,203,183	94,366,832
<b>Cost</b>					
January 1, 2024	7,225,517	-	72,975,686	47,909,119	128,110,322
Additions	1,181,176	4,751,089	-	-	5,932,265
Retirement	(3,581,727)	-	-	-	(3,581,727)
Reclassification	-	-	(72,975,686)	-	(72,975,686)
December 31, 2024	4,824,966	4,751,089	-	47,909,119	57,485,174
<b>Accumulated amortization</b>					
January 1, 2024	6,232,831	-	20,804,723	6,705,936	33,743,490
Amortization	1,093,078	395,924	1,777,757	7,576,508	10,843,267
Retirement	(3,581,727)	-	-	-	(3,581,727)
Reclassification	-	-	(22,582,480)	-	(22,582,480)
December 31, 2024	3,744,182	395,924	-	14,282,444	18,422,550
<b>Net carrying amount</b>					
December 31, 2024	1,080,785	4,355,165	-	33,626,675	39,062,624

Movements in lease liabilities for the years ended December 31 are as follows:

	2024	2023
As at January 1	50,499,251	33,174,052
Additions	5,039,355	25,179,372
Principal payments	(10,555,598)	(9,074,930)
Interest payments	(1,396,556)	(444,113)
Interest expense	2,633,456	1,664,870
As at December 31	46,219,908	50,499,251
Current	7,253,871	9,065,472
Non-current	38,966,037	41,433,779
	46,219,908	50,499,251

(d) Amounts recognized in the consolidated statements of total comprehensive income

Amounts recognized in the consolidated statements of total comprehensive income for the years ended December 31 related to the lease agreements above are as follows:

	Notes	2024	2023
Amortization expense of right-of-use asset	15, 16	10,843,267	5,423,579
Expense relating to short-term lease	15, 16	65,886,499	23,002,673
Interest expense on lease liabilities		2,633,456	1,664,870
		79,363,222	30,091,122

The total cash outflows for leases for the year ended December 31, 2024 amounted to P77.84 million (2023 - P32.52 million).

*(e) Discount rate*

The lease payments for office space and warehouse lease and barge are discounted at 3.13% to 6.76% in 2024 (2023 - 1.87% to 5.84%),, which is Group's incremental range of borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

*(f) Extension and termination options*

Extension and termination options are included in the lease agreements of the Group. These are used to maximize the operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable upon mutual agreement by both parties unless specifically stated that extension and termination is at the option of the lessee.

Critical accounting estimates and judgment

*(a) Incremental borrowing rate of lease liabilities*

Payments for leases of office space and warehouse lease and barge are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Group uses the government bond yield, adjusted for the (1) credit spread specific to each entity under the Group and (2) security using the right-of-use asset.

*(b) Determining lease terms*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

*(c) Extension and termination options of lease agreements*

Extension and termination options are included in a number of properties, plant and equipment leases of the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Extension options are considered in the bareboat charter lease agreement of the Group based on the letter of intent.

(d) *Purchase option*

Management evaluates whether it is reasonably certain to exercise the option to purchase the underlying asset at the end of the lease term. In making this determination, all relevant facts and circumstances that create an economic incentive to exercise or not exercise the option are considered. The lessee remeasures its lease liability when a significant event or substantial change in circumstances within its control alters any of its assessments regarding what is reasonably certain. Judgement is applied by the lessee in identifying significant events or changes in circumstances that necessitate reassessment of these options.

Purchase options are considered in the bareboat charter and construction equipment finance lease recognition.

**22 Income tax expense**

All the companies in the Group are subject to normal corporate income tax rate at 25% in 2024 and 2023 except for HSSC, ADGI and Peakflag. HSSC is registered under Republic Act No. 7227, otherwise known as Bases Conversion and Development Act of 1992, that enables it to be under Gross Income Taxation (GIT) of 5%. ADGI is registered under the Renewable Act 9531, an Act Promoting The Development, Utilization, and Commercialization of Renewable Energy Resources and For Other Purposes, that provides for fiscal incentives including income tax holiday. Peakflag is private limited liability company incorporated and domiciled in Malaysia and subject to standard corporate income tax rate if 24%.

*Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)*

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

- RCIT rate of 20% (from 30%) shall be applicable to domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) from July 1, 2020;
- RCIT rate of 25% (from 30%) shall be applicable to all other domestic and foreign corporations from July 1, 2020; and
- For the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

PAS 12, Income Taxes, requires current and deferred taxes to be measured with reference to the tax rates and laws, as enacted or substantively enacted by the end of the reporting period.

Income tax expense (benefit) for the years ended December 31 is as follows:

	2024	2023	2022
Current	83,940,947	76,556,277	18,031,152
Deferred	(1,928,036)	(26,823,210)	(38,490,142)
	82,012,911	49,733,067	(20,458,990)

Deferred income tax (DIT) assets and liabilities are determined using the income tax rate in the period the temporary differences are expected to be recovered or settled. Details of the Group's DIT assets (liabilities) and their expected recovery and settlement as at December 31 are as follows:

	2024	2023
DIT assets:		
To be recovered within 12 months		
Allowance for impairment of receivables	32,061,514	25,365,447
Unrealized foreign exchange loss, net	63,439	285,854
	32,124,953	25,651,301
To be recovered more than 12 months		
Retirement benefit obligation	44,267,639	40,893,988
Unabsorbed capital allowances	14,279,812	-
Unutilized tax losses	12,094,450	-
Impairment loss on tugboats	16,989,932	26,085,589
Premium on loans payable	2,781,790	3,937,344
	90,413,623	70,916,921
	122,538,576	96,568,222
DIT liabilities		
To be settled within 12 months		
Property, plant and equipment	(50,290,977)	-
Lease liabilities	(1,093,099)	(1,208,442)
	(51,384,076)	(1,208,442)
To be settled more than 12 months		
Revaluation increment on property, plant and equipment	(306,343,764)	(338,259,350)
Discount on loans	(287,117)	(482,650)
	(306,630,881)	(338,742,000)
	(358,014,957)	(339,950,442)
Cumulative translation adjustment	(1,357,403)	-
DIT liabilities, net	(236,833,784)	(243,382,220)

The movements in the Group's net DIT liabilities for the years ended December 31 are as follows:

	Notes	2024	2023
As at January 1		(243,382,220)	(170,358,724)
DIT credited to profit or loss		1,928,036	26,823,210
DIT charged to other comprehensive income	6, 19	5,977,803	(99,846,706)
Cumulative translation adjustment		(1,357,403)	-
As at December 31		(236,833,784)	(243,382,220)

## Critical accounting estimate

### *Recoverability of DIT assets*

DIT are determined using income tax rates in the period the temporary differences are expected to be recovered or settled. Realization of the future tax benefits related to DIT assets is dependent on many factors, including the Company's ability to generate taxable income in the future. Management has considered these factors in reaching its conclusion not to recognize certain deferred income tax assets. The Group's unrecognized deferred income tax assets arise from the following:

	2024	2023
Allowance for impairment of trade and other receivables	69,981,496	69,440,730
Net operating loss carry-over (NOLCO)	18,310,549	16,384,998
Lease liability	743,519	512,505
Unrealized foreign exchange loss, net	653,792	991,940
Retirement benefit obligation	94,049	108,769
Minimum corporate income tax (MCIT)	-	3,688,060
	89,783,405	91,127,002

NOLCO can be carried over as deductible expense from taxable income for three (3) to five (5) (for NOLCO incurred in 2021 and 2020) consecutive years following the year of incurrence while MCIT can be carried forward on an annual basis and credited against normal income tax payable within three (3) immediately succeeding years from the period when the MCIT was paid.

The details of unrecognized DIT asset related to NOLCO for the years ended December 31 are as follows:

Year of incurrence	Year of expiration	2024	2023
2020	2025	603,839	603,839
2021	2026	612,668	612,668
2022	2025	593,967	593,367
2023	2026	14,574,524	14,574,524
2024	2027	1,925,551	-
		18,310,549	16,384,398

The details of unrecognized DIT asset related to MCIT for the years ended December 31 are as follows:

Year of incurrence	Year of expiration	2024	2023
2020	2023	-	4,898,181
2021	2024	3,688,060	3,688,060
2022	2025	-	7,207,793
		3,688,060	15,794,034
Expired during the year		(3,688,060)	(4,898,181)
Derecognized during the year		-	(7,207,793)
		-	3,688,060

The reconciliation between income tax expense computed at the applicable statutory income tax rates and the actual income tax expense (benefit) as shown in the consolidated statements of total comprehensive income for the years ended December 31 is summarized as follows:

	2024	2023	2022
Income tax expense at statutory tax rates	67,767,097	17,470,315	42,034,367
Adjustments to income tax resulting from:			
Non-deductible expenses	16,308,658	29,137,985	7,168,708
Share in net loss (income) of associates	14,492,054	(1,426,684)	(2,311,754)
Non-deductible expenses under GIT	3,020,599	2,090,598	3,137,039
Unrecognized NOLCO	2,916,755	14,666,260	610,124
Limitation on interest expense	11,495	14,785	5,679
Final income tax expense	-	1,134,972	1,282,616
Unrecognized MCIT	-	-	7,207,793
Non-taxable income due to income tax holiday	-	-	(2,848,677)
Interest income subjected to final tax	(78,478)	(76,974)	(33,310)
Movement in unrecognized DIT assets	(49,967)	(468,310)	10,032,158
Non-taxable (income) loss due to final income tax	(466,859)	4,024,523	(4,162,290)
Difference in tax rates	(21,908,443)	(2,937,839)	(19,291,986)
Applied NOLCO	-	(13,896,564)	(63,289,457)
Income tax expense (benefit)	82,012,911	49,733,067	(20,458,990)

### 23 Foreign currency denominated monetary assets and liabilities

The Group's foreign currency monetary financial assets and liabilities are as follows:

	2024			2023		
	In USD	In JPY	In MYR	In USD	In JPY	In MYR
<b>Assets</b>						
Cash	450,821	890,132	-	607,984	1,134,892	3,759,110
Trade and other receivables	1,700,711	-	-	858,765	-	3,949,341
Advances to related parties	-	-	-	-	-	5,938,638
	2,151,532	890,132	-	1,466,749	1,134,892	13,647,089
<b>Liabilities</b>						
Trade and other liabilities	(2,861,257)	(41,146,347)	(126,101)	(2,738,656)	(14,349,826)	(1,951,164)
Advances from related parties	-	-	-	-	-	(24,246,410)
Borrowings	-	-	-	-	-	(3,010,450)
	(2,861,257)	(41,146,347)	(126,101)	(2,738,656)	(14,349,826)	(29,208,024)
Net foreign currency assets (liabilities)	1,945,751	(40,423,089)	(126,101)	(1,271,907)	(13,214,934)	(15,560,935)
Year-end exchange rates	57.85	0.37	12.99	55.37	0.39	12.07
Philippine Peso equivalent	112,551,967	(14,843,358)	(1,637,699)	(70,425,491)	(5,153,824)	(187,820,485)

Foreign exchange loss, net presented under other income (loss) in the consolidated statements of total comprehensive income for the years ended December 31 consists of:

	Note	2024	2023	2022
Realized foreign exchange gain		4,566,060	1,185,282	3,163,141
Unrealized foreign exchange (loss) gain		(5,607,980)	(10,145,276)	2,761,923
	18	(1,041,920)	(8,959,994)	5,925,064

Net unrealized foreign exchange loss on borrowings presented as finance cost in the consolidated statements of total comprehensive income for the year ended December 31, 2024 amounted to P2,771,121 (2023 - P1,408,908 gain; 2022 - P1,506,721 loss) (Note 11).

## 24 Critical accounting estimates, assumptions and judgments

In preparing the Group's consolidated financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as at the date of the consolidated financial statements.

The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed hereafter.

### *(a) Critical accounting estimates and assumptions*

- Impairment of goodwill (Note 1.2)
- Recoverability of trade and other receivables (Note 3)
- Impairment of investment in associates (Note 5)
- Useful lives of property, plant and equipment (Note 6)
- Revaluation of tugboats (Note 6)
- Incremental borrowing rate (Note 21)
- Retirement benefit obligation (Note 19)
- Recoverability of input VAT (Note 9)
- Recoverability of deferred income tax assets (Note 22)

### *(b) Critical judgments in applying the Group's accounting policies*

- Determining control over investments with ownership of less than half of the entity's total equity (Note 1.3)
- Impairment of property, plant and equipment (Note 6)
- Decommissioning cost (Note 6)
- Impairment of investment properties (Note 8)
- Determining lease terms (Note 21)
- Extension and termination options of lease agreements (Note 21)
- Purchase option (Note 21)

## 25 Financial risk and capital management

### 25.1 Financial risk management

The Parent Company's BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the use of financial instruments are market risk, credit risk and risk. The Parent Company's BOD reviews and approves the policies for managing each of these risks.

## 25.2 Components of financial assets and liabilities

### (a) Financial assets

The Group's financial assets as at December 31 are as follows:

	Notes	2024	2023
Cash and cash equivalents	2	383,033,395	285,190,441
Trade and other receivables, gross*	3	1,624,267,830	1,575,181,547
Refundable deposits	4, 9	16,879,615	14,216,605
Financial assets at fair value through other comprehensive income (FVOCI)	9	810,000	810,000
		2,024,990,840	1,875,398,593

\*excluding advances to employees and other receivables subject to liquidation

Trade and other receivables are presented gross of allowance for impairment amounting to P412,592,644 as at December 31, 2024 (2023 - P417,742,128) (Note 3).

### (b) Financial liabilities

The Group's financial liabilities as at December 31 are as follows:

	Notes	2024	2023
Trade and other payables*	10	1,192,544,049	957,271,267
Borrowings	11	3,309,546,411	3,550,642,420
Lease liabilities	22	46,219,908	50,499,251
		4,548,310,368	4,558,412,938

As at December 31, trade and other payable above exclude the following, which are considered as non-financial liabilities

	Note	2024	2023
Accrued construction cost	10	20,519,002	36,986,835
Unearned income	10	-	9,373,484
Payable to government agencies	10	18,196,869	9,961,049
Customer deposits		2,457,000	-
		41,172,871	56,321,368

## 25.3 Market risk

### (a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most transactions are carried out in Philippine Peso, which is the Group's functional currency. Exposures to currency exchange rates arise from the Group's overseas transactions, which are primarily denominated in United States Dollar (USD), Japanese Yen (JPY) and Malaysian Ringgit (MYR).

The Group also maintains US Dollar-denominated bank accounts. Further, the Group has JPY payables from foreign suppliers, which have been used for the purchase of certain tugboats (Note 6) and maintains MYR bank accounts and receivables. To mitigate the Group's exposure to foreign currency risk, non-Philippine Peso cash flows are monitored on a regular basis.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of significant foreign currencies on Group's income before tax. There is no impact on the Group's equity other than those already affecting the net income.

Currency	2024			2023		
	Change in exchange rate	Increase	Decrease	Change in exchange rate	Increase	Decrease
USD	+/-4.47%	(1,756,571)	1,756,571	+/-1.34%	(941,182)	941,182
JPY	+/-6.56%	(1,038,610)	1,038,610	+/-6.56%	(338,320)	338,320
MYR	+/-7.63%	(116,076)	116,076	+/-4.94%	(9,272,091)	9,272,091

The reasonable possible changes in foreign exchange rates used in the sensitivity analysis are the rates of change in foreign currencies between the Philippine Peso equivalent at year end and thirty (30) days from reporting date, by which management is expected to receive or settle the Group's most significant financial assets or liabilities, respectively.

*(b) Price risk*

The Group is exposed to equity securities price risk because of the Group's proprietary shares in golf and country club classified as financial assets at fair value through other comprehensive income in the consolidated statements of financial position.

As at December 31, 2024 and 2023, the Group's exposure to price risk is not considered significant.

*(c) Cash flow and fair value interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial assets and liabilities will fluctuate because of changes in market interest rates.

The Parent Company is exposed to interest rate risk from its loan from CTBC (Note 11). The Parent Company paid floating interest using the published Bloomberg Valuation Service (BVAL) plus a basis point spread of 3.5% or a minimum of 5.25%. In 2024, the Parent Company paid 8.73% interest rate (2023 - 9.20%).

At December 31, 2024, if the reference rates has increased/decreased by a total of 51 basis points (2023 - 377 basis points), pre-tax profit or loss would have been P1.560 million (2023 - P14.637 million) lower/higher and equity account will be P1.170 million (2023 - P10.978 million) lower/higher. The annual volatility are considered to be reasonable based on observation of current market rates.

The Group's borrowings from other banks are subject to fixed rates and are measured at amortized cost, hence not subject to repricing and independent of changes in market interest rates.

**25.4 Credit risk**

Credit risk arises from cash deposited in banks and financial institutions, as well as credit exposures on amounts receivable from customers, related parties and other parties. The Group provides services only to recognized, creditworthy third parties. Individual risk limits are set based on internal ratings in accordance with limits set by the Parent Company's BOD. The utilization of credit limits is regularly monitored. In addition, the Group's receivables are monitored on an ongoing basis and stringent collection policy enforced resulting in an insignificant exposure to bad debt.

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

- a. High performing - settlements are obtained from counterparty following the terms of the contracts without much collection effort.
- b. Underperforming - more than 60 days past due but expected to be collected after some reminders/ follow ups.
- c. Credit impaired - more than 360 days past due and unlikely to be collected despite reminders/follow ups.

The aging analysis of the Group's financial assets that are exposed to credit risks are as follows:

	Notes	Gross amount	High performing	Underperforming	Credit impaired
<i>December 31, 2024</i>					
Cash and cash equivalents	2	383,033,395	383,033,395	-	-
Trade and other receivables	3	1,624,267,830	131,413,328	1,103,012,224	389,842,278
Refundable deposits	4,10	16,879,615	16,879,615	-	-
Financial assets at FVOCI	10	810,000	810,000	-	-
		2,024,990,840	532,136,338	1,103,012,224	389,842,278
<i>December 31, 2023</i>					
Cash and cash equivalents	2	285,190,441	285,190,441	-	-
Trade and other receivables	3	1,575,181,547	156,310,855	994,455,852	424,414,840
Refundable deposits	4,10	14,216,605	14,216,605	-	-
Financial assets at FVOCI	10	810,000	810,000	-	-
		1,875,398,593	456,527,901	994,455,852	424,414,840

The maximum exposure to credit risk at the reporting date is equal to the carrying value of the financial assets summarized above.

None of the financial assets that are fully performing has been renegotiated in 2024 and 2023.

#### Credit quality of fully performing financial assets

##### (a) High performing

##### (i) Cash in banks

To minimize credit risk exposure, the Group deposits its cash in the following banks:

	2024	2023
Universal banks	156,704,401	156,648,633
Commercial banks	223,620,835	126,147,632
	380,325,236	282,796,265

The remaining item in cash presented in the consolidated statements of financial position pertains to cash on hand amounting to P2,708,159 as at December 31, 2024 (2023 - P2,394,176) (Note 2).

##### (ii) Trade receivables; Unbilled revenue

There is no concentration of credit risk with respect to trade and other receivables as the Group has a large number of customers other than its energy business which only has one (1) customer. Presently, ongoing discussion are being made to address long outstanding balances with the Group's customer in its energy business. Accordingly, the Group provided for allowance for bad debts amounting to P412,592,644 in 2024 (2023 - P417,742,128). To minimize credit risk, the Group transacts only with new counterparties whose credit standing is assessed to be good. As at December 31, 2024, trade receivables and unbilled revenue amounting to P131,413,328 (2023 - P156,310,855) are fully performing thus, collectible.

On that basis, the loss allowance from trade receivables as at December 31 was determined as follows:

	High performing	Under-performing	Credit impaired	Total
<b>2024</b>				
Expected loss rate	Within 0% to 4%	Within 0% to 4%	99%	
Trade receivables	71,907,113	1,103,012,224	389,842,278	1,564,761,615
Loss allowance	2,670,091	22,042,010	387,880,543	412,592,644
<b>2023</b>				
Expected loss rate	Within 0% to 4%	Within 0% to 4%	99%	
Trade receivables	61,463,456	994,455,852	400,789,003	1,456,708,311
Loss allowance	2,223,540	20,137,245	395,381,343	417,742,128

(iii) Advances to officers, employees and others; Due from related parties

Advances to employees are collected through liquidation and salary deduction, thus, not a financial asset subject to credit risk.

Advances to officers and others and due from a related parties which mainly pertain to cash advances to the Group's officers and its related parties are subject to normal credit terms. Credit risk is minimized since the related party is paying on normal credit terms. Those identified to be uncollectible based on the management's assessment of collectability were fully provided and the expected credit loss on the remaining balance is expected to be immaterial.

(iv) Refundable deposits

Refundable deposits amounting to P6,144,848 as at December 31, 2024 (2023 - P14,216,605) pertain to deposits made to lessors for the lease of the Group's office space and warehouse, which are refundable at the end of the respective lease term.

(b) *Underperforming*

Underperforming trade and other receivables as at December 31, 2024 amounting to P1,103,012,224 (2023 - P994,455,852) are related to a number of independent customers with delay in payments but no history of default. Management has assessed based on credit worthiness and existing relationship with customers as well as historical experience that these accounts are fully collectible.

(c) *Credit impaired*

As at December 31, 2024, trade and other receivables amounting to P412,592,644 (2023 - P417,742,128) are impaired and have been fully provided for with allowance for impairment. The individually impaired receivable from customers relate to customers that are in unexpectedly difficult economic situations. These trade receivables were assessed by management as non-recoverable.

## 25.5 Liquidity risk

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. Amounts disclosed in the table are the contractual undiscounted cash flows.

	Notes	Gross amount	Less than 3 months	3 to 12 months	More than one year
<i>December 31, 2024</i>					
Trade and other payables	10	1,192,544,049	1,162,455,638	20,789,469	9,298,942
Borrowings	11	3,627,441,287	481,725,455	840,844,022	2,304,871,810
Future interest payable borrowings	11	205,044,402	33,604,412	74,033,218	97,406,772
Lease liabilities	21	61,998,310	1,848,460	6,508,931	53,640,919
Future interest payable on lease liabilities		2,206,120	333,087	831,338	1,041,695
		5,089,234,168	1,679,967,052	943,006,978	2,466,260,138
<i>December 31, 2023</i>					
Trade and other payables	10	957,271,267	765,236,868	29,649,872	162,384,527
Borrowings	11	3,491,829,320	62,204,826	168,299,568	3,261,324,926
Future interest payable borrowings	11	1,472,589,142	346,467,169	184,668,743	941,453,230
Lease liabilities	21	67,620,337	2,743,121	7,430,502	57,446,714
Future interest payable on lease liabilities		20,168,018	387,540	2,174,097	17,606,381
		6,009,478,084	1,177,039,524	392,222,782	4,440,215,778

The Group expects to settle above financial liabilities in accordance with their contractual maturity.

Historically, maturing obligations are funded by cash flows from operating activities and through short term bank borrowings, as needed, hence, there is no perceived liquidity risks. Long term loans may be obtained only when there is a material capital expenditure.

As at December 31, 2024 and 2023, the Group has undrawn credit lines with local banks.

## 25.6 Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue its operations on a going concern basis in order to provide adequate return to its shareholders and maintain optimal capital structure to reduce cost of capital and lessen the need to obtain long-term borrowings and maximize shareholder value.

The Group manages its capital structure and makes the adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at December 31, 2024 and 2023.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position.

As at December 31, the Group's debt-to-equity ratio is calculated as follows:

	2024	2023
Total debt	4,589,483,239	4,614,734,306
Total equity	2,188,609,449	2,077,158,023
Debt-to-equity ratio	2.10	2.22

The Group computes its total debt as at December 31 as follows:

	Notes	2024	2023
Trade and other payables	10	1,233,716,920	1,013,592,635
Borrowings	11	3,309,546,411	3,550,642,420
Lease liabilities	21	46,219,908	50,499,251
		4,589,483,239	4,614,734,306

The Group computes its total equity as at December 31 as follows:

	Notes	2024	2023
Share capital	12	907,857,870	907,857,870
Additional paid-in capital	12	121,632,762	121,632,762
Revaluation surplus, net of tax	6	948,829,194	1,033,172,477
Financial asset at fair value through other comprehensive income		(160,000)	(160,000)
Treasury shares	12	(37,614,990)	(37,614,990)
Retained earnings attributable to the owners of Parent Company		248,064,613	52,269,904
		2,188,609,449	2,077,158,023

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE has required listed entities to maintain a minimum of twenty percent (20%) of their listed issued and outstanding shares to be held by public. The Group is compliant with respect to this requirement as at December 31, 2024 and 2023.

## 26 Summary of material accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 26.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with PFRS Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards,
- PAS Standards, and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy, and adopted by the Securities and Exchange Commission (SEC).

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property and equipment - tugboats and fair value measurement of financial assets at fair value through other comprehensive income.

The preparation of consolidated financial statements in conformity with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are summarized in Note 24.

## Changes in accounting policies and disclosures

### *(a) New standards, and amendments and interpretations to existing standards adopted by the Group*

The Group has applied the following relevant amendments for the first time for their annual reporting period commencing January 1, 2024:

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group's loan classification and compliance to debt covenants are disclosed in Note 11.

- Amendments to PFRS 16, Lease Liability in a Sale and Leaseback

The amendments to PFRS 16 add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. The seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that it would not recognize gain or loss that relates to the right of use retained. Applying this requirement does not prevent the seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively with early adoption permitted. The adoption did not have a significant impact on the consolidated financial statements as at and for the year ended December 31, 2024.

- Amendments to PAS 7 and PFRS 7, Disclosures: Supplier Finance Arrangements

The amendments to PAS 7 Statement of cash flows requires disclosure on information about supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements.

An entity shall disclose the following in aggregate for its supplier finance arrangements:

- i). The terms and conditions of the arrangements. However, an entity shall disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.
- ii). As at the beginning and end of the reporting period:
  - The carrying amounts, and associated line items presented in an entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.
  - The carrying amounts, and associated line items, of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers.
  - The range of payment due dates for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement.
- iii). the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed under (b) (i).

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 with early adoption permitted. The adoption did not have a significant impact on the consolidated financial statements as at December 31, 2024.

*(b) New standards, and amendments and interpretations to existing standards not yet adopted by the Group*

Certain new accounting standards, and amendments and interpretations to accounting standards have been published that are effective after December 31, 2024 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of those that are relevant is set out below.

- Amendments to PAS 21 - Lack of Exchangeability (effective for annual periods beginning on or after January 1, 2025)

In August 2023, the IASB amended IAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. The Group does not expect these amendments to have a material impact on its operations or consolidated financial statements.

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to PFRS 9 and PFRS 7 (effective for annual periods beginning on or after January 1, 2026)

On May 30, 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Group does not expect these amendments to have a material impact on its operations or consolidated financial statements.

- PFRS 19 - Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after January 1, 2027)

Issued in May 2024, PFRS 19 allows for certain eligible subsidiaries of parent entities that report under PFRS Accounting Standards to apply reduced disclosure requirements. The Group will apply the new standard from its mandatory effective date of January 1, 2027.

- PFRS 18 - Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after January 1, 2027)

PFRS 18 will replace PAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the consolidated financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements.

The Group will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

## **26.2 Consolidation**

### *(a) Business combination*

The Group applies the purchase or acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group measures non-controlling interest based on the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

### *(b) Subsidiaries*

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

### *(c) Associate*

Investment in associate is initially recognized at cost and subsequently accounted for using the equity method.

If the Group's share in net losses of associates equals or exceeds its interest in the associates, the Group will discontinue recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those net earnings only after its share of the earnings equals the share of losses not recognized.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit (loss) of an associate' in profit or loss.

Investment in associate is derecognized when the risk and rewards of ownership have been transferred or extinguished. When the investment in associate is derecognized, its cost and related impairment, if any, are eliminated from the accounts.

### **26.3 Goodwill**

Goodwill is initially measured as the excess of the aggregate of the consideration transferred (including the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire) over the fair value of the identifiable net assets acquired.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

As at December 31, 2024 and 2023, the Group has assessed that the goodwill arising from the business combination was fully impaired and thus, fully written-off in the consolidated financial statements.

### **26.4 Investments and other financial instruments**

The Group recognizes a financial instrument in the consolidated statements of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

#### Financial assets

##### *(a) Classification*

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value through other comprehensive income; and
- those to be measured at amortized cost

The classification depends on an entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group has (a) financial assets classified as financial assets at amortized cost as at December 31, 2024 and 2023 which comprise cash and cash equivalents, trade and other receivables, advances to related parties and refundable deposits; (b) financial assets at fair value through other comprehensive income in the consolidated statements of financial position.

##### *(b) Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment loss is recognized in profit or loss and the carrying amount of the asset is reduced through the use of an allowance. The Group applies the ECL model to measure the impairment for all financial assets at amortized costs.

The Group calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. ECL are measured through an allowance at an amount equal to:

- the 12-month ECL (that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime ECL (that result from all possible default events over the life of the financial instrument).

The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of loss is recognized as net impairment losses on financial assets in the consolidated statements of total comprehensive income. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written off against the allowance account for receivables. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for receivables. Subsequent recoveries of the amounts previously written off are credited to general and administrative expenses in profit or loss.

#### Financial liabilities

As at December 31, 2024 and 2023, the Group's financial liabilities are limited to other financial liabilities at amortized cost.

The Group's trade and other payables (excluding payable to government agencies, unliquidated expenses and unearned income), advances from related parties, short-term loans and borrowings, lease liabilities are classified under other financial liabilities at amortized cost.

#### **26.5 Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

The Parent Company has the right to offset intercompany payables and receivables as at December 31, 2024 and 2023. Total intercompany receivables that can be offset against payables amounts to P130,977,231 in 2024 (2023 - P173,256,928).

#### **26.6 Fair value measurement**

The Group's financial asset at FVOCI with quoted market price is valued using Level 1 of the fair value hierarchy as the quoted market price used is the current bid price. Financial assets at FVOCI is measured using inputs based on unadjusted quoted prices in active markets for identical assets or liabilities. Other relevant policies on financial assets are disclosed in Note 26.4.

The Group has no other significant financial assets and liabilities carried at fair value.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently.

The Group's tugboats are valued using Level 2 of the fair value hierarchy as these are measured using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. The fair value of tugboats was determined using (1) market approach where valuation made was based on market prices of identical and comparable tugboats; and (2) cost approach where valuation performed are based on cost of reproduction of new vessel, accumulated depreciation, character and utility of the vessel (Note 6).

The Group determines the fair value of its investment properties, which is carried at cost (Note 8), using Level 2 of the fair value hierarchy by direct comparison approach with reference to open market of similar properties with consideration of the location, property size, physical features and economic factors.

The Group has no other significant non-financial assets and liabilities carried at fair value.

### **26.7 Prepayments and other assets**

Input VAT are recognized as assets in the period such input VAT become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group.

A provision for unrecoverable input VAT is established when there is objective evidence that the Group will not be able to recover the claims. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within general and administrative expenses.

Leasehold rights include rights and interests acquired for specific land assets. Leasehold rights are recognized at cost which approximates purchase price or total consideration. Leasehold rights with definite life are amortized over the period of the contract while leasehold rights that have indefinite life, are carried at cost less impairment, if any.

### **26.8 Property, plant and equipment**

All property, plant and equipment are carried at cost less accumulated depreciation and any impairment except for tugboats which are carried at revalued amounts.

Tugboats are initially recognized at cost. Subsequently, tugboats are carried at revalued amounts, which is the fair value at date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The Parent Company engages external, independent and qualified valuers to determine the fair value of the Parent Company's tugboats once every 3 years. Increases in the carrying amounts arising on revaluation of tugboats are recognized, net of tax, in other comprehensive income and revaluation surplus, net of tax, in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Each year, the Group transfers from revaluation surplus reserve to retained earnings the difference between the depreciation charges calculated based on the revalued amount and the depreciation charge based on the assets' historical cost.

The profit or loss on disposal of a revalued asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset. On disposal of the revalued asset, the relevant revaluation surplus included in equity is transferred directly to retained earnings.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which these are incurred.

Dry docking cost represents major inspection and overhaul costs and is depreciated to reflect consumption benefits which is to be replaced or restored by the subsequent dry docking generally every two (2) years. The Group has included these dry-docking expenses as part of tugboat component.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives (in years), as follows:

Tugboats	30 to 40
Barges	10 to 37
Plant, building and improvements	10 to 25
Transportation equipment	5
Construction equipment	5
Diving and oil spill equipment	3 to 5
Furniture, fixtures and leasehold improvements	3 to 4

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time as the relevant assets are completed and are available for use.

Leasehold improvements are amortized over the estimated useful life of the improvements, which is shorter than the lease term, considering the renewal option.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 26.10).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the consolidated statements of financial position. Any gains and losses on disposals of an asset as cost are determined by comparing proceeds with carrying amount and are recognized in profit or loss.

## **26.9 Investment property**

Investment properties consist of land in various locations. Land is initially recognized at cost and subsequently carried at cost less any impairment losses. Land is not depreciated.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation and commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Gains or loss on derecognition of an investment property is calculated as the difference between any disposal proceeds and the carrying amount of the related asset and is recognized in profit or loss in the year of derecognition

## **26.10 Impairment of non-financial assets**

Non-financial assets that have an indefinite useful life, such as land, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property, plant and equipment, computer software, investment properties, input VAT, investment in associate and leasehold rights, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized in profit or loss as part of general and administrative expenses.

When impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of an impairment loss are credited to the provision account in profit or loss.

## **26.11 Borrowings and borrowing cost**

### *(a) Borrowings*

Borrowings are measured initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Where the terms of a financial liability are modified, a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate. If the modification of the terms of borrowings is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on extinguishment. If the modification of the terms of borrowings is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

### *(b) Borrowing costs*

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

All other borrowing costs are recognized in profit or loss in the period in which these are incurred.

## **26.12 Current and deferred income tax**

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Specifically, DIT is provided on the temporary difference between the carrying amount of the revalued property, plant and equipment and its tax base. Any taxable temporary difference reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the tax rate applicable to the taxable amount derived from the sale of a non-depreciable capital or ordinary asset or the tax rate applicable during the years the asset is utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The Group re-assesses at each reporting date the need to recognize a previously unrecognized DIT asset, if any.

## **26.13 Employee benefits**

The Group provides short-term, retirement and terminal benefits to its employees. The Group did not grant any stock options or share based payments to its officers and employees.

### *(a) Other short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### *(b) Retirement benefit obligations*

The liability recognized in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement benefit obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in unrestricted earnings in the period in which these arise.

*(c) Termination benefits*

The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

**26.14 Share capital**

Common shares, recognized at par value, are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

When the shares are issued at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account.

Where any member of the Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

**26.15 Other comprehensive income**

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statements of changes in equity that are not recognized in profit or loss for the year in accordance with PFRS Accounting Standards.

**26.16 Dividend distribution**

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's BOD.

**26.17 Foreign currency transactions and translation**

*(a) Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

All foreign exchange gains and losses except for foreign exchange loss on borrowings are presented in profit or loss within other income (expense), net. Foreign exchange gains and losses from borrowings are presented as part of finance cost in profit or loss.

*(c) Subsidiary*

The results and financial position of the subsidiary, (which has no currency of a hyperinflationary economy), that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- ii) Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- iii) All resulting exchange differences are recognized as differences as a separate line item under equity.

**26.18 Revenue recognition**

Revenue is measured based on the consideration specified in a contract with customer. The Group recognizes revenue when it transfers control over service to a customer.

*(a) Sale of services*

The Group provides (i) harbor assistance, (ii) lighterage services (iii) towing services (iv) salvage income and (v) oil spill response services. These services are provided on a time-basis or as a fixed-price contract, net of any subsequent discounts. Discounts are considered as part of the transaction price when granting such is highly probable. Contract terms of services are generally range from less than a year. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

*(b) Revenue on generation and sale of solar energy*

The Group is engaged in the generation and sale of solar energy. Revenue is recognized monthly based on the transmission of solar energy to its sole customer. Revenue is recognized when the solar energy is delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue is also recognized based on the price agreed with the customer and is only recognized to the extent that it is probable that a significant reversal will not occur. No element of financing is deemed present as the sale are made with a credit of ten (10) to fifteen (15) days.

*(c) Revenue/Income on construction contracts*

A construction contract is a contract specifically negotiated for the construction of an asset or combination of assets that are closely interrelated or interdependent in terms of their design and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the accounting period.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These are presented as inventories, prepayments or other assets, depending on their nature.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately in profit or loss as part of cost of construction contracts, with a corresponding credit to allowance. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract.

Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins will be recognized in the year in which the changes are determined.

Progress payments received under the construction contracts are deducted from contract assets as the contract is completed. Progress payments received before corresponding work has been performed (or in excess of percentage of completion) are presented as advances from customers under trade and other payable in the consolidated statements of financial position.

The Group recognizes on a net and gross basis when it satisfies its promise to facilitate the service over a period of time when it is not a principal in a contract and acting as the principal in a contract, respectively. The Group is not the principal for construction contracts, wherein the Group does not control the service before it is transferred to a customer and the Group is not solely responsible for the service and discretion in establishing contract prices.

#### *(d) Financing components*

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

#### *(e) Contract assets and liabilities*

Lighterage services are normally billed to the customer one month in advance. The customer pays the fixed amount based on the billing. If the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognized. If the total payments received to date exceed the performance obligation fulfilled, a contract liability is recognized and is presented as unearned revenue. The contract assets are transferred to receivables when the Group's rights to the contract consideration become unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

### Other income

#### *(a) Interest income*

Interest income is recognized in profit or loss on a time-proportion basis using the effective interest method. Interest income from cash in banks and short-term placements is presented net of final taxes paid and withheld.

#### *(b) Dividend income*

Dividend income is recognized in profit or loss when the right to receive payment is established.

## 26.19 Costs and expenses

Costs and expenses are recognized:

- (a) on the basis of a direct association between the costs incurred and the earning of specific items of income;
- (b) on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or
- (c) immediately and as incurred (i.e. when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statements of financial position).

Costs and expenses are presented in the profit or loss according to their function.

## 26.20 Leases where Group is a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis.

### (a) Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

### (b) Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally amortized over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are amortized over the underlying asset's useful life.

(c) *Short-term leases and leases of low-value assets*

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise car rental and storage fee.

## 26.21 Earnings (Loss) per share

(a) *Basic*

Basic earnings (loss) per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Parent Company and held as treasury shares. In a capitalization or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

(b) *Diluted*

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Parent Company has two possible categories of dilutive potential common shares: convertible debt and share options. The Parent Company has no convertible debt nor share options as at December 31, 2024, 2023 and 2022.

## 26.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management Committee that makes strategic decisions, under the policies adopted by the BOD.

As at December 31, 2024 and 2023, the Group has two (2) operating business segments which pertains to revenue and related economic activities arising from harbor assistance including those of Jetty construction services and renewable energy. In 2017, the Group started to venture into renewable energy by establishing HSEC and acquiring ADGI, then ADF1 and ADF2 in 2018.

Below are the segments of the Group:

*As at and for the year ended December 31, 2024*

	Harbor assistance	Renewable energy	Elimination	Total
Revenue	2,844,476,009	193,362,467	-	3,037,838,476
Segment result	508,538,518	86,858,267	(1,199,760)	594,197,025
Share in net profit of associate	(57,968,214)	-	-	(57,968,214)
Finance costs	(157,485,027)	(107,675,397)	-	(265,160,424)
Income tax expense	(82,012,911)	-	-	(82,012,911)
Profit (Loss) for the year	211,072,366	(20,817,130)	(1,199,760)	189,055,476
Segment assets	6,089,213,139	2,864,248,250	(1,616,487,563)	7,336,973,826
Segment liabilities	(3,133,765,058)	(3,334,330,889)	1,410,051,564	(5,058,044,383)
Capital expenditures	498,413,264	705,466	-	499,118,730
Depreciation and amortization	487,661,607	90,716,360	-	578,377,967
Non-cash expenses other than depreciation and amortization	-	-	-	-

As at and for the year ended December 31, 2023

	Harbor assistance	Renewable energy	Elimination	Total
Revenue	2,522,732,041	140,330,004	-	2,663,062,045
Segment result	399,364,134	(47,423,878)	(9,895,945)	342,044,311
Share in net loss of associates	5,706,738	-	-	5,706,738
Finance costs	(156,178,770)	(122,573,477)	-	(278,752,247)
Income tax expense	(49,733,067)	-	-	(49,733,067)
Profit (Loss) for the year	199,159,035	(169,997,355)	(9,895,945)	19,265,735
Segment assets	5,892,872,369	2,926,069,763	(1,685,539,934)	7,133,402,198
Segment liabilities	(3,208,895,060)	(3,375,335,272)	1,538,271,909	(5,045,958,423)
Capital expenditures	308,058,807	47,269,165	-	355,327,972
Depreciation and amortization	471,375,002	89,099,119	-	560,474,121
Non-cash expenses other than depreciation and amortization	-	-	-	-

## **Second Section**

## Second Section

<u>Schedules</u>	<u>Supplementary Schedules</u>	<u>Remarks</u>
A	Financial Assets	Schedule A
B	Amounts Receivable and Payable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)	Schedule B
C	Amounts Receivable and Payable from Related Parties which are eliminated during the consolidation of financial statements	Schedule C
D	Long-term Debt	Schedule D
E	Indebtedness to Related Parties	Schedule E
F	Guarantees of Securities of Other Issuers	Schedule F
G	Share Capital	Schedule G
Annex 68-C	Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration	Annex 68-C
Annex 68-H	A Map Showing the Relationship between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associate	Annex 68-H
Other schedule	Schedule of Financial Soundness Indicator	
Other schedule	Audit and non-audit fees of Harbor Star Shipping Services, Inc. and Subsidiaries	

**SCHEDULE A**

**Harbor Star Shipping Services, Inc. and Subsidiaries**

Financial Assets  
December 31, 2024

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotations at end of reporting period	Income received and accrued
<b>Financial assets at amortized cost</b>				
Cash on hand and in banks	-	383,033,395	-	1,203,822
Trade and other receivables	-	1,584,125,330	-	75,202
Unbilled revenue	-	40,142,500	-	-
Refundable deposits	-	16,879,615	-	-
	-	2,024,180,840	-	1,279,024
<b>Financial asset at fair value through other comprehensive income</b>				
Investment in golf shares- Rancho Palos Verdes Golf and Country Club	-	810,000	-	-
<b>Total</b>	-	<b>2,024,990,840</b>	-	<b>1,279,024</b>

**SCHEDULE B****Harbor Star Shipping Services, Inc. and Subsidiaries**

Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders  
(Other than Related Parties)  
December 31, 2024  
(All amounts in Philippine Pesos)

Name of designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Balance at end of the period
Bella, Geronimo Dela Paz (President)	56,758,954	11,531,459	(52,012,542)	-	16,277,871	16,277,871
Bella, Ricardo Rodrigo Dela Paz (Vice President)	9,385,782	46,161	(8,064,979)	-	1,366,964	1,366,964
Bella, Virginia May Dela Paz (Corporate secretary)	95,761	7,295,023	(7,286,225)	-	104,559	104,559
Caranzo, Lorenzo Cabanlit (Director)	2,246,445	323,550	(474,844)	-	2,095,151	2,095,151
Refil, Elionarda Liu (Director)	19,170	-	-	-	19,170	19,170
Bella, Maria Elizabeth Jean Enilo (Director)	-	-	(500,000)	-	(500,000)	(500,000)
Rodriguez, Ignatius Alafriz (Corporate Secretary)	-	-	-	-	-	-
	68,506,112	19,196,193	(68,338,590)	-	19,363,715	19,363,715

**SCHEDULE C**

**Harbor Star Shipping Services, Inc. and Subsidiaries**

Amounts Receivable from Related Parties which are Eliminated  
during Consolidation of Financial Statements  
December 31, 2024  
(All amounts in Philippine Pesos)

Name of designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Balance at end of the period
Advances to related parties						
Peak Flag SDN BHD	220,914,393	1,160,297	(43,439,986)	-	178,634,704	178,634,704
Astronergy Development Gensan Inc.	419,343,214	29,744,170	(37,009,666)	-	412,077,718	412,077,718
Astronergy Development F1, Inc.	509,170	85,766	-	-	594,936	594,936
Astronergy Development F2, Inc.	513,749	85,764	-	-	599,513	599,513
Harbor Star Subic Corp.	615,800,712	73,215,752	(137,007,975)	-	552,008,488	552,008,488
Harbor Star Energy Corporation	277,138,540	3,460,387	(2,009,666)	-	278,589,261	278,589,261
Harbor Star Construction Corporation	1,780,198	1,455,371	-	-	3,235,569	3,235,569
Harbor Star East Asia (Myanmar) Ltd.	2,271,930	-	-	-	2,271,930	2,271,930
	1,538,271,906	109,207,507	(219,467,293)	-	1,428,012,119	1,428,012,119

**SCHEDULE D**

**Harbor Star Shipping Services, Inc. and Subsidiaries**

Long-term Debt  
December 31, 2024

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related statement of financial position	Amount shown under caption "long-term debt" in related statement of financial position	Notes
Bank borrowings	1,675,102,784	43,328,006	1,605,168,380	DBP restructured cash loan and its capitalized accrued interest, interest at 6.50% per annum, interest, and principal amortization payable quarterly starting October 2023, matures on April 19, 2033.
Bank borrowings	481,600,000	39,354,550	438,372,610	DBP restructured cash loan at 6.50% per annum, interest, and principal amortization payable quarterly starting March 30, 2023, matures on December 29, 2028.
Bank borrowings	477,335,005	91,843,300	254,343,240	CTBC restructured cash loans, interest at 5.25% per annum subject to quarterly repricing, interest and principal amortization payable quarterly starting January 2023, matures on December 30, 2026.
Bank borrowings	6,080,700	1,075,908	2,502,470	Ambank cash loan, MYR500,000 (or PHP6,080,700) term loan with interest at 6.70% interest and principal amortization payable monthly from initial drawdown, matures in September 2027
Borrowing from financial institution	45,455,200	14,311,325	26,629,000	Orix cash loan, MYR3,500,000 (or PHP45,455,200) term loan with interest at 8.25%, interest and principal amortization payable monthly from initial drawdown, matures in August 13, 2027.
Bank borrowings	28,960,080	2,085,535	9,229,910	RHB Bank Cash Loan, MYR1,000,000 (or PHP 12,314,200) term loan with interest at 5.50% interest and principal amortization payable monthly from initial drawdown, matures in April 2030
Bank borrowings	1,291,000,000	737,750,000	-	RCBC cash loan, interest at 7.50% per annum, interest and principal amortization payable quarterly, matures on July 14, 2025
Bank borrowings	11,717,900	1,727,030	-	RCBC car loans, interest rates ranging from 8.12% to 8.97% per annum, interest and principal amortization payable monthly, various maturities from 2024 to 2025
Bank borrowings	2,160,800	1,055,510	769,637	PNB car loans, interest rate at 8.60% per annum, interest and principal amortization payable monthly, various maturities in 2026.
Bank borrowings	40,000,000	5,807,703	34,192,297	DBP Leasing cash loan, interest at 15% per annum, for 5 years, matures on December 25, 2029.
	4,059,412,469	938,338,867	2,371,207,544	

**SCHEDULE E**

**Harbor Star Shipping Services, Inc. and Subsidiaries**

Indebtedness to Related Parties  
(Long-term Loans from Related Companies)  
December 31, 2024

Name of related party	Balance at beginning of period	Balance at end of period
NONE		

**SCHEDULE F**

**Harbor Star Shipping Services, Inc. and Subsidiaries**

Guarantees of Securities of Other Issuers  
December 31, 2024

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Amount owned by person for which statement is filed	Nature of guarantee
NONE			

**SCHEDULE G**

**Harbor Star Shipping Services, Inc. and Subsidiaries**

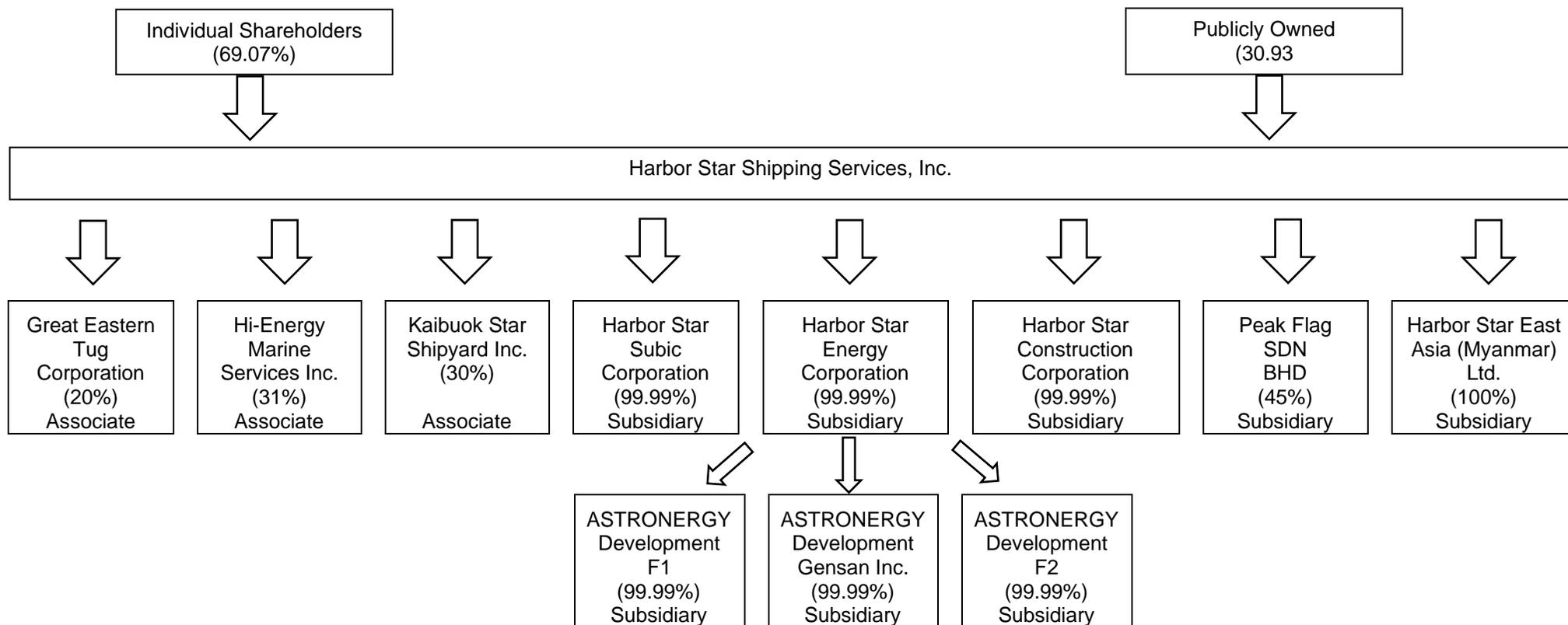
Capital Stock  
December 31, 2024

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - P1 par value	2,000,000,000	894,586,870	-	-	617,891,151	276,695,719

**Harbor Star Shipping Services, Inc. and Subsidiaries**

2224 A. Bonifacio St., and Pres. Sergio Osmeña  
Bangkal, Makati City

A Map Showing the Relationships between and among the Parent Company and its  
Subsidiaries and Associates  
December 31, 2024



## Harbor Star Shipping Services, Inc. and Subsidiaries

### Schedule of Financial Soundness Indicator December 31, 2024 and 2023

Ratio	Formula	2024	2023
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.99:1	1.53:1
Acid test ratio	$\frac{\text{Cash and cash equivalents+Trade and other receivables, net+Advances to a related party}}{\text{Current liabilities}}$	0.78:1	1.24:1
Solvency ratio	$\frac{\text{Net operating profit after tax + depreciationand amortization}}{\text{Total liabilities}}$	0.15:1	0.12:1
Debt to equity ratio	$\frac{\text{Total debt}}{\text{Total equity}}$	2.10:1	2.22:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	0.35:1	0.29:1
Interest coverage ratio	$\frac{\text{Operating income (loss)}}{\text{Interest expense}}$	2.26:1	1.22:1
Return on average equity (%)*	$\frac{\text{Profit (Loss)}}{\text{Average issued and outstanding shares}}$	20.82%	2.12%
Return on average assets (%)*	$\frac{\text{Profit (Loss)}}{\text{Average total assets}}$	2.61%	0.27%
Net income(loss) attributable to majority shareholders (% to Sales)	$\frac{\text{Net income (loss) attributable to majority shareholders}}{\text{Net sales}}$	3.97%	1.18%
Earnings per share	$\frac{\text{Net income attributable to Parent Company}}{\text{Weighted average number of common shares}}$	0.126	0.033
Book value per share	$\frac{\text{Total equity attributable to Parent Company}}{\text{Total shares outstanding}}$	2.51	2.31
Net profit margin	$\frac{\text{Income (Loss) for the year}}{\text{Total revenue}}$	6.22%	3.92%

\*Attributable to majority shareholders

**Harbor Star Shipping Services, Inc. and Subsidiaries**

**Supplementary Schedule of External Auditor Fee-Related Information**

For the years ended December 31, 2024 and 2023

(All amounts in Philippine Peso)

**Audit and non-audit fees of Harbor Star Shipping Services, Inc. and Subsidiaries**

	December 31,	
	2024	2023
<b>Audit services</b>		
Harbor Star Shipping Services, Inc.	1,444,000	1,300,000
Harbor Star Subic Corp.	200,000	170,000
Harbor Star Energy Corporation	111,000	105,000
Harbor Star Construction Corporation	-	
Astronergy Development Gensan, Inc.	336,000	320,000
Astronergy Development F1 Inc.	63,000	60,000
Astronergy Development F2 Inc.	63,000	60,000
<b>Total audit services fees</b>	<b>2,217,000</b>	<b>2,015,000</b>
<b>Non-audit services</b>		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
<b>Total non-audit fees</b>	<b>-</b>	<b>-</b>
<b>Total audit and non-audit fees</b>	<b>2,217,000</b>	<b>2,285,000</b>

**Harbor Star Shipping Services, Inc. and Subsidiaries**  
2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway  
Bangkal, Makati City

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration  
For the year ended December 31, 2024  
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, beginning of the year		316,047,589
Add: Category A: Items that are directly credited to Unappropriated retained earnings		
Reversal of Retained earnings appropriation/s		
Effect of restatements or prior-period adjustments		
Others	(3,877,984)	(3,877,984)
Less: Category B: Items that are directly debited to Unappropriated retained earnings		
Dividend declaration during the reporting period	-	
Retained earnings appropriated during the reporting period	-	
Effect of restatements or prior-period adjustments	-	
Others	-	
Unappropriated Retained Earnings, as adjusted		312,169,605
Add/Less: Net Income for the current year	82,935,848	
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(660,674)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	82,275,174
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	-
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of investment property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	-
Adjusted net income/loss		82,275,174
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		73,655,251
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others	-	
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	2,811,664	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	115,343	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others	-	2,927,007
<b>Total Retained Earnings, end of the year available for dividend declaration</b>		<b>471,027,037</b>

# COVER SHEET

SEC Registration Number

						1	5	2	8	9	7
--	--	--	--	--	--	---	---	---	---	---	---

Company Name

H	A	R	B	O	R		S	T	A	R		S	H	I	P	P	I	N	G		S	E	R	V	I	C	E	S	,
I	N	C	.																										

Principal Office (No./Street/Barangay/City/Town/Province)

2	2	2	4		A		B	O	N	I	F	A	C	I	O		S	T	.	,		C	O	R	.				
P	R	E	S	.		S	E	R	G	I	O		O	S	M	E	Ñ	A		H	I	G	H	W	A	Y	,		
B	A	N	G	K	A	L	,		M	A	K	A	T	I		C	I	T	Y		1	2	3	3					
P	H	I	L	I	P	P	I	N	E	S																			

Form Type

A	F	S	
---	---	---	--

Department requiring the report

C	R	R	
---	---	---	--

Secondary License Type, if applicable

	N	A	
--	---	---	--

**COMPANY INFORMATION**

Company's Email Address

www.harborstar.com.ph
-----------------------

Company's Telephone Number/s

(+632) 8886-3703
------------------

Mobile Number

N/A
-----

No. of Stockholders

116
-----

Annual Meeting Month/Day

Every Last Wednesday of May
-----------------------------

Fiscal Year Month/Day

12/31
-------

**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Dany Cleo B. Uson
-------------------

Email Address

dbuson@harborstar.com.ph
--------------------------

Telephone Number/s

(+632) 8886-3703
------------------

Mobile Number

N/A
-----

Contact Person's Address

2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233, Philippines
--

**Note:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designate

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

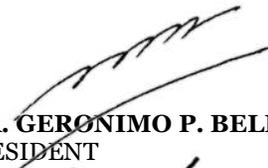
The management of Harbor Star Shipping Services, Inc. ("the Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

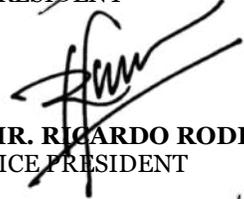
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Isla Lipana & Co, the independent auditor, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



**MR. GERONIMO P. BELLA JR.**  
PRESIDENT



**MR. RICARDO RODRIGO P. BELLA**  
VICE PRESIDENT



**MR. DANY CLEO B. USÓN**  
TREASURER

Signed this 14<sup>th</sup> day of May, 2025



**HARBOR STAR**  
SHIPPING SERVICES, INC.



REPUBLIC OF THE PHILIPPINES )  
CITY OF MAKATI ) S.S.

SUBSCRIBED AND SWORN TO BEFORE ME, this \_\_\_\_\_ day of 15 MAY 2025,  
2025, affiants exhibiting to me the following:

Name	Community Tax Certificate	Date / Place Issued
GERONIMO P. BELLA JR.	# 19829831	07 Jan 2025/ Makati City
RICARDO RODRIGO P. BELLA	# 19829833	07 Jan 2025/ Makati City
DANY CLEO B. USON	# 19829837	07 Jan 2025/ Makati City

Doc. No. 33 ;  
Page No. 8 ;  
Book No. V ;  
Series of 2025 .

  
**ATTY. BLAS JOSHUA C. CORDOVA**  
Notary Public for Makati City  
Appointment No. M-066  
Until 31 December 2026  
Roll of Attorney's No. 81887  
PTR No. 10469858 / 08 Jan 2025 / Makati City  
IBP No. 494045 / 02 Jan 2025 / PPLM  
MCLE Compliance: Exempted  
2224 A. Bonifacio St. cor. President Osmeña  
Highway, Bangkal, Makati City

DST affixed to the ORIGINAL COPY



15 MAY 2025



## Independent Auditor's Report

To the Board of Directors and Shareholders of  
**Harbor Star Shipping Services, Inc.**  
2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway  
Bangkal, Makati City

### *Report on the Audits of the Separate Financial Statements*

#### **Our Opinion**

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of Harbor Star Shipping Services, Inc. (the "Parent Company") as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

#### *What we have audited*

The separate financial statements of the Parent Company comprise:

- the statements of financial position as at December 31, 2024 and 2023;
- the statements of total comprehensive income for the years ended December 31, 2024 and 2023;
- the statements of changes in equity for the years ended December 31, 2024 and 2023;
- the statements of cash flows for the years ended December 31, 2024 and 2023; and
- the notes to the separate financial statements, comprising material accounting policy information and other explanatory information.

#### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, [www.pwc.com/ph](http://www.pwc.com/ph)



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Harbor Star Shipping Services, Inc.  
Page 2

### **Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements**

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Harbor Star Shipping Services, Inc.  
Page 3

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on the Bureau of Internal Revenue Requirement***

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 28 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "Paul Chester U. See".

Paul Chester U. See  
Partner  
CPA Cert. No. 104941  
P.T.R. No. 0011425; issued on January 3, 2025 at Makati City  
T.I.N. 202-215-515  
BIR A.N. 08-000745-122-2024; issued on February 13, 2024; effective until February 12, 2027  
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
May 14, 2025



## **Statements Required by Rule 68 Securities Regulation Code (SRC)**

To the Board of Directors and Shareholders of  
**Harbor Star Shipping Services, Inc.**  
2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway  
Bangkal, Makati City

We have audited the separate financial statements of Harbor Star Shipping Services, Inc. (the "Parent Company") as at and for the year ended December 31, 2024, on which we have rendered the attached report dated May 14, 2025.

In compliance with SRC Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of work performed by us, the Parent Company has 114 shareholders owning one hundred (100) or more shares each as at December 31, 2024.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "Paul Chester U. See".

Paul Chester U. See  
Partner  
CPA Cert. No. 104941  
P.T.R. No. 0011425; issued on January 3, 2025 at Makati City  
T.I.N. 202-215-515  
BIR A.N. 08-000745-122-2024; issued on February 13, 2024; effective until February 12, 2027  
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
May 14, 2025

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, [www.pwc.com/ph](http://www.pwc.com/ph)



## **Statements Required by Rule 68 Securities Regulation Code (SRC)**

To the Board of Directors and Shareholders of  
**Harbor Star Shipping Services, Inc.**  
2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway  
Bangkal, Makati City

We have audited the separate financial statements of Harbor Star Shipping Services, Inc. (the "Parent Company") as at and for the year ended December 31, 2024, on which we have rendered the attached report dated May 14, 2025. The supplementary information shown in the Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration as required by Part I Section 5 of the Revised SRC Rule 68, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised SRC Rule 68 of the Securities Regulation Code.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "Paul Chester See". The signature is written in a cursive, flowing style.

Paul Chester U. See  
Partner

CPA Cert. No. 104941

P.T.R. No. 0011425; issued on January 3, 2025 at Makati City

T.I.N. 202-215-515

BIR A.N. 08-000745-122-2024; issued on February 13, 2024; effective until February 12, 2027

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
May 14, 2025

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, [www.pwc.com/ph](http://www.pwc.com/ph)

## Harbor Star Shipping Services, Inc.

Statements of Financial Position  
As at December 31, 2024 and 2023  
(All amounts in Philippine Peso)

	Notes	2024	2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	197,641,598	174,014,318
Trade and other receivables, net	3	482,396,182	473,292,373
Advances to related parties, net	22	858,748,725	952,730,919
Prepayments and other current assets	4	460,061,096	343,762,111
<b>Total current assets</b>		<b>1,998,847,601</b>	<b>1,943,799,721</b>
<b>Non-current assets</b>			
Property and equipment, net	6	2,575,223,631	2,553,597,819
Right-of-use of assets, net	7	25,650,750	79,866,643
Computer software, net	8	8,556,758	6,520,820
Investment properties	9	69,983,207	69,983,207
Investments in subsidiaries and associates, net	5	193,503,973	193,503,973
Other non-current assets, net	10	226,645,949	242,267,685
<b>Total non-current assets</b>		<b>3,099,564,268</b>	<b>3,145,740,147</b>
<b>Total assets</b>		<b>5,098,411,869</b>	<b>5,098,411,869</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Trade and other payables	11	587,960,552	460,706,768
Borrowings	12	877,538,090	228,328,144
Lease liabilities	7	7,253,871	8,806,651
Advances from related parties	22	93,893,791	47,657,473
Income tax payable		33,900,068	-
<b>Total current liabilities</b>		<b>1,600,546,372</b>	<b>745,499,036</b>
<b>Non-current liabilities</b>			
Borrowings, net of current portion	12	727,677,780	1,565,890,657
Lease liabilities, net of current portion	7	15,073,210	17,774,652
Trade payable, net of current portion	11	9,298,942	-
Deferred income tax liabilities, net	23	195,584,983	242,806,990
Retirement benefit obligation	21	177,070,556	163,575,951
<b>Total non-current liabilities</b>		<b>1,124,705,471</b>	<b>1,990,048,250</b>
<b>Total liabilities</b>		<b>2,725,251,843</b>	<b>2,735,547,286</b>
<b>Equity</b>			
Share capital	13	907,857,870	907,857,870
Share premium	13	121,632,762	121,632,762
Treasury shares	13	(37,614,990)	(37,614,990)
Revaluation surplus, net of tax	6	870,027,460	1,011,329,099
Fair value reserve on financial assets at fair value through other comprehensive income (FVOCI)		(160,000)	(160,000)
Retained earnings		511,416,924	350,947,841
<b>Total equity</b>		<b>2,373,160,026</b>	<b>2,353,992,582</b>
<b>Total liabilities and equity</b>		<b>5,098,411,869</b>	<b>5,089,539,868</b>

The notes on pages 1 to 51 are integral part of these separate financial statements.

**Harbor Star Shipping Services, Inc.**

Statements of Total Comprehensive Income  
For the years ended December 31, 2024 and 2023  
(All amounts in Philippine Peso)

	<b>Notes</b>	<b>2024</b>	<b>2023</b>
Service income, net	15	2,442,789,272	2,173,991,044
Cost of services	16	(1,839,949,916)	(1,494,611,935)
<b>Gross profit</b>		602,839,356	679,379,109
General and administrative expenses	17	(434,027,161)	(361,924,546)
Net impairment losses on trade and other receivables	3	(26,784,267)	(43,524,479)
Reversal of (Provision for) impairment losses on property and equipment, net	6	35,524,682	(30,769,801)
Other income, net	19	106,101,010	63,830,559
<b>Operating income</b>		283,653,620	306,990,842
Finance cost	20	(148,636,061)	(153,130,501)
<b>Income before income tax</b>		135,017,559	153,860,341
Income tax expense	23	(52,081,711)	(42,754,803)
<b>Net income for the year</b>		82,935,848	111,105,538
<b>Other comprehensive (loss) income</b>			
<b>Items that will not be subsequently reclassified to     profit or loss</b>			
Revaluation (decrement) increment on tugboats, net of tax	6	(67,646,388)	302,414,453
Remeasurements of retirement benefits, net of tax	21	3,877,984	(2,615,257)
<b>Total other comprehensive (loss) income</b>		(63,768,404)	299,799,196
<b>Total comprehensive income for the year</b>		19,167,444	410,904,734
<b>Earnings per share</b>			
Basic and diluted	14	0.09	0.12

The notes on pages 1 to 51 are integral part of these separate financial statements.

**Harbor Star Shipping Services, Inc.**

Statements of Changes in Equity  
For the years ended December 31, 2024 and 2023  
(All amounts in Philippine Peso)

	Share capital (Note 13)	Share premium (Note 13)	Treasury shares (Note 13)	Revaluation surplus, net of tax (Note 6)	Fair value reserve on financial assets at FVOCI	Retained earnings	Total equity
<b>Balances at January 1, 2023</b>	907,857,870	121,632,762	(37,614,990)	740,711,027	(160,000)	210,661,179	1,943,087,848
<b>Comprehensive income</b>							
Net income for the year	-	-	-	-	-	111,105,538	111,105,538
Other comprehensive income (loss)							
Revaluation increment on tugboats (Note 6)	-	-	-	302,414,453	-	-	302,414,453
Remeasurements on retirement benefits, net of tax (Note 21)	-	-	-	-	-	(2,615,257)	(2,615,257)
<b>Total comprehensive income</b>	-	-	-	302,414,453	-	108,490,281	410,904,734
Transfer of revaluation surplus through depreciation, net of tax	-	-	-	(31,796,381)	-	31,796,381	-
<b>Balances at December 31, 2023</b>	907,857,870	121,632,762	(37,614,990)	1,011,329,099	(160,000)	350,947,841	2,353,992,582
<b>Comprehensive income</b>							
Net income for the year	-	-	-	-	-	82,935,848	82,935,848
Other comprehensive income (loss)							
Revaluation decrement on tugboats (Note 6)	-	-	-	(67,646,388)	-	-	(67,646,388)
Remeasurements on retirement benefits, net of tax (Note 21)	-	-	-	-	-	3,877,984	3,877,984
<b>Total comprehensive income</b>	-	-	-	(67,646,388)	-	86,813,832	19,167,444
Transfer of revaluation surplus through depreciation, net of tax	-	-	-	(47,236,331)	-	47,236,331	-
Transfer of revaluation surplus through disposal, net of tax	-	-	-	(26,418,920)	-	26,418,920	-
<b>Balances at December 31, 2024</b>	907,857,870	121,632,762	(37,614,990)	870,027,460	(160,000)	511,416,924	2,373,160,026

The notes on pages 1 to 51 are integral part of these separate financial statements.

## Harbor Star Shipping Services, Inc.

### Statements of Cash Flows For the years ended December 31, 2024 and 2023 (All amounts in Philippine Peso)

	Notes	2024	2023
<b>Cash flows from operating activities</b>			
Income before income tax		135,017,559	153,860,341
Adjustments for:			
Depreciation and amortization	6, 8	422,514,051	448,297,485
Finance cost	20	148,636,061	153,130,501
Net impairment losses on trade and other receivables	3	26,784,267	43,524,479
Loss on sale of property and equipment	6, 19	24,223,988	-
Retirement benefit expense	21	20,264,121	19,974,945
Provision for impairment of input VAT	10, 17	15,571,336	15,571,336
Loss on write-off of CWT	4, 19	11,220,363	-
Amortization of right-of-use assets	7	9,754,951	4,251,905
Loss (Gain) on write-off or reversal of assets/payables	19	2,083,046	(13,015,811)
Amortization of leasehold rights	10,17	-	1,039,928
Interest income	2, 3, 19	(218,496)	(827,628)
Unrealized foreign exchange (gain) loss, net	24	(889,641)	1,661,835
Dividend income	5, 19	(1,199,760)	(9,895,945)
(Reversal of) Provision for impairment loss on property and equipment, net	6	(35,524,682)	30,769,801
Operating profit before changes in assets and liabilities		778,237,164	848,343,172
(Increase) decrease in:			
Trade and other receivables		(35,005,666)	(90,372,477)
Advances to related parties		93,982,194	58,836,768
Prepayments and other current assets		(171,616,462)	(80,300,630)
Other non-current assets			(708,961)
Increase (decrease) in:			
Trade and other payables		94,078,548	6,784,941
Advances from related parties		46,236,318	-
Cash generated from operations		805,912,096	742,582,813
Interest received	2, 3, 19	218,496	827,628
Retirement benefits paid	21	(1,598,870)	(1,424,085)
Net cash provided by operating activities		804,531,722	741,986,356
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property and equipment	6	19,046,378	-
Additions in investments in subsidiaries	5	-	(27,500)
Acquisition of investment properties	10	-	(2,500,000)
Acquisition of property and equipment and computer software	6, 8	(461,034,027)	(237,423,193)
Net cash used in investing activities		(441,987,649)	(239,950,693)
<b>Cash flows from financing activities</b>			
Dividend received	5, 19	1,199,760	9,895,945
Proceeds from borrowings	12	42,160,800	-
Proceeds from short-term loans	12	55,725,500	-
Payment for the interest portion of lease liabilities	7	(1,392,938)	(429,360)
Payment for the principal portion of lease liabilities	7	(10,186,486)	(7,827,763)
Payments of short-term loans	12	(55,725,500)	(22,728,600)
Payments of interest on short-term loans and borrowings	12	(143,383,021)	(167,075,503)
Payment of long-term borrowings	12	(227,323,650)	(238,303,559)
Net cash used in financing activities		(338,925,535)	(426,468,840)
<b>Net increase in cash and cash equivalents</b>		23,618,538	75,566,823
Cash and cash equivalents at the beginning of year		174,014,318	99,867,385
Effect of foreign exchange rate changes on cash and cash equivalents		8,742	(1,419,890)
Cash and cash equivalents at the end of year	2	197,641,598	174,014,318

The notes on pages 1 to 51 are integral part of these separate financial statements.

## **Harbor Star Shipping Services, Inc.**

Notes to the Separate Financial Statements

As at and for the years ended December 31, 2024 and 2023

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

### **1 Business information**

#### **1.1 General information**

Harbor Star Shipping Services, Inc. (HSSSI or the “Parent Company”) was incorporated and registered with the Philippines Securities and Exchange Commission (SEC) on July 5, 1988. The primary and secondary purpose of the Parent Company is to invest, own, operate, venture into domestic and international maritime commerce, domestic and international manning recruitment, transport in and between ports of the Philippines, domestic and international port and terminal operations, construction and rehabilitation of marine facilities and real estate development.

In July 2012, the Parent Company commenced activities for an initial public offering (IPO) of its common shares in the Philippines. On October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the Parent Company completed its listing in the Philippine Stock Exchange (PSE) and became a public company (Note 13). The Parent Company did not have any follow on offering subsequent to its initial public offering.

As a public company, it is covered by Part I Section 2A(i) of the Revised Securities Regulation Code (SRC) Rule 68, and also covered by additional requirements under Revised SRC Rule 68, Part II.

As at December 31, 2024, the Parent Company has 116 shareholders (2023 - 114), 114 of which holds at least 100 common shares (2023 - 113). For the year ended December 31, 2024, The Parent Company’s major shareholders are its own directors holding 69.07% (2023 - 68.93%) of its total issued shares and the remaining 30.93% of total issued shares are held by the public (2023 - 31.07%).

The Parent Company’s registered office, which is also its principal place of business, is located at 2224 A. Bonifacio Street corner Pres. Sergio Osmena Highway, Bangkal, Makati City, 1233, Philippines.

#### **1.2 Significant developments**

Acquisition of Astronergy Development Gensan Inc. (ADGI); Astronergy Development F1 Inc. (ADF1) and Astronergy Development F2 Inc. (ADF2)

On October 6, 2017, the Parent Company’s BOD resolved to acquire 60% shareholdings of ADGI, an entity engaged in power generation through renewable energy through HSEC, a new subsidiary. On the same date, which became the acquisition date, a total of 599,997 shares were acquired, representing 60% of the issued and outstanding shares of ADGI. As a result, ADGI became a subsidiary of HSEC effective October 6, 2017.

ADGI was registered with the Department of Energy (DOE), with Registration No. SESC 2014-12-096 on December 29, 2014, as a Renewable Energy (RE) Developer of Solar Energy Resources. Pursuant to Section 15 Chapter VI of Republic Act (RA) No. 9513, An Act Promoting The Development, Utilization and Commercialization of Renewable Energy Resources and For Other Purposes, ADGI, as RE Developer, is entitled to certain incentives including income tax holiday (ITH) for the first seven (7) years of its commercial operations, from 2019 to 2026.

ADGI has permits, licenses and entitlements to operate 25MW, expandable to 75MW, solar power plant in General Santos. ADGI has been issued a Certificate of Commerciality (COC) by the DOE and has an existing ERC-approved Power Purchase Agreement (PPA) with South Cotabato II Electric Cooperative, Inc. (“SOCOTECO II”). Under the PPA, SOCOTECO-II will purchase all the energy output from the project. The construction of the initial 25MW solar power plant was completed in the second quarter of 2019.

ADF1 and ADF2 have their own ancillary permits and contracts to support the expansion of the 25 MW ADGI solar power plant to 75MW.

ADGI's commercial production is deemed to have commenced when management determines that the completion of operational commissioning of plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be sustained. On July 27, 2019, ADGI started the commercial operation of its solar power plant in Sitio Changco, Brgy. Bawing, General Santos City, South Cotabato with a capacity of 25MW.

On December 3, 2019, Energy Regulatory Commission (ERC) granted the Certificate of Compliance (COC No. 19-12-M-00188M) to ADGI after having found to comply with all the requirements in the 2014 Revised COC Rules, the Philippine Grid Code, the Philippine Distribution Code, the Wholesale Electricity Spot Market (WESM) Rules and related laws, orders and regulations. The COC shall be valid for a period of five (5) years, from December 31, 2019 to December 2, 2024, and its application for renewal shall be filed at least six (6) months before its expiration date. As at report date, renewal of the application is on-going.

In 2020, ADGI commenced commercial operations for the entire year. On January 26, 2022, SOCOTECO II and ADGI filed an Application on ERC Case No. 2013-2017 RC seeking the Commission's approval of their Renewable Energy Supply Agreement (RESA) for issuance of final authority and collection for the supply of power based on the RESA as at December 31, 2020. In 2020, ADGI has submitted to the ERC all documents to support their claims. As at reporting date, ADGI is awaiting for final ruling from the ERC.

#### Harbor Star East Asia (Myanmar) Limited (HSEAM)

On April 20, 2018, the Parent Company subscribed to 97% or equivalent to 48,500 shares of the 50,000 authorized shares of HSEAM and paid 50% of the subscription amounting to P1,354,522 which gave the Parent Company 100% controlling interest over HSEAM.

HSEAM was incorporated on February 6, 2018 in The Republic of the Union of Myanmar in accordance with Myanmar Companies Act under Registration and Permit no. 1054FC/2017-2018 (YGN) as a Private Company. HSEAM is engaged in providing consultancy and support services, underwater, marine and maritime related business in Myanmar. The period of the validity of permit is from February 6, 2018 to February 5, 2023. The validity of permit was renewed and extended until March 6, 2026.

#### Harbor Star Construction Corporation (HSCC)

On March 17, 2021, the Parent Company has subscribed to 29,999,999 shares of Harbor Star Construction Corporation (HSCC) for a total amount of P29,999,997, which gave the Parent Company 100% controlling interest over HSCC.

On April 23, 2021, the SEC has approved the Certificate of Incorporation of Harbor Star Construction Corporation (HSCC). HSCC's primary purpose is to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.

#### Hi-Energy Marine Services, Inc. (HEMSI)

On August 16, 2018, the Parent Company subscribed to 31% (218,464 shares) of the 705,924 authorized shares of Hi-Energy Marine Services, Inc. (HEMSI) and paid 100% of the subscription amounting to P85,368,971. As a result, HEMSI became an associate.

HEMSI was incorporated and registered with the SEC on February 13, 2012 primarily to engage in towage, mooring, maritime commerce and navigation.

## Kaibuok Star Shipyard Inc. (KSSI)

On June 6, 2023, HSSSI subscribed to 30% of the issued and outstanding capital stock of Kaibuok Star Shipyard Inc. (KSSI) for a total amount of P16,499,998, which remains to be outstanding as at December 31, 2024. As a result, KSSI became an associate. As at report date, KSSI remains in the pre-operating phase.

### **1.3 Approval of the Parent Company's separate financial statements**

These separate financial statements have been reviewed and authorized for issuance by the Parent Company's BOD on May 14, 2025.

## **2 Cash and cash equivalents**

Cash and cash equivalents as at December 31 consist of:

	2024	2023
Cash in banks	146,048,431	139,734,923
Cash on hand	2,593,167	2,279,395
Cash equivalents	49,000,000	32,000,000
	<b>197,641,598</b>	<b>174,014,318</b>

Cash equivalents pertain to investment of the Parent Company with local banks, with original maturity of less than three (3) months from date of placement. Cash equivalents earn interest at an average rate of 5.38% for 2024 and 2023.

Interest income earned from cash in banks and cash equivalents for the year ended December 31, 2024 amounting to P183,923 (2023 - P236,566) (Note 19).

The carrying values of cash in banks and cash equivalents represent maximum exposure to credit risk. While cash and cash equivalents are also subject for impairment under PFRS 9, the assessed impairment loss is immaterial.

## **3 Trade and other receivables, net**

Trade and other receivables, net as at December 31 consist of:

	2024	2023
Trade receivables	389,850,062	274,164,964
Allowance for impairment loss on trade receivables	(88,128,110)	(77,835,952)
	<b>301,721,952</b>	<b>196,329,012</b>
Advances to officers, employees and others	180,649,676	250,622,074
Allowance for impairment loss on advances to officers, employees and others	(40,117,946)	(23,625,837)
	<b>140,531,730</b>	<b>226,996,237</b>
Unbilled revenue	40,142,500	49,967,124
	<b>482,396,182</b>	<b>473,292,373</b>

Trade receivables are amounts due from customers for rendering harbor assistance and other marine services in the ordinary course of the business with an average credit term of 30 to 60 days.

Advances to employees represent outstanding balances with existing employees and regular collections are made through liquidation and salary deduction. As at December 31, 2024, advances to officers representing key management personnel and shareholders amounted to P19,363,715 (2023 - P68,493,415) (Note 22).

The carrying value of trade and other receivables as at December 31, 2024 and 2023 approximates their fair value as at reporting date.

### Allowance for impairment

The Parent Company applies PFRS 9 simplified approach in measuring expected credit losses (ECL) for all trade receivables which uses a lifetime expected loss allowance.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of service fees over a period of 36 months before January 1 of every reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Parent Company has identified the gross domestic product (GDP) growth rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in such rates.

For advances to officers and others, and other receivables, the Parent Company applies a general approach in calculating expected credit losses. The Parent Company recognizes a loss allowance based on either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk on these financial assets since initial recognition.

The Parent Company's financial assets are categorized based on the Parent Company's collection experience with the counterparties as follows:

- a. High performing - settlements are obtained from the counterparty following the terms of the contracts without much collection effort.
- b. Underperforming - more than 60 days past due but expected to be collected after some reminders/follow-ups.
- c. Credit impaired - more than 360 days past due and unlikely to be collected despite reminders/follow-ups.

On that basis, the loss allowance from trade receivables as at December 31 was determined as follows:

	High performing	Underperforming	Credit impaired	Total
	Current	Up to 6 months past due	Over 12 months past due	
Expected loss rate	Within 3% to 4%	Within 7% to 8%	100%	
<i>December 31, 2024</i>				
Trade receivables	62,375,714	259,820,166	67,654,182	389,850,062
Loss allowance	2,183,150	18,290,778	67,654,182	88,128,110
<i>December 31, 2023</i>				
Trade receivables	42,481,656	167,773,486	63,909,822	274,164,964
Loss allowance	1,274,450	12,651,680	63,909,822	77,835,952

Movements in the provision for impairment loss on trade and other receivables for the years ended December 31 are as follows:

	2024	2023
Beginning of year	101,461,789	57,937,310
Provision for impairment of trade and other receivables, net	26,784,267	43,524,479
End of year	128,246,056	101,461,789

In 2024, the Parent Company recognized net impairment loss on trade receivables amounting to P10,292,158 (2023 - P43,524,479) and provision for impairment loss on advances to inactive employees amounting to P16,492,109 (2023 - nil). These were charged to net impairment losses on trade and other receivables in the statements of total comprehensive income.

In 2024, the Parent Company directly written-off advances to employees amounting to P5,306,812 (2023 - nil) (Note 17).

In 2024, the Parent Company recognized interest income amounting to P34,573 (2023 - P591,062) due to the late payment of a third-party customer relating to the salvage services provided (Note 19).

Unbilled revenue pertains to revenue that has been recognized as earned but not yet billed to the customer from operations in relation to diving and other underwater services and construction projects of the Parent Company. As at reporting date, the costs incurred and estimated earnings in excess of billings on uncompleted contracts have not been invoiced and as such they represent a contract asset.

The Parent Company recognized contract assets of P40,142,500 as at December 31, 2024 (2023 - P49,967,124) for revenue accrued based on percentage of completion at year-end. The movements on contract assets are mainly attributable to the completed projects and additional accruals for unbilled costs.

#### Critical accounting estimate and assumptions

##### *Recoverability of trade and other receivables*

The allowance for impairment related to the Parent Company's trade and other receivables is based on assumptions about risk of default and expected loss rates. The Parent Company uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Parent Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed above.

Estimates and assumptions related to provision for impairment of trade and other receivables are continually evaluated based on historical experiences and other factors, including expectations of future events that may have a financial impact on the Parent Company and that are believed to be reasonable under the circumstances.

#### **4 Prepayments and other current assets**

Prepayments and other current assets as at December 31 consist of:

	Note	2024	2023
Input value added tax (VAT), net of output VAT	10	183,380,656	101,054,640
Construction advances		135,952,244	121,728,437
Prepayments		93,822,421	57,884,615
Advances to suppliers		40,863,926	40,863,926
Refundable deposits		6,041,849	3,472,232
Prepaid income taxes		-	18,758,261
		460,061,096	343,762,111

Construction advances pertain to advances to suppliers, contractors and employees related to construction projects subject to liquidation. There were no provisions recognized during 2024 and 2023. In 2023, the Parent Company wrote-off the previously fully-provided construction advances amounting to P24,521,086 due to high likelihood that this amount will not be liquidated.

Prepayments consist of mainly unexpired hull and machinery insurance, motor car insurance, life and health insurance, and fuel which are expected to be utilized for a period of less than a year.

Advances to suppliers consist of advance payments on services to be performed within twelve (12) months.

In 2024, the Parent Company wrote-off unsupported creditable withholding taxes (CWT) amounting to P11,220,363 (Note 19). There are no similar transactions in 2023.

## 5 Investments in subsidiaries and associates

As at December 31 2024 and 2023, the Parent Company has the following investments in subsidiaries and associates:

	Relationship	% of interest held	Registered place of business/ Country of incorporation	Main activity
Harbor Star Subic Corp. (HSSC)	Subsidiary	100%	Philippines	HSSC was incorporated on September 17, 2015 and registered in the Philippines primarily to engage in marine-related ancillary services such as harbor assistance, towage, lighterage, oil spill response and underwater marine services.  Its registered address, which is also its principal place of business, is located at Units 9 and 10, Alava Quay, Waterfront Road, Subic Bay Freeport Zone, Subic, Zambales.
Harbor Star Energy Corporation (HSEC)	Subsidiary	100%	Philippines	HSEC was incorporated on May 11, 2017 and registered in the Philippines primarily to engage in the production and sale of renewable energy.  Its registered address is at 2224 A. Bonifacio cor Pres. Osmena Bangkal Makati, Metro Manila.
Harbor Star East Asia (Myanmar) Limited (HSEAM)	Subsidiary	100%	Myanmar	HSEAM was incorporated in Myanmar and registered on February 6, 2018 primarily engage in providing consultancy and support services , including , (but not limited to) underwater, marine, maritime-related businesses in Myanmar.  Its registered address, which is also its principal place of business is No. Level 8 A, Union Financial Center, Corner of Mahabandoola and Thein Phyu Road, Botahtaung Township, Yangon.
Peak Flag SDN BHD (Peak Flag)	Subsidiary	45%	Malaysia	Peak Flag was incorporated and registered in Malaysia, primarily to carry on the business of providing tugboat harbor assist/ marine support services.  Its registered address, which is also its principal place of business, is at Suite N-6-04, The Gamuda Biz Suites, No.12, Persiaran Anggerik Vanilla 31/99 Seksyen 31, Kota Kemuning 40460 Shah Alam, Selangor.
Harbor Star Construction Corporation (HSCC)	Subsidiary	100%	Philippines	HSCC was incorporated on April 23, 2022 and registered in the Philippines primarily to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.  Its registered address, which is also its principal place of business is located at 2224 A. Bonifacio cor Pres. Osmena Bangkal Makati, Metro Manila.
Great Eastern Tug Corporation (GETC)	Associate	20%	Philippines	GETC was incorporated and registered with the Philippine SEC on September 9, 2002, primarily to own, charter in/out, operate and manage tugboats or domestic services.  Its registered address, which is also its principal place of business, is located at 11F Marc 2000 Tower, 1973 Taft Avenue, Malate, Manila.
Hi-Energy Marine Services, Inc. (HEMSI)	Associate	31%	Philippines	HEMSI was incorporated and registered with the Philippine SEC on February 13, 2012, primarily to engage in towage, ocean towage, mooring, maritime commerce and navigation.  Its registered address, which is also its principal place of business, is located at Bldg. No. 1811 CUO 14 Studio Zen Taft Ave. St. Zone 03, Brgy. 36, Pasay City, Philippines.

	Relationship	% of interest held	Registered place of business/ Country of incorporation	Main activity
Kaibuok Star Shipyard Inc. (KSSI)	Associate	20%	Philippines	<p>KSSI was incorporated and registered with the Philippine SEC on July 24, 2023, primarily to build, construct, fabricate, repair, own, manage, operate, maintain, buy, sell, or otherwise deal in and with ships, vessels, boats, and marine structures of every kind and nature, graving docks, drydocks, floating docks, various land, and other structures and other conveniences for building, repairing, or docking of ships and other vessels for building and repairing marine and other land structures.</p> <p>Its registered address, which is also its principal place of business, is located at Polloc Freeport and Economic Zone Polloc, Parang, Maguindanao, Autonomous Region in Muslim Mindanao.</p>

Investments in subsidiaries and associates as at December 31 consist of:

	2024	2023
<b>Subsidiaries</b>		
HSEC	46,875,000	46,875,000
HSCC	29,999,997	29,999,997
Peak Flag	7,205,724	7,205,724
HSEAM	2,526,782	2,526,782
HSSC	1,277,500	1,277,500
	<b>87,885,003</b>	<b>87,885,003</b>
<b>Associates</b>		
HEMSI	85,368,972	85,368,972
GETC	3,750,000	3,750,000
KSSI	16,499,998	16,499,998
	<b>105,618,970</b>	<b>105,618,970</b>
	<b>193,503,973</b>	<b>193,503,973</b>

The movement of investments in subsidiaries and associates for the years ended December 31 are as follows:

	Note	2024	2023
Beginning of year		193,503,973	176,976,475
Additions	1.2	-	16,527,498
End of year		193,503,973	193,503,973

On March 22, 2023, HSSC renewed its accreditation to engage in domestic shipping business. As mandated by MARINA Regional Office, HSSC increased its additional paid-in capital amounting to P27,500 in 2023.

Set out below is the summarized financial information of Peak Flag at December 31 which is accounted for using the cost method.

	2024	2023
Total current assets	127,828,021	165,755,310
Total non-current assets	376,183,989	217,506,794
Total current liabilities	249,208,783	325,634,356
Total non-current liabilities	78,363,556	26,810,108
Net assets	176,439,671	30,817,640
Total revenue/income	171,941,552	111,294,607
Total expenses	(80,170,948)	(130,275,942)
Total income (loss) for the year	91,770,604	(18,981,335)
Total comprehensive income (loss)	138,409,424	(18,981,335)
Net cash provided by operating activities	65,349,650	2,328,912
Net cash provided by (used in) financing activities	21,943,138	(21,644,116)

The summarized individual financial information of the associates were not presented because based on management's assessment, the said information and the investments in associates are not material to the Parent Company's business operations and separate financial statements.

The Parent Company received dividend income from GETC amounting to P1,199,760 in 2024 and P9,895,945 dividend income from HEMSI in 2023 (Note 19).

#### Critical accounting judgments

##### *(a) Determining control over investments with ownership of less than half of an entity's total equity*

The Parent Company follows the guidance of PFRS 10, "Consolidated Financial Statements" in determining if control exists for investments with ownership of less than half of its total equity. In making this judgment, the Parent Company considers the power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the BOD, or power to cast the majority of votes at meetings of the BOD.

Having a significant influence based on the percentage ownership, the Parent Company initially considered Peak Flag as an associate. However, effective January 1, 2014, the Parent Company has gained control over the key economic decisions and policies affecting Peak Flag under the duly signed amended shareholders' agreement including majority board representation. Consequently, based on management's judgment and continuous assessment of the Parent Company, Peak Flag is considered as a subsidiary as at December 31, 2024 and 2023.

##### *(b) Impairment of investments in subsidiaries and associates*

The Parent Company's investments in subsidiaries and associates are carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those management assessments and judgment could have a significant effect on the carrying value of investments in subsidiaries and associates and the amount and timing of recorded provision for any period.

As at December 31, 2024 and 2023, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its investment in subsidiaries and associates may not be recoverable.

## 6 Property and equipment, net

Details and movements of property and equipment, net as at and for the years ended December 31 are as follows:

	Tugboats (at revalued amount)	Land	Barges	Building and building improvements	Transportation equipment	Diving, oil spill, and other equipment	Furniture, fixtures and leasehold improvements	Construction equipment	Construction- in-progress	Total
<b>Cost</b>										
January 1, 2023	16,012,061,089	39,556,011	614,663,052	106,886,562	72,819,364	253,921,010	3,927,924	21,157,769	22,703,482	17,147,696,263
Additions	162,367,737	-	45,601,598	1,552,737	2,597,133	26,740,797	-	112,495	250,047	239,222,544
Reclassification	-	-	-	-	-	-	-	4,107,143	-	4,107,143
Revaluation	4,822,658,656	-	-	-	-	-	-	-	-	4,822,658,656
December 31, 2023	20,997,087,482	39,556,011	660,264,650	108,439,299	75,416,497	280,661,807	3,927,924	25,377,407	22,953,529	22,213,684,606
Additions	252,396,927	-	122,112,199	5,975,927	6,499,777	38,837,280	42,704	20,246,965	42,306,446	488,418,225
Reclassification	-	-	72,975,686	-	-	-	-	-	-	72,975,686
Disposals	(826,509,351)	-	-	-	(2,066,958)	(5,884,694)	-	-	-	(834,461,003)
Revaluation	(1,033,143,650)	-	-	-	-	-	-	-	-	(1,033,143,650)
December 31, 2024	19,389,831,408	39,556,011	855,352,535	114,415,226	79,849,316	313,614,393	3,970,628	45,624,372	65,259,975	20,907,473,864
<b>Accumulated depreciation</b>										
January 1, 2023	(14,025,427,934)	-	(402,604,699)	(63,798,087)	(59,583,302)	(202,171,401)	(3,648,506)	(13,390,662)	-	(14,770,624,591)
Depreciation	(292,738,870)	-	(107,801,167)	(7,978,663)	(2,909,467)	(22,318,494)	(156,694)	(1,242,512)	-	(435,145,867)
Disposal	-	-	-	-	-	-	-	(4,107,143)	-	(4,107,143)
Revaluation	(4,419,439,385)	-	-	-	-	-	-	-	-	(4,419,439,385)
Impairment loss, net	(30,769,801)	-	-	-	-	-	-	-	-	(30,769,801)
December 31, 2023	(18,768,375,990)	-	(510,405,866)	(71,776,750)	(62,492,769)	(224,489,895)	(3,805,200)	(18,740,317)	-	(19,660,086,787)
Depreciation	(270,405,949)	-	(90,102,267)	(14,854,159)	(6,698,778)	(35,342,902)	(111,467)	(1,629,229)	-	(419,144,751)
Disposals	784,866,974	-	-	-	2,066,958	4,156,705	-	-	-	791,090,637
Reclassification	-	-	(22,582,480)	-	-	-	-	-	-	(22,582,480)
Revaluation	942,948,466	-	-	-	-	-	-	-	-	942,948,466
Impairment reversal, net	35,524,682	-	-	-	-	-	-	-	-	35,524,682
December 31, 2024	(17,275,441,817)	-	(623,090,613)	(86,630,909)	(67,124,589)	(255,676,092)	(3,916,667)	(20,369,546)	-	(18,332,250,233)
<b>Net book values</b>										
December 31, 2024	2,114,389,591	39,556,011	232,261,922	27,784,317	12,724,727	57,938,301	53,961	25,254,826	65,259,975	2,575,223,631
December 31, 2023	2,228,711,492	39,556,011	149,858,784	36,662,549	12,923,728	56,171,912	122,724	6,637,090	22,953,529	2,553,597,819

The net book values of the tugboats, had the assets been carried at cost and not at revalued amount, as at December 31 would have been as follows:

	2024	2023
As at January 1		
Cost	2,762,356,530	2,599,988,793
Accumulated depreciation	(1,882,083,837)	(1,600,970,340)
Beginning net book values	880,272,693	999,018,453
Years ended December 31		
Opening net carrying amount	880,272,693	999,018,453
Additions	252,396,927	162,367,737
Disposal		
Cost	(104,450,816)	-
Accumulated depreciation	98,033,665	-
Depreciation	(207,424,173)	(250,343,696)
Impairment loss	(35,513,870)	(61,947,863)
Reversal of impairment loss	71,038,552	31,178,062
Closing net book values	954,352,978	880,272,693
As at December 31		
Cost	2,910,302,641	2,762,356,530
Accumulated depreciation	(1,955,949,663)	(1,882,083,837)
Net book values	954,352,978	880,272,693

The movements of revaluation surplus in equity for the years ended December 31 are as follows:

	Note	2024	2023
Beginning of year		1,348,438,799	987,614,702
Revaluation (decrement) increment		(90,195,184)	403,219,271
Amortization of revaluation increment through depreciation		(62,981,776)	(42,395,174)
Amortization of revaluation increment through asset disposal		(35,225,226)	-
End of year, gross of tax		1,160,036,613	1,348,438,799
Tax rate		25%	25%
Deferred income tax liability	23	(290,009,153)	(337,109,700)
End of year, net of tax		870,027,460	1,011,329,099

As at December 31, 2024, certain tugboats with a net carrying value of P2,023,241,594 (2023 - P1,689,887,618) were valued at P1,968,571,092 (2023 - P2,062,337,088) by accredited independent appraisers. The tugboats were revalued based on both market and cost approach due to the specialized nature of the properties. The fair value hierarchy of these assets is Level 2. The net revaluation increment of the tugboats for the years ended December 31 are as follows:

	2024	2023
Revaluation increment	134,661,267	443,272,825
Decrease in prior year revaluation increment	(224,856,451)	(40,053,554)
Impairment reversal/ (loss)	35,524,682	(30,769,801)
	(54,670,502)	372,449,470

Certain tugboats, transportation equipment (other marine vehicles) and barges were used as collateral to secure the loans obtained from various banks (Note 12). Carrying amount of property and equipment used as collateral are as follows:

	2024	2023
Tugboats	1,580,560,623	1,280,216,610
Barges	168,217,867	76,271,211
Transportation equipment (other marine vehicles)	11,285,965	16,887,338
	1,760,064,455	1,373,375,159

In 2024, the Parent Company sold certain property and equipment with a net book value of P43,370,366 for a total consideration of P19,146,378 which resulted to a loss on disposal amounting to P24,223,988 (Note 19). As at December 31, 2024, P100,000 of the total consideration remains uncollected and recorded as advances to employees (Note 3). No similar transactions in 2023.

In 2024, the Parent Company acquired one tugboat from a third party amounting to P102,007,400. In 2023, the Parent Company acquired one of the tugboats of GETC amounting to P13,500,000. As at December 31, 2024, the Parent Company's unpaid acquisitions of property and equipment amounted to P93,050,491 (2023 - P60,261,055) which is considered as non-cash investing activity.

In 2024, at the end of the finance lease agreement with DBP Leasing, the Parent Company exercised its option to purchase the Barge Queen Jade (Corvus). The Parent Company obtained ownership over the asset and reclassified the net carrying value of P50,393,206 from right-of-use asset (Note 7) to property and equipment, net.

In 2023, the Parent Company reclassified the cost of construction equipment amounting to P4,107,143 from right-of-use asset (Note 7) to property and equipment, net. This was considered a non-cash transaction in the statement of cash flows.

Construction-in-progress as at December 31, 2024 and 2023 mainly comprise of condominium property and warehouse being prepared for its intended use.

Depreciation for the years ended December 31 were charged to:

	Notes	2024	2023
Cost of services	16	390,283,185	421,908,293
General and administrative expenses	17	28,861,566	13,237,574
		419,144,751	435,145,867

### Critical accounting estimates

#### *(a) Useful lives of property and equipment at revalued amounts*

The Parent Company's management determines the estimated useful lives for its property and equipment at revalued amounts based on the period over which the assets are expected to be available for use. The Parent Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

If the actual useful lives of the tugboats differ by +/- 10% from management's estimates, the carrying amount of these tugboats as at December 31, 2024 would have been P60,403,643 higher or P73,826,674 lower (2023 - P65,623,692 higher or P80,206,735 lower). If the actual useful lives of the property and equipment at cost differ by +/- 10% from management's estimates, the carrying amount of property and equipment at cost, net as at December 31, 2024 would have been P8,174,430 higher or P9,990,971 lower (2023 - P7,085,481 higher or P8,660,032 lower). The range used was based on the management's assessment where potential impact to operations might occur.

#### *(b) Revaluation of tugboats*

The Parent Company carries its tugboats at appraised value, with changes in fair value being recognized directly in equity under revaluation surplus. In practice, the Parent Company reviews the fair value of its tugboats annually.

The Parent Company considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimates on recent market transactions on arm's length terms at the end of each reporting period. However, it is reasonably possible, on the basis of existing knowledge, that changes in estimates would impact the recorded cost of services and property and equipment at revalued amount.

The Parent Company engaged independent valuation specialists in determining the fair value of its tugboats as at December 31, 2024 and 2023. Management deems that the revalued amounts of tugboats not subjected to the independent appraisal in 2024 and 2023 are still approximate the fair value as at reporting dates with these tugboats only recently acquired at substantially comparable prices.

The fair value of tugboats was determined using both market approach and cost approach. Under the market approach, an estimate was made using prices and other relevant information based on market transactions of comparable assets. Prices were derived from market listings of identical tugboats. Under the cost approach, an estimate was made of the current cost of reproduction and/or replacement of the property in accordance with prevailing market prices for materials, equipment and labor, among others. Prices were derived from available dealers and manufacturers. If certain materials are of foreign origin, pricing process considered import costs including freight and handling. Adjustments are then made to reflect depreciation resulting from physical deterioration plus any functional and economic obsolescence taking into account age and condition.

*c) Useful lives of property and equipment at cost*

The Parent Company's management determines the estimated useful lives for its property and equipment at cost based on the period over which the assets are expected to be available for use. The Parent Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

*d) Impairment of property and equipment at cost*

The Parent Company's property and equipment, except for tugboats, is carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessments and judgments could have a significant effect on the carrying value of property and equipment and the amount and timing of recorded provision for any period.

As at December 31, 2024 and 2023, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its property and equipment, except for tugboats, may not be recoverable.

## **7 Leases**

The Parent Company has entered into long-term and short-term lease agreements in 2024 and 2023.

### Long-term lease agreements

(a) Office space and warehouse lease

- (i) The Parent Company entered into two (2) operating lease agreements for its Cebu and Davao branch office space. The Cebu Branch office is located at Unit No. 1 Benley Building, J. de Veyra Street, North Reclamation Area, Cebu City. The lease term of the Cebu Branch office covers a period of two (2) years from February 15, 2019 to February 14, 2021, and was renewed for another two (2) years until February 14, 2023. The most recent renewal of the contract for office space is until February 14, 2025.
- (ii) The Davao Branch office is located at DR 2 Ground Floor Building 1, Insular Village One Commercial Area, Lanang, Davao City. The lease term of the Davao branch office initially covers a period of one (1) year from April 1, 2019 to March 31, 2020, and is renewed annually until March 31, 2023. The most recent renewal of the lease agreement is for another two (2) years until March 31, 2025. As at December 31, 2024 and 2023, the required security deposit amounted to P50,400 (Notes 4 and 10).

- (iii) The Parent Company entered into an operating lease agreement for a 200 square meter warehouse space in SOS Mabini Storage Facility, Mabini, Batangas. The lease term initially covers a period of one (1) year from January 9, 2019 to January 4, 2020 which was subsequently renewed for three (3) consecutive years to end on January 4, 2024. The lease agreement has been renewed for another year until December 31, 2024. No further renewal was made thereafter.
- (iv) In 2023, the Parent Company entered into one (1) operating lease agreement for Iloilo branch office space which is located at Unit No. 2 & 3, Ground Floor, Sea Eagle Boulevard, Brgy. Libertad, Lapuz, Iloilo City. The lease term of the Iloilo Branch office covers a period of two (2) years from March 1, 2023, to February 28, 2024, subject to renewal upon agreement by both parties. The lease agreement has been renewed for another five (5) years until February 28, 2029.

(b) Barge Queen Jade

The Parent Company entered into a lease agreement covering Barge Queen Jade with the Development Bank of the Philippines (DBP) on February 27, 2014. The lease term covers a period of ten (10) years with an annual interest rate of 6%. The first monthly lease payment commenced on September 15, 2014 until August 15, 2024. The lease agreement required the Parent Company to pay a lease guarantee deposit amounting to P4,301,032 at the inception of the contract which will be applied as final payment at the end of the lease term. The lease guarantee deposit was classified as part of the right-of-use asset upon adoption of PFRS 16 as it will be applied as final payment at the end of the lease term. In 2024, the Parent Company exercised its option to purchase, resulting in the transfer of ownership to the Parent Company (Note 6).

(c) Construction equipment

- (i) On February 1, 2021, the Parent Company entered into a lease agreement with a third party for the lease of a construction equipment. The lease term covers a period of two (2) years starting February 1, 2021 until January 31, 2023. The Parent Company can purchase the construction equipment at the end of the lease term upon settlement of the final lease payment at the end of the lease term. On February 1, 2023, upon expiration of the lease, the ownership of the construction equipment was transferred to the Parent Company and was capitalized under Property and equipment, net in the statement of financial position (Note 6).
- (ii) On November 1, 2024, the Parent Company entered into a lease agreement with a third party for the lease of construction equipment. The lease term covers a period of two (2) years starting November 2024 until October 2026. The Parent Company can purchase the construction equipment at the end of the lease term upon settlement of the final lease payment at the end of the lease term.

(d) Land

On October 21, 2023, the Parent Company entered into a memorandum of agreement for the transfer of rights, title, and interest over a 5.3450-hectare parcel of land in Bauayan Island, Poblacion San Vicente, Palawan. Under the agreement, the Parent Company will have the right to possess, occupy and use the property during the pendency of the agreement and until execution of the deed of assignment and transfer of rights upon full payment by the end of the lease term. Considering these provisions in the contract, the Parent Company assessed that this agreement qualifies as a finance lease under PFRS 16, Leases.

On December 12, 2018, the Parent Company made its first downpayment amounting to P3.0 million, and was initially recognized as leasehold rights. The second downpayment amounting to P1.0 million was made on October 3, 2023, followed by the first monthly installment of P500,000 which will start on December 23, 2023. The Parent Company shall make 51 monthly payments afterwards.

As a result of such, the Parent Company recognized a right-of-use asset relating to parcel of land amounting to P26,953,066 upon commencement of the first monthly payment in December 2023, P3.0 million of which was reclassified from leasehold rights (Note 10).

(i) Amounts recognized in the statements of financial position

Right-of-use assets and lease liabilities are presented as separate line items in the statements of financial position. The carrying amount of right-of-use asset and its movement as at and for the years ended December 31 are as shown below:

	Office space and warehouse	Construction equipment	Barge Queen Jade	Land	Total
<b>Cost</b>					
At January 1, 2023	4,998,916	4,107,143	72,975,686	-	82,081,745
Additions	1,226,306	-	-	26,953,066	28,179,372
Reclassification	-	(4,107,143)	-	-	(4,107,143)
At December 31, 2023	6,225,222	-	72,975,686	26,953,066	106,153,974
<b>Accumulated amortization</b>					
At January 1, 2023	4,068,469	3,936,012	18,138,088	-	26,142,569
Amortization (Notes 16,17)	1,414,139	171,131	2,666,635	-	4,251,905
Reclassification	-	(4,107,143)	-	-	(4,107,143)
At December 31, 2023	5,482,608	-	20,804,723	-	26,287,331
Net book value	742,614	-	52,170,963	26,953,066	79,866,643
<b>Cost</b>					
At January 1, 2024	6,225,222	-	72,975,686	26,953,066	106,153,974
Additions	1,181,177	4,751,087	-	-	5,932,264
Retirement	(3,581,728)	-	-	-	(3,581,728)
Reclassification	-	-	(72,975,686)	-	(72,975,686)
At December 31, 2024	3,824,671	4,751,087	-	26,953,066	35,528,824
<b>Accumulated amortization</b>					
At January 1, 2024	5,482,608	-	20,804,723	-	26,287,331
Amortization (Notes 16,17)	843,004	395,924	1,777,757	6,738,266	9,754,951
Retirement	(3,581,728)	-	-	-	(3,581,728)
Reclassification	-	-	(22,582,480)	-	(22,582,480)
At December 31, 2024	2,743,884	395,924	-	6,738,266	9,878,074
Net book value	1,080,787	4,355,163	-	20,214,800	25,650,750

Movements of lease liabilities for the years ended December 31 are as follows:

	2024	2023
At January 1	26,581,303	9,229,694
Additions	5,039,355	25,179,372
Principal payments	(9,293,577)	(7,827,763)
Interest payments	(1,392,938)	(429,360)
Interest expense	1,392,938	429,360
At December 31	22,327,081	26,581,303
Current	7,253,871	8,806,651
Non-current	15,073,210	17,774,652
	22,327,081	26,581,303

The Parent Company made an initial down payment of P892,909 for the finance lease agreement on the construction equipment.

(ii) Amounts recognized in the statements of total comprehensive income

Details of amounts recognized in the statements of total comprehensive income for the years ended December 31, related to the long-term lease agreements above are as follows:

	Notes	2024	2023
Amortization expense of right-of-use assets	16,17	9,754,951	4,251,905
Expense relating to short-term lease	16,17	64,447,896	15,203,355
Interest expense on lease liabilities	20	1,392,938	429,360
		75,595,785	19,884,620

(iii) *Discount rate*

The lease payments for the lease agreements are discounted at 3.13% to 6.76% in 2024 (2023 - 1.87% to 5.84%), which is the Parent Company's range of incremental borrowing rate, being the rate that the Parent Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(iv) *Extension and termination options*

Extension and termination options are included in the lease agreements of the Parent Company. These are used to maximize the operational flexibility in terms of managing the assets used in the Parent Company's operations. The extension and termination options held are exercisable upon mutual agreement by both parties unless specifically stated that extension and termination is at the option of the lessee.

Short-term lease agreements

(i) *Office space*

The Parent Company has various operating lease agreements covering office spaces for provincial branches for periods ranging from six (6) months to one (1) year which can be extended or renewed upon mutual agreement by both parties.

(ii) *Other variable lease agreements*

The Parent Company also entered into various operating lease agreements with third parties for rental of generator set, equipment, boats, truck, car, housing and other items as the need arises during the normal course of its business operations. The lease term covers a period ranging for one (1) day to less than one (1) year.

Rent expenses from the foregoing lease agreements recognized in profit or loss for the years ended December 31 are as follows:

	Notes	2024	2023
Cost of services	16	58,312,133	11,452,962
General and administrative expenses	17	6,135,763	3,750,393
		64,447,896	15,203,355

These short-term lease agreements require the Parent Company to pay the refundable deposits which are presented within prepayments and other current assets in the separate statement of financial position. As at December 31, 2024 and 2023, refundable deposits amounted to P6.0 million and P3.5 million, respectively, (Note 4).

These lease agreements were considered as short-term and low value lease under PFRS 16, "Leases" because the lease term is less than 12 months.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The total cash outflows for the long-term and short-term leases for the year ended December 31, 2024 amounted to P76.03 million (2023 - P23.46 million).

## Critical accounting judgment

### Incremental borrowing rate of lease liabilities

Payments for leases of the Parent Company are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Parent Company uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Parent Company uses the government bond yield, adjusted for the (1) credit spread specific to each entity under the Parent Company and (2) security using the right-of-use asset. The discount rates applied by the Parent Company are disclosed above.

### Extension and termination options of lease agreements

Extension and termination options are included in a number of property and equipment leases of the Parent Company. These are used to maximize operational flexibility in terms of managing the assets used in the Parent Company's operations. The majority of extension and termination options held are exercisable only by the Parent Company and not by the respective lessor.

Extension options are considered in the bareboat charter lease agreement of the Parent Company based on the letter of intent.

### Determining lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Parent Company considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Parent Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Parent Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Parent Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

### Purchase option

Management evaluates whether it is reasonably certain to exercise the option to purchase the underlying asset at the end of the lease term. In making this determination, all relevant facts and circumstances that create an economic incentive to exercise or not exercise the option are considered. The lessee remeasures its lease liability when a significant event or substantial change in circumstances within its control alters any of its assessments regarding what is reasonably certain. Judgement is applied by the lessee in identifying significant events or changes in circumstances that necessitate reassessment of these options.

Purchase options are considered in the bareboat charter and construction equipment finance lease recognition.

## 8 Computer software, net

The details and movements of computer software, net as at and for the years ended December 31 are as follows:

	Note	2024	2023
Cost			
At January 1		45,404,201	37,975,713
Additions		5,405,238	7,428,488
At December 31		50,809,439	45,404,201
Accumulated amortization			
At January 1		38,883,381	25,731,763
Amortization	17	3,369,300	13,151,618
At December 31		42,252,681	38,883,381
Net book values		8,556,758	6,520,820

Management assessed that there are no indicators that computer software is impaired as at December 31, 2024 and 2023.

## 9 Investment properties

As at December 31, 2024 and 2023, the Parent Company's investment properties consist of parcels of land in various locations, which are held for capital appreciation.

The movements in investment properties for the years ended December 31 are as follows:

	Note	2024	2023
Beginning of year		69,983,207	54,004,619
Additions		-	2,500,000
Reclassification	10	-	13,478,588
End of year		69,983,207	69,983,207

In 2023, the San Vicente, Palawan land previously recognized as leasehold rights (Note 10) is reclassified as Investment property. The management assessed that the asset qualifies as an investment property as the land is held for long-term capital appreciation.

The estimated fair value of the investment properties in Lemery, Batangas as at December 31, 2024 and 2023 amounted to P527.08 million and P526.88 million, respectively, based on identified market prices. As at December 31, 2024, the Palawan and Oriental Mindoro land have an estimated fair value of P362.33 million (2023 - P286.40 million) and P309.98 million (2023 - P296.03 million).

Direct operating expenses amounting to P4.61 million, pertaining to the payment for the security, permit application, consultation fee and other expenses of Lemery and Palawan property, were incurred for the year ended December 31, 2024 (2023 - P1.69 million). There was no income earned related to the investment properties for the years ended December 31, 2024 and 2023.

### Critical accounting judgment

The carrying value of the Parent Company's investment properties is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of investment properties and the amount and timing of recorded provision for any period.

As at December 31, 2024 and 2023, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its investment properties may not be recoverable.

## 10 Other non-current assets, net

Other non-current assets as at December 31, consist of:

	Note	2024	2023
Input VAT, net of output VAT		332,777,710	332,777,710
Allowance for impairment of input VAT		(106,941,761)	(91,370,425)
Input VAT, net		225,835,949	241,407,285
Financial assets at FVOCI		810,000	810,000
Refundable deposits	7	-	50,400
		226,645,949	242,267,685

The movements in allowance for impairment of input VAT for the years ended December 31 are as follows:

	Note	2024	2023
Beginning of year		91,370,425	75,799,089
Provision for impairment of input VAT	17	15,571,336	15,571,336
End of year		106,941,761	91,370,425

The movements in leasehold rights for the year ended December 31, 2023 are as follows:

	Notes	Amount
Cost		
As at January 1 and December 31		20,598,235
Accumulated amortization		
As at January 1		(3,079,719)
Amortization	17	(1,039,928)
As at December 31		(4,119,647)
		16,478,588
Reclassification	7,9	(16,478,588)
Net book value		-

The Parent Company had existing leasehold rights for a piece of land in San Vicente, Palawan for 25 years. This was reclassified to leases (Note 7) and investment properties (Note 9) in 2023.

### Critical accounting estimate

#### *Recoverability of input VAT*

Allowance for impairment of input VAT is maintained at a level considered adequate to provide for potentially unrecoverable tax claims from excess input VAT. An evaluation of the recoverability of the excess input VAT, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to the evaluation of its future utilization, in determining provision for impairment of input VAT. A change in the provision would impact the Parent Company's recorded carrying value of input VAT and provision for impairment.

Further, based on management assessment, out of the total carrying amount of input VAT as at December 31, 2024, P183,380,656 presented under "Prepayments and other current asset" (Note 4) in the statement of financial position (2023 - P101,054,640), will be realized in the next twelve (12) months after reporting date. The remaining balance of amounting to P225,835,949 presented under "Other non-current assets" will be realizable beyond twelve (12) months after the reporting date (2023 - P241,407,285).

Management believes that the net carrying amount of input VAT is recoverable based on the long-term business plans of the Parent Company.

## 11 Trade and other payables

Trade and other payables as at December 31 consist of:

	Note	2024	2023
Current			
Trade payables		347,763,056	240,390,257
Accrued expenses			
Fuel		61,011,304	42,497,254
Tug assistance		45,469,757	45,469,757
Interest	12	22,743,477	16,737,723
Construction costs		20,519,002	36,986,835
Accrued service discount		8,006,311	8,006,311
Employee-related costs		5,898,817	4,831,489
Others		9,902,101	10,652,121
Advances from officers and employees		38,460,111	29,655,763
Unearned income		-	9,373,484
Payable to government agencies		17,957,831	9,767,941
Others		10,228,785	6,337,833
		587,960,552	460,706,768
Non-current			
Trade payable, net of current portion		9,298,942	-

Trade payables are generally non-interest-bearing and are settled in 30 to 90 days term.

In 2021, the Parent Company entered into a purchase agreement with a foreign supplier for the purchase of tugboat with an upfront payment of 50% and the remaining balance to be settled in 36 monthly installment payment bearing an interest rate of 5.25% per annum. This was fully settled in 2024.

In 2024, the Parent Company entered into another purchase agreement with the same foreign supplier for the purchase of an additional tugboat. An upfront payment of P74,500,000 was made and the remaining balance is to be settled in 36 monthly installment payments from June 2024 until May 2027, with an interest of 7.25% per annum.

As at December 31, 2024, P9,298,942 is classified as trade payable, non-current in the statements of financial position.

For the year ended December 31, 2024, total interest expense on trade payables amounted to P1,694,429 (2023 - P637,748) (Note 20).

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made for professional fees, and delivered goods and services not yet billed by suppliers as of reporting period. Accruals are made based on prior month's billings and/or contracts and are normally settled within twelve (12) months from the reporting period. Other accrued expenses mainly composed of outstanding payable to insurance companies and unliquidated expenses arising from normal operations which are expected to be settled in the subsequent year.

Accrued construction cost pertains to unliquidated expenses pertaining to advances of employees from operations in relation to the construction projects of the Parent Company.

Unearned income pertains to advance collections from customers.

The Parent Company has outstanding advances from officers amounting to P36,061,097 in 2024 (2023 - P27,753,470) (Note 22) which is part of advances from officers and employees.

## 12 Short-term loans and borrowings

Details of short term loans and borrowings as at December 31 are as follows:

	2024	2023
Current portion	877,538,090	228,328,144
Non-current portion	727,677,780	1,565,890,657
	1,605,215,870	1,794,218,801

### (a) Long-term borrowings

The movement in borrowings for the years ended December 31 are as follows:

	Note	2024	2023
Beginning balance		1,794,218,801	2,036,179,791
Cash transactions			
Proceeds		42,160,800	-
Payments		(227,323,650)	(238,303,559)
Non-cash transactions			
Amortization of discount and premium on debt restructuring	20	(3,840,081)	(3,657,431)
Ending balance		1,605,215,870	1,794,218,801

On October 16, 2020, the Parent Company availed of the Credit Assistance and Recovery (CARE) Program of RCBC. The Parent Company entered into a loan conversion agreement whereby its outstanding promissory notes amounting to P1.14 billion and term loan amounting to P146.3 million with maturity dates ranging from October 2019 to November 2020 and from March to July 2019, respectively, was converted into 57 monthly term loan of P1.291 billion with the principal amount payable in 48 monthly installments of P11.125 million starting July 15, 2021 and a balloon payment of P757 million on the 57<sup>th</sup> month on July 14, 2025. Under the loan conversion agreement, compliance with debt covenants will be effective starting 2021 upon the start of repayment. Gain on debt restructuring was not recognized as it is deemed immaterial.

On July 13, 2020, the Parent Company received the Notice of Approval of Amendments to its outstanding borrowings with AUB amounting to P142.1 million. The amendments to the borrowings include the extension of nine (9) months from original maturity date of September 27, 2022, principal amount to be repaid in 11 quarterly amortizations commencing nine (9) months from December 23, 2020 and a revised fixed interest rate of 7.5% per annum from 6.25%. Loss on debt modification was not recognized as it is deemed immaterial. On June 26, 2023, the Parent Company fully paid the remaining principal and interest balance amounting to P28.09 million and P0.80 million, respectively.

On October 7, 2021, the Parent Company entered into a loan restructuring agreement with CTBC Bank (Philippines) Corp. whereby outstanding promissory notes were consolidated into one (1) promissory note with the principal amount of P477.3 million. The interest rate previously ranging from 4.88% to 7.00% was revised to three (3) month BVAL plus 3.5% per annum or a minimum of 5.25% per annum subject to quarterly repricing. The principal amount of the long-term borrowing amounting to P477.3 million is to be settled in 20 quarterly payment starting January 2022 with a final balloon payment amounting to 45.53% of the principal to be settled in December 2026. A gain on debt restructuring amounting to P3,928,685 was recognized in 2021.

On June 30, 2022, the Parent Company entered into a loan restructuring agreement with Development Bank of the Philippines (DBP) whereby outstanding promissory notes were consolidated into one (1) promissory note with the principal amount of P496.6 million. The interest rate, ranging from 5.25% to 5.50%, was revised to 6.50%. The principal amount of the long-term borrowing amounting to P496.6 million is to be settled on December 29, 2028 in 24 quarterly payments starting March 30, 2023.

The restructured loan agreement with DBP requires compliance by the Parent Company to various covenants including, among others, the maintenance of financial ratios as follow:

- maintaining, at all times, during the entire term of the loan a total debt-to-equity ratio of 70:30;
- not permit the ratio of its current assets to current liabilities to be less than 1.0:1.0 at any time; and
- not permit the ratio of its net operating income to total debt service to be less than 1.0:1.0 at any time.

In 2024 and 2023, the Parent Company is compliant with all its debt covenants.

The fair value of long-term borrowings approximates its carrying value as at December 31, 2024 and 2023.

As at December 31, 2024, the Parent Company's long-term borrowings bear annual interest rate ranging from 8.50% to 15.00% (2023 - 6.50% to 9.60%) are payable in various installments maturing on various dates from 2025 to 2028. These are secured by chattel mortgages to certain Parent Company-owned tugboats, transportation equipment and barges (Note 6).

#### (b) Short-term loans

The movements in short-term loans for the years ended December 31 are as follows:

	2024	2023
Beginning balance	-	22,728,600
Cash transactions		
Proceeds	55,725,500	-
Payments	(55,725,500)	(22,728,600)
Ending balance	-	-

On October 28, 2022, the Parent Company entered into a new loan agreement with a director and shareholder for a principal of USD405,000 or P23,625,270 for working capital. The loan bears an interest rate of 8.50% per annum and is payable monthly starting November 27, 2022. The principal amount of the loan was fully settled on July 25, 2023.

On April 30, 2024, the Parent Company entered into a new short-term loan agreement with the a director for a principal amount of JPY15,000,000 or P5,725,500 for working capital. The loan bears an interest rate of 8.50% per annum and is payable monthly starting on the same date. The principal amount of loan was fully settled in 2024.

In 2024, the Parent Company entered into various short term loans with a third-party creditor for a total principal of P50,000,000. The loan bears an average interest rate of 1.50% per month which was fully settled as at December 31, 2024.

Both short-term loans and long-term borrowings were obtained specifically for working capital purposes and to finance capital expenditures that are non-qualifying assets. There are no qualifying assets as at December 31, 2024 and 2023, hence, no borrowing costs are capitalized.

The movements in interest payable for the years ended December 31 are as follows:

	Notes	2024	2023
Beginning balance		16,737,723	28,092,402
Interest expense	20	149,388,775	155,720,824
Interest payments		(143,383,021)	(167,075,503)
Ending balance	11	22,743,477	16,737,723

### (c) Net debt reconciliation

Detailed analysis of net debt and the movements in net debt for the years ended December 31 are presented below:

	Notes	2024	2023
Cash	2	197,641,598	174,014,318
Borrowings, current portion		(877,538,090)	(228,328,144)
Borrowings, net of current portion		(727,677,780)	(1,565,890,657)
Interest payable	11	(22,743,477)	(16,737,723)
Lease liabilities, current portion	7	(7,253,871)	(8,806,651)
Lease liabilities, non-current portion	7	(15,073,210)	(17,774,652)
Net debt		(1,452,644,830)	(1,663,523,509)

### 13 Paid-in capital

The Parent Company's authorized share capital amounting to P2 billion is composed of 2 billion shares with P1 par value per share.

Movements and details of paid-in capital as at December 31 are as follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
At December 31, 2024 and 2023	894,586,870	907,857,870	121,632,762	(37,614,990)

As discussed in Note 1.1, on October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the IPO of the Parent Company's shares were issued with an issue/offer price of P1.88 per share. Total shares registered and subscribed was 181.6 million shares resulting in share capital of P181.6 million and additional paid-in capital of P121.6 million net of transaction costs amounting to P24.6 million. There are no other share offering after the IPO in 2013.

On September 5, 2017, the SEC issued an order, in favor of the Parent Company, authorizing the issuance of 302,619,290 common shares with a par value of P1.00 per share, as stock dividends to stockholders of record as of September 19, 2017, which was subsequently issued by the Parent Company on October 31, 2017.

#### *Treasury shares*

On September 24, 2018, the Parent Company's BOD approved the share buyback program which was implemented in various dates in 2018 and 2019. The Parent Company acquired a total of 13,271,000 treasury shares for a total amount of P37,614,990. No shares were repurchased for the years ended December 31, 2024 and 2023.

### 14 Earnings per share

Basic earnings per share is calculated by dividing the net income by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury shares, if any.

Earnings per share for the years ended December 31 is calculated as follows:

	2024	2023
Net income for the year	82,935,848	111,105,538
Weighted average number of common shares	894,586,870	894,586,870
Basic and diluted earnings per share	0.09	0.12

The basic and diluted earnings per share are the same for each year presented as there are no potential dilutive common shares.

## 15 Service income, net

The components of service income, net for the years ended December 31 are:

	2024	2023
Harbor assistance, net of discounts	1,495,117,643	1,454,439,538
Oil spill response services	370,968,090	379,631,200
Construction revenue	215,483,604	73,184,886
Lighterage services	43,555,702	96,869,535
Towing services	37,481,818	55,581,814
Salvage income	6,623,380	8,928,060
Others	273,559,035	105,356,011
	<b>2,442,789,272</b>	<b>2,173,991,044</b>

Harbor assistance pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port. In 2024, the amount of service income recognized is net of discounts amounting to P112.35 million (2023 - P102.18 million).

Others consist of income generated from diving and other underwater services, among others. All of the above revenues are considered as one business segment of the Parent Company.

## 16 Cost of services

The components of cost of services for the years ended December 31 consist of:

	Notes	2024	2023
Fuel and lubricants		452,532,428	430,613,611
Depreciation	6	390,283,185	421,908,293
Personnel costs	18	362,990,730	282,257,633
Supplies and construction materials		163,713,343	94,023,103
Outside services		110,974,831	74,814,047
Charter hire		93,179,778	26,590,625
Insurance		73,161,260	71,352,226
Rent	7	58,312,133	11,452,962
Repairs and maintenance		32,113,786	16,019,316
Transportation and travel		21,271,484	19,160,967
Taxes and licenses		18,137,723	4,268,647
Port expense		10,424,514	8,564,802
Professional fees		9,496,872	10,076,539
Communication, light and water		3,643,155	5,662,791
Amortization of right-of-use assets	7	2,235,346	2,837,766
Others		37,479,348	15,008,607
		<b>1,839,949,916</b>	<b>1,494,611,935</b>

Others are mainly composed of expenses such as post, courier and handling charges, commission, and other expenses.

## 17 General and administrative expenses

The components of general and administrative expenses for the years ended December 31 consist of:

	Notes	2024	2023
Personnel costs	18	170,578,393	146,104,752
Taxes and licenses		50,045,235	43,284,848
Supplies		35,684,709	11,967,963
Representation and entertainment		31,940,143	38,746,733
Transportation and travel		29,434,233	30,109,921
Depreciation	6	28,861,566	13,237,574
Provision for impairment of input VAT	10	15,571,336	15,571,336
Professional and management fees		12,533,191	9,172,166
Amortization right-of-use assets	7	7,519,605	1,414,139
Security services		7,508,542	11,416,107
Communications, light and water		7,418,690	8,893,740
Rent	7	6,135,763	3,750,393
Write-off of advances to employees	3	5,306,812	-
Amortization of computer software	8	3,369,300	13,151,618
Registration and membership fees		2,741,031	1,799,400
Repairs and maintenance		2,626,278	3,926,352
Advertising and promotions		640,224	143,009
Insurance		202,600	817,993
Amortization of leasehold rights	10	-	1,039,928
Other expenses		15,909,510	7,376,574
		434,027,161	361,924,546

Others are mainly composed of expenses such as directors' fee, membership fees, postage, courier, bank service charges, penalties and fines, and other expenses.

## 18 Personnel cost

The components of personnel cost for the years ended December 31 consist of:

	Notes	2024	2023
Cost of services			
Salaries and wages		207,863,371	135,023,085
Crew expense		31,738,534	29,980,383
Tug and barge operations		17,851,553	18,321,597
Retirement benefits	21	14,676,588	14,544,141
Other employee benefits		90,860,684	84,388,427
	16	362,990,730	282,257,633
General and administrative expenses			
Salaries and wages		138,113,015	122,431,250
Retirement benefits	21	5,587,533	5,430,804
Other employee benefits		26,877,845	18,242,698
	17	170,578,393	146,104,752
		533,569,123	428,362,385

Other employee benefits mainly pertain to employer's share on statutory contributions and insurance.

## 19 Other income, net

The components of other income, net for the years ended December 31 consist of:

	Notes	2024	2023
Insurance claims		129,226,460	40,640,732
Foreign exchange gain, net	24	8,957,519	1,060,779
Dividend income	5	1,199,760	9,895,945
Interest income	2, 3	218,496	827,628
(Loss) Gain on write-off or reversal of assets/payables		(2,083,046)	13,015,811
Loss on write-off of CWT	4	(11,220,363)	-
Loss on sale of property and equipment	6	(24,223,988)	-
Others		4,026,172	(1,610,336)
		106,101,010	63,830,559

Insurance claims pertain to reimbursements from insurance companies for the damages on the tugboats incurred by the Parent Company in previous years.

Others pertain to recharges including wreckage, caretaking services and non-routine special projects provided by the Parent Company to its customers which do not fall under regular service income.

## 20 Finance cost

The components of finance cost for the years ended December 31 consist of:

	Notes	2024	2023
Interest expense on loans	12	145,548,694	152,063,393
Interest expense on trade payables	11	1,694,429	637,748
Interest expense on lease liabilities	7	1,392,938	429,360
		148,636,061	153,130,501

## 21 Retirement benefits

The Parent Company has an unfunded, non-contributory and actuarially computed retirement benefit plan which provides a retirement benefit in accordance with the local conditions and practices in the Philippines. Under the Plan, the normal retirement age is 60 with a minimum of five years of service.

The retirement benefit obligation is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement benefit is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation report of the Parent Company prepared by the independent actuary is for the year ended December 31, 2024.

The following are the details of the Parent Company's defined benefit plan:

	Note	2024	2023
Retirement benefit obligation		177,070,556	163,575,951
Retirement benefit expense	18	20,264,121	19,974,945
Retirement benefit (gain) loss, net of tax - recognized in other comprehensive income		(3,877,984)	2,615,257

The Parent Company does not have any plan assets.

The movements in the liability recognized in the statements of financial position as at December 31 are as follows:

	2024	2023
Beginning of year	163,575,951	141,538,081
Current service cost	12,392,658	11,891,539
Interest cost	7,871,463	8,083,406
Benefits paid	(1,598,870)	(1,424,085)
Remeasurement (gain) loss due to:		
Experience adjustments	(5,081,481)	8,505,253
Changes in financial assumptions	(89,165)	8,270,271
Changes in demographic assumptions	-	(13,288,514)
End of year	177,070,556	163,575,951

The amounts recognized in profit or loss for the years ended December 31 are as follows:

	Notes	2024	2023
Current service cost		12,392,658	11,891,539
Net interest cost		7,871,463	8,083,406
Retirement benefit expense	16,17,18	20,264,121	19,974,945

The amounts of remeasurement (gain) loss on defined benefit obligation recognized in other comprehensive income for the years ended December 31 are as follows:

	Note	2024	2023
Due to change in financial assumptions		(89,165)	8,270,271
Due to experience		(5,081,481)	8,505,253
Due to change in demographic assumption		-	(13,288,514)
Remeasurement (gain) loss for the year		(5,170,646)	3,487,010
Deferred income tax	23	1,292,662	(871,753)
Remeasurement (gain) loss, net of tax		(3,877,984)	2,615,257

Movements in cumulative other comprehensive income related to retirement benefit obligation for the years ended December 31 presented as part of retained earnings in the statements of financial position are as follows:

	Note	2024	2023
Beginning of year		8,077,042	10,692,299
Remeasurement gain (loss) for the year		5,170,646	(3,487,010)
Deferred income tax effect	23	(1,292,662)	871,753
End of year, net of tax		11,955,026	8,077,042

Shown below is the maturity analysis of the undiscounted benefit payments at December 31:

	2024	2023
Less than one year	77,595,898	69,071,143
More than one year to five years	61,498,497	62,651,499
More than five years to 10 years	49,068,976	41,265,653
More than 10 years to 15 years	84,931,461	77,413,515
More than 15 years to 20 years	70,186,594	81,028,155
More than 20 years	156,538,797	156,104,305
Total expected payments	499,820,223	487,534,270

The average duration of the defined benefit obligation at the end of the reporting period is 7.97 years (2023 - 8.46 years)

There are no unusual or significant risks to which the Plan exposes the Parent Company.

### Demographic assumptions

Demographic assumptions, such as mortality rates, are set having regard to the latest trends in life expectancy (including expectations for future improvements), plan experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension plan. The assumptions used in 2024 are consistent with those applied in 2023.

Assumptions regarding future mortality experience are set based on advice from published statistics and experience within the industry.

### Critical accounting estimate

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pension include the discount rate and future salary increase. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Parent Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Parent Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation.

The significant actuarial assumptions used by the Parent Company for the years ended December 31 are as follows:

	2024	2023
Discount rate	6.11%	6.10%
Salary growth rate	5.00%	5.00%

The sensitivity of the defined benefit obligation at December 31 to changes in the significant weighted principal assumptions is:

	2024			2023		
	Increase (Decrease) in defined benefit obligation					
	Change in assumption	Increase in assumption	Decrease in assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rates	1%	(7,338,336)	8,406,933	1%	(7,321,689)	8,388,023
Salary growth rate	1%	9,335,619	(8,332,560)	1%	9,255,551	(8,253,243)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

## 22 Related party transactions and balances

The table below summarizes the Parent Company's transactions with its related parties for the years ended December 31:

	Terms and conditions	2024	2023
(a) <i>Purchase of services</i>			
Associate	Services rendered to the Parent Company are billed based on agreed prices. These are unsecured, non-interest bearing, and are payable in cash within 30 days after invoice date.	32,983,169	63,070,507
Subsidiary		(31,880,682)	(11,302,582)
(b) <i>Recharges</i>			
Subsidiary	These are recharges for services rendered by the Parent Company based on agreed prices. These are unsecured, collectible in cash, non-interest bearing, and are due and demandable.	31,493,832	30,212,537
(c) <i>Advances to</i>			
Subsidiary	Reimbursements to related party are billed at cost and collectible on demand. These receivables are unsecured, collectible in cash and non-interest bearing.	28,878,940	(78,741,241)
(d) <i>Advances from</i>			
Subsidiary	Reimbursements to related parties are billed at cost and payable on demand. These payables are unsecured and non-interest bearing.	(21,525,431)	-

The table below summarizes the outstanding balances with related parties as at December 31:

	Terms and conditions	2024	2023
<i>Advances to related parties:</i>			
Subsidiaries	These unsecured, non-interest bearing, due on demand and are collected in cash.	858,748,725	952,730,919
Officers and shareholders	These are unsecured, non-interest bearing and are subject to liquidation.	19,363,715	68,493,415
		878,112,440	1,021,224,334
<i>Advances from related parties:</i>			
Subsidiary	These unsecured, interest bearing, due and demandable payables are paid in cash.	93,893,791	47,657,473
Officers		36,061,097	27,753,470
		129,954,888	75,410,943

For the years ended December 31, 2024 and 2023, no provision for impairment of receivable from related parties.

### *Key management compensation and benefits*

Key management compensation and benefits for the years ended December 31 consist of:

	Terms and conditions	2024	2023
Salaries and short-term employee benefits	Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in accordance with the Parent Company's payroll period. These were fully paid at reporting date.	78,267,188	70,436,426
Retirement benefits	Retirement benefits are determined and payable in accordance with policies disclosed in Note 27.13. These will be settled upon the retirement of key management.	7,414,088	7,279,278
Professional fees	Professional fees are paid to a director holding key position in the Parent Company.	655,250	520,000
		86,336,526	78,235,704

As at December 31, 2024 and 2023, amounts due to and from key management personnel are reflected as part of advances to and from officers (Notes 3 and 11) and retirement benefit obligation (Note 21).

The Parent Company has not provided share-based payments, termination benefits or other long-term benefits other than retirement benefits to its key management personnel for the years ended December 31, 2024 and 2023.

## 23 Income tax expense

Income tax expense for the years ended December 31 are as follows:

	2024	2023
Current	78,047,582	69,416,747
Deferred	(25,965,871)	(26,661,944)
	52,081,711	42,754,803

For the years ended December 31, corporate income tax was measured using the following RCIT rate or MCIT rate, as applicable:

	2024	2023
RCIT	25.0%	25.0%
MCIT	2.0%	1.5%

PAS 12, Income Taxes, requires current and deferred taxes to be measured with reference to the tax rates and laws, as enacted or substantively enacted by the end of the reporting period.

Deferred income tax (DIT) liabilities, net as at December 31 consist of

	2024	2023
DIT assets:		
Retirement benefit obligation	44,267,639	40,893,988
Allowance for impairment of receivables	32,061,514	25,365,447
Impairment loss on tugboats	16,629,998	25,511,169
Premium on loans	2,781,790	3,937,344
Unrealized foreign exchange loss, net	63,445	285,854
	95,804,386	95,993,802
DIT liabilities:		
Revaluation increment on property and equipment	(290,009,153)	(337,109,700)
Lease liabilities, net	(1,093,099)	(1,208,442)
Discount on loans	(287,117)	(482,650)
	(291,389,369)	(338,800,792)
DIT liabilities, net	(195,584,983)	(242,806,990)

The maturity of DIT assets and liabilities are as follows:

	2024	2023
DIT assets:		
Expected to be recovered within 12 months	32,124,959	25,651,301
Expected to be recovered more than 12 months	63,679,427	70,342,501
	95,804,386	95,993,802
DIT liabilities:		
Expected to be settled within 12 months	(1,093,099)	(1,208,443)
Expected to be settled more than 12 months	(290,296,270)	(337,592,349)
	(291,389,369)	(338,800,792)
	(195,584,983)	(242,806,990)

DIT assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

DIT assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The details of unrecognized DIT assets related to NOLCO for the years ended December 31 2023 which could be carried over as deductible expense from taxable income for five (5) consecutive years following the year of incurrence are as follows:

Year of incurrence	Year of expiration	Amount
2020	2025	19,243,129
2021	2026	36,343,128
		55,586,257
Applied during the year		(55,586,257)
		-
Tax rate		25%
		-

There is no NOLCO for the year ended December 31, 2024.

The details of unrecognized DIT asset on MCIT for the years ended December 31, which could be carried forward on an annual basis and credited against normal income tax payable within three (3) immediately succeeding years from the period when the MCIT was paid is presented below:

Year of incurrence	Year of expiration	2024	2023
2020	2023	-	4,898,181
2021	2024	3,688,060	3,688,060
2022	2025	-	7,207,793
		3,688,060	15,794,034
Expired during the year		-	(4,898,181)
Derecognized during the year		(3,688,060)	(7,207,793)
		-	3,688,060

Realization of the future tax benefits related to the DIT assets is dependent on many factors, including the Parent Company's ability to generate taxable income within the NOLCO and MCIT period. Management has considered these factors in reaching its conclusion on the realizability of the deferred income tax assets. The Parent Company had not recognized deferred income tax assets in prior years in respect of its NOLCO and MCIT as it did not expect that future taxable profits will be available against which these can be utilized.

The movement in the Parent Company's net DIT liabilities for the years ended December 31 are as follows:

	Notes	2024	2023
Beginning of year		(242,806,990)	(169,535,869)
DIT credited to profit or loss		25,965,871	26,661,944
DIT credited (charged) to other comprehensive income	6, 21	21,256,136	(99,933,065)
End of year		(195,584,983)	(242,806,990)

The reconciliation between income tax expense computed at the statutory income tax rate and the actual income tax expense as shown in the statements of total comprehensive income for the years ended December 31 is summarized as follows:

	2024	2023
Tax rate	25%	25%
Income tax expense at statutory tax rate	33,754,390	38,465,085
Adjustments to income tax resulting from:		
Non-deductible expenses	18,661,747	20,704,625
Non-taxable income	(299,940)	(2,473,986)
Limitation on interest expense	11,495	14,785
Interest income subjected to final tax	(45,981)	(59,142)
Application of unrecognized NOLCO	-	(13,896,564)
Actual income tax expense	52,081,711	42,754,803

#### Critical accounting estimate

##### *Recoverability of DIT assets*

The recognition of DIT assets depends on management's assessment of adequate future taxable income against which the temporary differences can be applied. The Parent Company reviews the carrying amounts of DIT assets at the end of each reporting period and recognizes the amount to the extent that it is probable that sufficient taxable profit will allow all or part of its DIT assets to be utilized. The Parent Company's management believes that the DIT assets other than NOLCO and MCIT at the end of each reporting period will be fully realized.

#### **24 Foreign currency denominated monetary assets and liabilities**

The Parent Company's foreign currency monetary assets and liabilities at December 31 are as follows:

	In USD	In JPY	In MYR
<b>2024</b>			
Assets			
Cash	349,159	723,258	-
Trade and other receivables	1,692,836	-	-
	2,041,995	723,258	-
Liabilities			
Trade and other payables	(96,244)	(41,146,347)	(126,101)
Net foreign currency assets (liabilities)	1,945,751	(40,423,089)	(126,101)
Year-end exchange rates	57.85	0.37	12.99
Philippine Peso equivalent	112,551,967	(14,843,358)	(1,637,699)
<b>2023</b>			
Assets			
Cash	515,941	968,018	-
Trade and other receivables	842,445	-	-
Advances to related parties	-	-	18,307,772
	1,358,386	968,018	18,307,772
Liabilities			
Trade and other payables	(147,296)	(14,349,826)	-
Net foreign currency assets (liabilities)	1,211,090	(13,381,808)	18,307,772
Year-end exchange rates	55.37	0.39	12.07
Philippine Peso equivalent	(67,058,054)	(5,259,051)	220,914,392

Foreign exchange gain, net presented under other income, net in the statements of total comprehensive income for the years ended December 31 consists of:

	Note	2024	2023
Realized foreign exchange gain, net		8,067,878	2,722,614
Unrealized foreign exchange gain (loss), net		889,641	(1,661,835)
	19	8,957,519	1,060,779

## 25 Critical accounting estimates, assumptions and judgments

In preparing the Parent Company's separate financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying separate financial statements are based upon management's evaluation of the relevant facts and circumstances as at the date of the separate financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed hereafter.

### (a) Critical accounting estimates and assumptions

- Recoverability of trade and other receivables (Note 3)
- Useful lives of property and equipment (Note 6)
- Revaluation of tugboats (Note 6)
- Retirement benefit obligation (Note 21)
- Recoverability of input VAT (Note 10)
- Recoverability of DIT assets (Note 23)

### (b) Critical judgments in applying the Parent Company's accounting policies

- Determining control over investments with ownership of less than half of the entity's total equity (Note 5)
- Impairment of investments in subsidiaries and associates (Note 5)
- Impairment of property and equipment (Note 6)
- Incremental borrowing rate of lease liability (Note 7)
- Extension and termination options of lease agreements (Note 7)
- Determine lease term (Note 7)
- Purchase option (Note 7)
- Impairment of investment properties (Note 9)

## 26 Financial risk and capital management

### 26.1 Financial risk management

The Parent Company's BOD has the overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The Parent Company's risk management policies are established to identify and manage the Parent Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Parent Company's activities.

The main risks arising from the use of financial instruments are market risk, credit risk and liquidity risk. The Parent Company's BOD reviews and approves the policies for managing each of these risks.

## 26.2 Components of financial assets and liabilities

### (a) Financial assets

The Parent Company's financial assets as at December 31 are as follows:

	Notes	2024	2023
Cash and cash equivalents	2	197,641,598	174,014,318
Trade receivables, gross	3	389,850,062	274,164,964
Unbilled revenue	3	40,142,500	49,967,124
Advances to officers	22	19,363,715	68,493,415
Advances to related parties	22	858,748,725	952,730,919
Refundable deposits	4, 10	6,041,849	3,522,632
Financial assets at FVOCI	10	810,000	810,000
		1,512,598,449	1,523,703,372

Trade receivables are presented gross of allowance for impairment amounting to P88,128,110 as at December 31, 2024 (2023 - P77,835,952) (Note 3).

Advances to employees amounting to P115,189,717 as at December 31, 2024 (2023 - P182,128,659) are considered non-financial assets as these are mainly subject to liquidation (Note 3).

The other components of prepayments and other current assets and non-current assets are considered non-financial assets.

### (b) Financial liabilities

The Parent Company's financial liabilities as at December 31 are as follows:

	Notes	2024	2023
Trade and other payables	11	558,782,661	404,578,508
Advances from related parties	22	93,893,791	47,657,473
Borrowings	12	1,605,215,870	1,794,218,801
Lease liabilities	7	22,327,081	26,581,303
		2,280,219,403	2,273,036,085

As at December 31, trade and other payable above exclude the following, which are considered as non-financial liabilities

	Note	2024	2023
Accrued construction cost	11	20,519,002	36,986,835
Payable to government agencies	11	17,957,831	9,767,941
Unearned income	11	-	9,373,484
		38,476,833	56,128,260

## 26.3 Market risk

### (a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most transactions are carried out in Philippine Peso, which is the Parent Company's functional currency. Exposures to currency exchange rates arise from the Parent Company's overseas transactions, which are primarily denominated in United States Dollar (USD), Japanese Yen (JPY) and Malaysian Ringgit (MYR). The Parent Company also maintains US Dollar-denominated bank accounts. Further, the Parent Company has JPY payables from foreign suppliers for the purchase of certain tugboats (Note 11). To mitigate the Parent Company's exposure to foreign currency risk, non-Philippine Peso cash flows are monitored on a regular basis.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of significant foreign currencies on the Parent Company's income before tax. There is no impact on the Parent Company's equity other than those already affecting the net income.

Currency	2024		2023			
	Change in exchange rate	Effect on income before tax		Change in exchange rate	Effect on income before tax	
		Increase	Decrease		Increase	Decrease
USD	+/-4.47%	4,815,734	(4,815,734)	+/-1.34%	908,318	(908,318)
JPY	+/-6.56%	(1,042,916)	1,042,916	+/-5.85%	(326,516)	326,516
MYR	+/-7.63%	(116,076)	116,076	+/-4.97%	(11,535,727)	11,535,727

The reasonable possible changes in foreign exchange rates used in the sensitivity analysis are the rates of change in foreign currencies between the Philippine Peso equivalent at year end and thirty (30) days from reporting date, by which management is expected to receive or settle the Parent Company's most significant financial assets or liabilities, respectively.

*(b) Price risk*

The Parent Company is exposed to equity securities price risk because of the Parent Company's proprietary shares in golf and country club classified as FVOCI in the statements of financial position.

At December 31, 2024 and 2023, the Parent Company's exposure to price risk is not considered significant.

*(c) Cash flow and fair value interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial assets and liabilities will fluctuate because of changes in market interest rates.

The Parent Company is exposed to interest rate risk from its loan from CTBC (Note 12). The Parent Company paid floating interest using the published Bloomberg Valuation Service (BVAL) plus a basis point spread of 3.5% or a minimum of 5.25%. In 2024, the Parent Company paid 8.73% interest rate (2023 - 9.20%).

At December 31, 2024, if the reference rates has increased/decreased by a total of 51 basis points (2023 - 377 basis points), pre-tax profit or loss would have been P1.560 million (2023 - P14.637 million) lower/higher and equity account will be P1.170 million (2023 - P10.978 million) lower/higher. The annual volatility are considered to be reasonable based on observation of current market rates.

The Parent Company's borrowings from other banks are subject to fixed rates and are measured at amortized cost, hence not subject to repricing and independent of changes in market interest rates.

**26.4 Credit risk**

Credit risk arises from cash deposited in banks and financial institutions, as well as credit exposures on amounts receivable from customers, related parties and other parties. The Parent Company provides services only to recognized, creditworthy third parties. Individual risk limits are set based on internal ratings in accordance with limits set by the BOD. The utilization of credit limits is regularly monitored. In addition, the Parent Company's receivables are monitored on an ongoing basis and stringent collection policy enforced resulting in an insignificant exposure to bad debt.

The aging analysis of the Parent Company's financial assets that are exposed to credit risks are as follows:

	Notes	Gross amount	High performing	Underperforming	Credit impaired
<i>December 31, 2024</i>					
Cash in banks and cash equivalents	2	195,048,431	195,048,431	-	-
Trade receivables, gross	3	389,850,062	62,375,714	239,346,238	88,128,110
Unbilled revenue	3	40,142,500	40,142,500	-	-
Advances to related parties	22	858,748,725	858,748,725	-	-
Refundable deposits	4, 10	6,041,849	6,041,849	-	-
		1,489,831,567	1,162,357,219	239,346,238	88,128,110
<i>December 31, 2023</i>					
Cash in banks and cash equivalents	2	171,734,923	171,734,923	-	-
Trade receivables, gross	3	274,164,964	42,481,656	153,847,356	77,835,952
Unbilled revenue	3	49,967,124	49,967,124	-	-
Advances to related parties	22	952,730,919	952,730,919	-	-
Refundable deposits	4, 10	3,522,632	3,522,632	-	-
		1,452,120,562	1,220,437,254	153,847,356	77,835,952

The maximum exposure to credit risk at the reporting date is equal to the carrying value of the financial assets summarized above.

None of the financial assets that are fully performing has been renegotiated in 2024 and 2023.

#### Credit quality of fully performing financial assets

##### (a) High performing

##### (i) Cash in banks and cash equivalents

To minimize credit risk exposure, the Parent Company deposits its cash in the following banks:

	2024	2023
Universal banks	168,392,411	145,533,908
Commercial banks	26,656,020	26,201,015
	195,048,431	171,734,923

The remaining item in cash presented in the separate statements of financial position pertains to cash on hand amounting to P2,593,167 as at December 31, 2024 (2023 - P2,279,395) (Note 2).

##### (ii) Trade receivables

There is no concentration of credit risk with respect to trade receivables as the Parent Company has a large number of customers. To minimize credit risk, the Parent Company transacts only with counterparties with good credit standing. As at December 31, 2024, trade receivables amounting to P62,375,714 (2023 - P42,481,656) are fully performing thus, collectible.

##### (iii) Advances to related parties

Advances to related parties amounting to P858,748,725 as at December 31, 2024 (2023 - P952,730,919) that are neither past due nor impaired consist primarily of various charges and advances for working capital purposes. These advances are fully recoverable as at December 31, 2024 and 2023.

##### (iv) Refundable deposits

Refundable deposits amounting to P6,041,849 as at December 31, 2024 (2023 - P3,522,632) pertain to deposits made to lessors for the lease of the Parent Company's office space and warehouse, which are refundable at the end of the respective lease term.

### (b) Underperforming

Underperforming trade receivables as at December 31, 2024 amounting to P239,346,238 (2023 - P167,773,486) are related to a number of independent customers with no recent history of default. Management has assessed based on credit worthiness and existing relationship with customers and historical experience that these accounts are deemed fully collectible.

### (c) Credit impaired

As at December 31, 2024, trade receivables amounting to P88,128,110 (2023 - P77,835,952) were impaired and have been fully provided for with allowance for impairment. The individually impaired receivable from customers relate to customers that are in unexpectedly difficult economic situations. These trade receivables were assessed by management as non-recoverable.

## 26.5 Liquidity risk

The Parent Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows.

The table below analyzes the Parent Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Amounts disclosed in the table are the contractual undiscounted cash flows.

	Notes	Gross amount	Due and demandable	Less than 3 months	3-12 months	More than one year
<i>December 31, 2024</i>						
Trade and other payables*	11	558,782,661	499,214,603	44,255,452	6,013,664	9,298,942
Advances from related parties	22	93,893,791	93,893,791	-	-	-
Borrowings		1,595,237,178	-	63,688,145	798,577,223	732,971,810
Future interest payable on borrowings		205,044,402	-	33,604,412	74,033,218	97,406,772
Lease liabilities	7	22,327,081	-	1,848,460	5,405,411	15,073,210
Future interest payable on lease liabilities		2,206,120	-	333,087	831,338	1,041,695
		<u>2,477,491,233</u>	<u>593,108,394</u>	<u>143,729,556</u>	<u>884,860,854</u>	<u>855,792,429</u>
<i>December 31, 2023</i>						
Trade and other payables*	11	404,578,508	250,459,432	11,036,393	21,175,358	121,907,325
Advances from related parties	22	47,657,473	47,657,473	-	-	-
Borrowings		1,780,400,027	-	51,874,353	155,113,711	1,573,411,963
Future interest payable on borrowings		330,835,607	-	37,174,648	101,263,905	192,397,054
Lease liabilities	7	26,581,303	-	2,601,716	6,204,935	17,774,652
Future interest payable on lease liabilities		3,149,099	-	385,615	935,505	1,827,979
		<u>2,593,202,017</u>	<u>298,116,905</u>	<u>103,072,725</u>	<u>284,693,414</u>	<u>1,907,318,973</u>

\*Excludes accrued construction cost, payable to government agencies and unearned revenue

The Parent Company expects to settle above financial liabilities in accordance with their contractual maturity.

Historically, maturing obligations are funded by cash flows from operating activities hence there are no perceived liquidity risks. Loans may be obtained only when there is material capital expenditure.

## 26.6 Capital management

The primary objective of the Parent Company's capital management is to safeguard the Parent Company's ability to continue its operations on a going concern basis in order to provide adequate return to its shareholders and maintain optimal capital structure to reduce cost of capital and lessen the need to obtain long-term borrowings and maximize shareholder value.

The Parent Company manages its capital structure and makes the adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at December 31, 2024 and 2023.

The Parent Company monitors capital on the basis of the carrying amount of equity as presented in the face of the statements of financial position. The Parent Company's goal is to manage a debt-to-equity ratio not exceeding 2:1.

As at December 31, the Parent Company's debt-to-equity ratio calculated as follows:

	2024	2023
Total debt	2,224,802,445	2,281,506,872
Total equity	2,373,160,026	2,353,992,582
Debt-to-equity ratio	0.94:1	0.97:1

As at December 31, 2024 and 2023, the Parent Company has complied with the debt covenants on financial ratios.

The Parent Company computes its total debt as at December 31 as follows:

	Notes	2024	2023
Trade and other payables	11	597,259,494	460,706,768
Borrowings	12	1,605,215,870	1,794,218,801
Lease liabilities	7	22,327,081	26,581,303
		2,224,802,445	2,281,506,872

The Parent Company computes its total equity as at December 31 as follows:

	Notes	2024	2023
Share capital	13	907,857,870	907,857,870
Additional paid-in capital	13	121,632,762	121,632,762
Treasury shares	13	(37,614,990)	(37,614,990)
Financial assets at FVOCI	13	(160,000)	(160,000)
Revaluation surplus, net of tax	6	870,027,460	1,011,329,099
Retained earnings		511,416,924	350,947,841
		2,373,160,026	2,353,992,582

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE has required listed entities to maintain a minimum of twenty percent (20%) of their listed issued and outstanding shares to be held by public. The Parent Company is compliant with respect to this requirement as at December 31, 2024 and 2023.

## 27 Summary of material accounting policies

The material accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 27.1 Basis of preparation

The separate financial statements of the Parent Company have been prepared in accordance with PFRS Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards,
- PAS Standards, and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC),

- Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy, and adopted by the Securities and Exchange Commission (SEC).

These separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of property and equipment - tugboats and fair value measurement of FVOCI.

The Parent Company has prepared these separate financial statements for its use and for filing with the Bureau of Internal Revenue.

The Parent Company also prepares its consolidated financial statements in accordance with PFRS Accounting Standards for the Parent Company and its subsidiaries (collectively "the Group"). The consolidated financial statements of the Group can be obtained from the Parent Company's business address in Makati City (Note 1) and its official website.

Users of the separate financial statements should read these together with the Group's consolidated financial statements as at and for the years ended December 31, 2024 and 2023 in order to obtain full information on the financial position, results of operations and changes in the financial position of the Group as a whole.

The preparation of separate financial statements in conformity with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Parent Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are summarized in Note 25.

#### Changes in accounting policies and disclosures

##### *(a) New and amendment to existing standards and interpretations adopted by the Parent Company*

The Parent Company has applied the following amendments for the first time for their annual reporting period commencing January 1, 2024:

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Parent Company's loan classification and compliance to debt covenants are disclosed in Note 12.

- Amendments to PFRS 16, Lease Liability in a Sale and Leaseback

The amendments to PFRS 16 add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. The seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that it would not recognize gain or loss that relates to the right of use retained. Applying this requirement does not prevent the seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively with early adoption permitted. The adoption did not have a significant impact on the Parent Company's separate financial statements as at and for the year ended December 31, 2024.

- Amendments to PAS 7 and PFRS 7, Disclosures: Supplier Finance Arrangements

The amendments to PAS 7 Statement of cash flows requires disclosure on information about supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements.

An entity shall disclose the following in aggregate for its supplier finance arrangements:

- i). The terms and conditions of the arrangements. However, an entity shall disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.
- ii). As at the beginning and end of the reporting period:
  - The carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.
  - The carrying amounts, and associated line items, of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers.
  - The range of payment due dates for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement.
- iii). the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed under (b) (i).

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 with early adoption permitted. The adoption did not have a significant impact on the Parent Company's separate financial statements as at and for the year ended December 31, 2024.

*(b) New standards, and amendments and interpretations to existing standards not yet adopted by the Parent Company*

Certain new accounting standards, and amendments and interpretations to accounting standards have been published that are effective after December 31, 2024 and have not been early adopted by the Parent Company. The Parent Company's assessment of the impact of those that are relevant is set out below.

- Amendments to PAS 21 - Lack of Exchangeability (effective for annual periods beginning on or after January 1, 2025)

In August 2023, the IASB amended IAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. The Parent Company does not expect these amendments to have a material impact on its operations or separate financial statements.

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to PFRS 9 and PFRS 7 (effective for annual periods beginning on or after January 1, 2026)

On May 30, 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;

- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Parent Company does not expect these amendments to have a material impact on its operations or separate financial statements.

- PFRS 19 - Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after January 1, 2027)

Issued in May 2024, PFRS 19 allows for certain eligible subsidiaries of parent entities that report under PFRS Accounting Standards to apply reduced disclosure requirements. The Company will apply the new standard from its mandatory effective date of January 1, 2027.

- PFRS 18 - Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after January 1, 2027)

PFRS 18 will replace PAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Company's separate financial statements.

The Company will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

## **27.2 Business combination**

The Parent Company applies the purchase or acquisition method to accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Parent Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Parent Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

### 27.3 Investments and other financial instruments

The Parent Company recognizes a financial instrument in the statement of financial position, when and only when, the Parent Company becomes a party to the contractual provisions of the instrument.

#### 27.3.1 Financial assets

##### *(a) Classification*

The Parent Company classifies its financial assets in the following categories:

- those to be measured subsequently at fair value through other comprehensive income (FVOCI); and
- those to be measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets measured at FVOCI include financial assets at fair value through other comprehensive income, while financial assets measured at amortized cost include cash and cash equivalents, trade and other receivables, advances to related parties and refundable deposits.

##### *(b) Impairment of financial assets*

The Parent Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment loss is recognized in profit or loss and the carrying amount of the asset is reduced through the use of an allowance. The Parent Company applies the ECL model to measure the impairment for all financial assets at FVOCI and at amortized costs.

The Parent Company calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. ECL are measured through an allowance at an amount equal to:

- the 12-month ECL (that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime ECL (that result from all possible default events over the life of the financial instrument).

The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of loss is recognized as net impairment losses on financial assets in the statements of total comprehensive income. When a receivable remains uncollectible after the Parent Company has exerted all legal remedies, it is written off against the allowance account for receivables. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of the amounts previously written off are credited to general and administrative expenses in profit or loss.

#### 27.3.2 Financial liabilities

As at December 31, 2024 and 2023, the Parent Company's financial liabilities are limited to other financial liabilities at amortized cost.

The Parent Company's trade and other payables (excluding accrued construction cost, payable to government agencies and unearned revenue), due to related parties, short-term loans and borrowings, and lease liabilities are classified under other financial liabilities at amortized cost.

#### **27.4 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Parent Company or the counterparty.

The Parent Company has right to offset intercompany payables and receivables as at December 31, 2024 and 2023. Total intercompany receivables offset against payables amounts to P130,977,231 in 2024 (2023 - P173,256,928).

#### **27.5 Fair value measurement**

The Parent Company's financial asset at FVOCI with quoted market price is valued using Level 1 of the fair value hierarchy as the quoted market price used is the current bid price. Financial assets at FVOCI is measured using inputs based on unadjusted quoted prices in active markets for identical assets or liabilities. Other relevant policies on financial asset at FVOCI are disclosed in Note 27.3.

The Parent Company has no other significant financial assets and liabilities carried at fair value.

For non-financial assets, the Parent Company uses valuation techniques that are appropriate in the circumstances and apply the technique consistently.

The Parent Company's tugboats are valued using Level 2 of the fair value hierarchy as these are measured using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. The fair value of tugboats using (1) market approach where valuation made was based on market prices of identical and comparable tugboats; and (2) cost approach where valuation performed are based on cost of reproduction of new vessel, accumulated depreciation, character and utility of the vessel (Note 6).

The Parent Company determines the fair value of its investment properties, which is carried at cost (Note 9), using Level 2 of the fair value hierarchy by direct comparison approach with reference to open market of similar properties with consideration of the location, property size, physical features and economic factors.

The Parent Company has no other significant non-financial assets and liabilities carried at fair value.

#### **27.6 Prepayments and other assets**

Input VAT are recognized as assets in the period such input VAT become available as tax credits to the Parent Company and carried over to the extent that it is probable that the benefit will flow to the Parent Company.

A provision for unrecoverable input VAT is established when there is objective evidence that the Parent Company will not be able to recover the claims. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within general and administrative expenses.

Leasehold rights are recognized at cost which approximates purchase price or total consideration. Leasehold rights with definite life are amortized over the period of the contract while leasehold rights that have indefinite life, are carried at cost less impairment, if any.

## **27.7 Investments in subsidiaries and associates**

Investments in subsidiaries and associates are accounted for using the cost method. Under this method, investments are recognized at cost and income from investment is recognized in profit or loss only to the extent that the Parent Company (as investor) receives distribution from accumulated profit of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

The Parent Company determines at each reporting date whether there is any objective evidence that an investment in a subsidiary or in an associate is impaired. If this is the case, the Parent Company calculates the amount of impairment as the difference between the carrying value and recoverable amount of the subsidiary and associate and an allowance is set up for any substantial or permanent decline in the carrying value of the investment.

Investment in subsidiaries is derecognized when it loses its control over an entity. Loss of control triggers remeasurement of the residual holding to fair value. Any difference between the fair value and carrying amount is a gain or loss on the disposal, recognized in profit or loss.

Investment in associates is derecognized when the Parent Company loses significant influence over an associate as a result of full or partial disposal. Thereafter, the Parent Company shall account for the investment in accordance with PFRS 9, Financial Instrument: Recognition and Measurement.

## **27.8 Property and equipment**

All property and equipment are carried at cost less accumulated depreciation and any impairment except for tugboats which are carried at revalued amounts.

Tugboats are initially recognized at cost. Subsequently, tugboats are carried at revalued amounts, which is the fair value at date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The Parent Company engages external, independent and qualified valuers to determine the fair value of the Parent Company's tugboats once every 3 years. Increases in the carrying amounts arising on revaluation of tugboats are recognized, net of tax, in other comprehensive income and revaluation surplus, net of tax, in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Each year, the Parent Company transfers from revaluation surplus reserve to retained earnings, the difference between the depreciation charges calculated based on the revalued amount and the depreciation charge based on the assets' historical cost.

The profit or loss on disposal of a revalued asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset. On disposal of the revalued asset, the relevant revaluation surplus included in equity is transferred directly to retained earnings.

All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Parent Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which these are incurred.

Dry docking cost represents major inspection and overhaul costs and are depreciated to reflect consumption benefits which are to be replaced or restored by the subsequent dry docking generally every two (2) years. The Parent Company has included these dry-docking expenses as part of tugboat component.

Depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives (in years), as follows:

Tugboats	30 to 40
Barges	10 to 37
Building and building improvements	10 to 30
Transportation equipment	5
Construction equipment	5
Diving and oil spill equipment	3 to 5
Furniture, fixtures and leasehold improvements	3 to 4

Construction in progress is stated at cost which includes the cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and are available for use. Tugboats under construction is classified as “Property and equipment at cost” and subsequently transferred to “Property and equipment at revalued amounts” upon completion.

Leasehold improvements are amortized over the estimated useful life of the improvements, which is shorter than the lease term, considering the renewal option.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 27.10).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the statement of financial position.

## **27.9 Investment properties**

Investment properties consist of land in various locations. Land is initially recognized at cost and subsequently carried at cost less any impairment losses. Land is not depreciated.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation and commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

## **27.10 Impairment of non-financial assets**

Non-financial assets that have an indefinite useful life, such as land and investment in subsidiaries and associates, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property and equipment, right-of-use asset, investment properties, input VAT and investment in subsidiaries and associates, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized in profit or loss as part of general and administrative expenses.

When impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of an impairment loss are credited to the provision account in profit or loss.

## **27.11 Borrowings and borrowing cost**

### *(a) Borrowings*

Borrowings are measured initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Where the terms of a financial liability are modified, a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate. If the modification of the terms of borrowings is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on extinguishment. If the modification of the terms of borrowings is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

### *(b) Borrowing costs*

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

All other borrowing costs are recognized in profit or loss in the period in which these are incurred.

## **27.12 Current and deferred income tax**

The income tax expense for the year comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Specifically, DIT is provided on the temporary difference between the carrying amount of the revalued property and equipment and its tax base. Any taxable temporary difference reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the tax rate applicable to the taxable amount derived from the sale of a non-depreciable capital or ordinary asset or the tax rate applicable during the years the asset is utilized.

DIT assets and liabilities are derecognized when the related temporary difference are realized or settled.

### **27.13 Employee benefits**

The Parent Company provides short-term, retirement and terminal benefits to its employees. The Parent Company did not grant any stock options or share based payments to its officers and employees.

#### *(a) Other short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

#### *(b) Retirement benefit obligations*

The liability recognized in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in unrestricted earnings in the period in which these arise.

#### *(c) Termination benefits*

The Parent Company recognizes termination benefits at the earlier of the following dates: (a) when the Parent Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### **27.14 Foreign currency transactions and translation**

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

All foreign exchange gains and losses except for foreign exchange loss on borrowings are presented in profit or loss within other income (expense), net. Foreign exchange gains and losses from borrowings are presented as part of finance cost in profit or loss.

### **27.15 Revenue recognition**

#### *(a) Sale of services*

The Parent Company provides (i) harbor assistance, (ii) lighterage services (iii) towing services and (iv) salvage income. These services recognized over time are provided on a time-basis or as a fixed-price contract, net of any subsequent discounts. Discounts are considered as part of the transaction price when granting such is highly probable. Contract terms of services are generally range from less than a year. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

*(b) Income from construction contracts*

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the accounting period.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

The Parent Company recognizes on a net basis when it satisfies its promise to facilitate the service over a period of time when it is not a principal in a contract. For all the construction contracts, the Parent Company does not control the service before as it is transferred to the customer. The Parent Company is also not solely responsible for the service and discretion in establishing contract prices. The indicators therefore support that the Parent Company is not the principal for the construction contracts.

The Parent Company uses the 'percentage of completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These are presented as inventories, prepayments or other assets, depending on their nature.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately in profit or loss as part of cost of construction contracts, with a corresponding credit to allowance. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract.

Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins will be recognized in the year in which the changes are determined.

Progress payments received under the construction contracts are deducted from contract assets as the contract is completed. Progress payments received before corresponding work has been performed (or in excess of percentage of completion) are presented as advances from customers under trade and other payable in the statement of financial position.

*(c) Financing components*

The Parent Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Parent Company does not adjust any of the transaction prices for the time value of money.

*(d) Contract assets and liabilities*

Lighthouse services are normally billed to the customer one month in advance. The customer pays the fixed amount based on the billing. If the performance obligations fulfilled by the Parent Company exceed the total payments received to date, a contract asset is recognized. If the total payments received to date exceed the performance obligation fulfilled, a contract liability is recognized and is presented as unearned revenue. The contract assets are transferred to receivables when the Parent Company's rights to the contract consideration become unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

### *Other income*

#### *(a) Interest income*

Interest income is recognized in profit or loss on a time-proportion basis using the effective interest method. Interest income from cash in banks and short-term placements is presented net of final taxes paid and withheld.

#### *(b) Dividend income*

Dividend income is recognized in profit or loss when the right to receive payment is established.

#### *(c) Other income*

Other income is recognized in profit or loss when earned.

### **27.16 Costs and expenses**

Costs and expenses are recognized:

- i on the basis of a direct association between the costs incurred and the earning of specific items of income;
- ii on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or
- iii immediately and as incurred (i.e. when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position).

Costs and expenses are presented in the profit or loss according to their function.

### **27.17 Leases where the Parent Company is a lessee**

Assets and liabilities arising from a lease are initially measured on a present value basis.

#### **i. Measurement of lease liabilities**

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Parent Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

## ii. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally amortized over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Parent Company is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the underlying asset's useful life.

## iii. Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise car rental and storage fee.

## 27.18 Earnings (Loss) per share

### (a) *Basic*

Basic earnings (loss) per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Parent Company and held as treasury shares. In a capitalization or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

### (b) *Diluted*

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Parent Company has two possible categories of dilutive potential common shares: convertible debt and share options. The Parent Company has no convertible debt nor share options as at December 31, 2024 and 2023.

## 27.19 Events after the reporting date

Post year-end events that provide additional information about the Parent Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

## 28 Supplementary information required by the Bureau of Internal Revenue (BIR)

The following Revenue Regulation 15-2010 information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements:

### (a) Output VAT

Output VAT declared for the year ended December 31, 2024 and the revenues upon which the same was based consist of:

	Gross amount of receipts	Output VAT
Sale of services		
Zero-rated	992,444,318	-
Exempt Sales	328,780,516	-
Subject to 12% VAT	655,521,624	78,662,595
	1,976,746,458	78,662,595

Zero-rated sales of services consist of export sales and those rendered to persons or entities whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

### (b) Input VAT

Movements in input VAT for the year ended December 31, 2024 are as follows:

Beginning of year	
Input VAT	415,951,630
Deferred input VAT	19,144,934
Total	435,096,564
Add: Domestic purchase of goods other than capital goods	79,658,032
Domestic purchases of services	74,782,878
Purchase of capital goods exceeding P1 million	-
Importation of goods other than capital goods	2,499,713
Purchase of capital goods not exceeding P 1million	-
Less: Capital goods exceeding P1.0 million for the succeeding period	-
Applied against output VAT	(78,662,595)
End of year	513,374,592

### (c) Importations

The total landed cost of imports and the amount of custom duties and tariff fees paid for the year ended December 31, 2024 follows:

Landed cost of imports	153,368,863
Customs duties and tariff rates	4,288,846

The above customs duties and tariff rates are lodged under taxes and licenses account in cost of services.

### (d) Excise tax

The Parent Company has no activities related to manufacture or production of certain specific goods or articles subject to excise tax for domestic sale or consumption or for any other disposition for the year ended December 31, 2024.

*(e) Documentary stamp tax*

The Parent Company did not have transactions requiring payment or accrual of documentary stamp tax for the year ended December 31, 2024.

*(f) All other local and national taxes*

All other local and national taxes paid for the year ended December 31, 2024 consist of:

License and permit fees	54,993,140
Gross receipt tax	1,945,574
Real property taxes	1,026,795
Others	5,928,603
	<u>63,894,112</u>

The local and national taxes are lodged under taxes and licenses account in cost of services and general and administrative expenses.

*(g) Withholding taxes*

Withholding taxes paid and accrued for the year ended December 31, 2024 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	16,304,479	1,232,353	17,536,832
Expanded withholding tax	20,189,093	2,130,199	22,319,292
	<u>36,493,572</u>	<u>3,362,552</u>	<u>39,856,124</u>

In 2024, the total amount of creditable withholding tax claimed against the income tax due was P36,606,335, while the prior year excess credits applied amounted to P7,541,179.

*(h) Tax assessments and cases*

On June 5, 2024, the Parent Company received a Letter of Authority (LOA) from the BIR to examine the Parent Company's books and other accounting records for all 2023 internal revenue taxes. The submission of BIR Requirements or Access Records Request is still ongoing as at December 31, 2024.

On November 10, 2023, the Parent Company received an LOA from the BIR to examine the Parent Company's books and other accounting records for all 2022 internal revenue taxes. On December 18, 2024, the Parent Company settled the related tax assessment.

The Parent Company has no tax cases nor litigation and/or prosecution in courts or bodies outside of the BIR as at and for the year ended December 31, 2024.

**Harbor Star Shipping Services, Inc. and Subsidiaries**  
2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway  
Bangkal, Makati City

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration  
For the year ended December 31, 2024  
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, beginning of the year	316,047,589
Add: Category A: Items that are directly credited to Unappropriated retained earnings	
Reversal of Retained earnings appropriation/s	
Effect of restatements or prior-period adjustments	
Others	(3,877,984)
	(3,877,984)
Less: Category B: Items that are directly debited to Unappropriated retained earnings	
Dividend declaration during the reporting period	-
Retained earnings appropriated during the reporting period	-
Effect of restatements or prior-period adjustments	-
Others	-
Unappropriated Retained Earnings, as adjusted	312,169,605
Add/Less: Net Income for the current year	82,935,848
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)	
Equity in net income of associate/joint venture, net of dividends declared	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(660,674)
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Unrealized fair value gain of investment property	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
	82,275,174
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Realized fair value gain of Investment property	-
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
	-
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Reversal of previously recorded fair value gain of investment property	-
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-
	-
Adjusted net income/loss	82,275,174
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)	
Depreciation on revaluation increment (after tax)	73,655,251
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP	
Amortization of the effect of reporting relief	-
Total amount of reporting relief granted during the year	-
Others	-
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution	
Net movement of treasury shares (except for reacquisition of redeemable shares)	-
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	2,811,664
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	115,343
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-
Others	2,927,007
<b>Total Retained Earnings, end of the year available for dividend declaration</b>	<b>471,027,037</b>

# Harbor Star Shipping Services, Inc.

## Sustainability Report

This report has been prepared in accordance with the GRI Standards: Core Option. It covers the period of January to December 2024. (102-48, 102-49, 102-54)

## Company Details

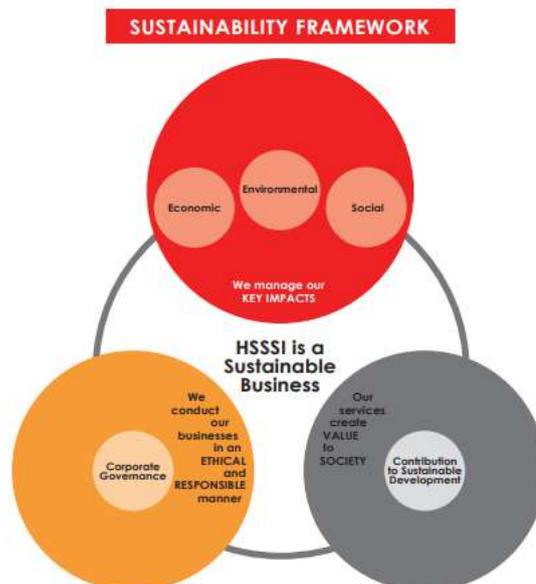
Name of the Organization	Harbor Star Shipping Services, Inc.
Activities, Brands, Products, and Services	Harbor Star offers a wide range of indispensable maritime services such as harbor assistance, towing, lighterage, ship salvage, marine construction, repair and maintenance works, wreck removal, firefighting, oil spill abatement and recovery, handling hazardous chemical, ship and crew management, diving and underwater marine works.
Location of Headquarters	2224 A. Bonifacio St., Corner Pres. Sergio Osmeña Highway, Brgy. Bangkal, Makati City 1233

## Mission, Vision, and Values



## Sustainability Framework

This sustainability framework is crafted for PLCs operating in the Philippines. It is a systematic approach that serves as our guidelines to manage our issues and improve our business practices in achieving the company's sustainability.



## Material Topics and Boundaries

(102-46, 102-47)

In identifying the materiality of the topics to be included in the report, department heads were involved by being provided with a risk assessment form to identify the stakeholders and the significant issues that reasonably have adverse and beneficial impacts on the organization's economic, environmental, and social aspects or those that can influence the decisions of the stakeholders. After collating the contextual issues, top management conducted several dialogues to finalize which topics were considered significant. (102-46)

	Business Economic Performance	Value for Customers	Employee Engagement	Employee Well-being	Environment Protection	Workplace Safety and Health	Compliance to International Standard	Fleet Management
Metric	<ul style="list-style-type: none"> <li>Direct economic value generated</li> <li>Direct economic value distributed</li> </ul>	<ul style="list-style-type: none"> <li>Market Share</li> </ul>	<ul style="list-style-type: none"> <li>Attrition Rate</li> </ul>	<ul style="list-style-type: none"> <li>Attrition Rate</li> </ul>	<ul style="list-style-type: none"> <li>Compliance monitoring</li> <li>GHG footprint</li> </ul>	<ul style="list-style-type: none"> <li>Accident Frequency Rate</li> <li>Lost Time Injury Rate</li> </ul>	<ul style="list-style-type: none"> <li>IMS certification</li> </ul>	<ul style="list-style-type: none"> <li>Fleet Efficiency</li> </ul>
Management Approach	<ul style="list-style-type: none"> <li>Increase Revenue by means of business diversification, joint venture, market penetration, product development</li> <li>Rationalize expenses</li> </ul>	<ul style="list-style-type: none"> <li>Establish transparent and good relationship with the customers.</li> <li>Continuous improvement of services based on the customer's feedback.</li> <li>ISO 9001:2015 Certification</li> </ul>	<ul style="list-style-type: none"> <li>Employee Code of Conduct</li> <li>Established HR Policies</li> <li>Established salary structure per position</li> <li>Performance Evaluation</li> <li>Training Plan and Matrix</li> <li>Compliance with General Labor Law</li> <li>Compliance</li> </ul>	<ul style="list-style-type: none"> <li>Mental Health Policy and Programs</li> <li>Family Welfare Programs</li> </ul>	<ul style="list-style-type: none"> <li>Compliance to environmental laws and regulations</li> <li>ISO 14001: 2015 Certification</li> <li>Establish an Energy Conservation (ENERCON) Committee to identify, monitor and, implement environmental programs related to energy consumption.</li> <li>CSR: Mangrove Planting</li> <li>Implement Preventive Maintenance System (PMS)</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with Occupational Health and Safety (OSH) Standard</li> <li>Developing interdependent culture of safety</li> <li>ISO 45001 Certification</li> <li>Established and ensure compliance of employees to COVID-19 Pandemic Policy</li> </ul>	<ul style="list-style-type: none"> <li>Maintain the IMS Certification (ISO 9001, ISO 14001, and ISO 45001)</li> </ul>	<ul style="list-style-type: none"> <li>Preventive Maintenance System</li> </ul>

## Stakeholder Engagement

(102-40, 102-42, 102-43, 102-44)

STAKEHOLDER ENGAGEMENT					
Item	Stakeholder Groups (102-40)	Name of the Stakeholders	Relevance to the Organization (102-42)	Topics / Concerns Raised (102-44)	Approach to Stakeholder Engagement (102-43)
1	Employees	All employees	Workforce/manpower that helps the company meets vision, mission, and strategic objectives.	<ol style="list-style-type: none"> <li>1. Benefits and compensation</li> <li>2. Occupational Safety &amp; Health</li> <li>3. Training &amp; Development</li> <li>4. Employee Welfare</li> <li>5. Performance Evaluation</li> <li>6. Corporate Social Responsibility (CSR)</li> <li>7. General Labor Law Compliance Obligation</li> <li>8. Marine Environment Protection</li> </ol>	<p>100% compliance to Occupational Safety &amp; Health Standard; General Labor Standard; Environmental Laws</p> <p>Provision of internal and external training based on the Training Needs Analysis (TNA)</p> <p>Involvement of all employees in CSR activities.</p> <p>COVID-19 Pandemic Policy</p>
2	Clients or Customers	Vessel owners / Port Operators	Patrons of HSSSI operations	1. Value for Customers	<ol style="list-style-type: none"> <li>1. Client call</li> <li>2. Customer feedback form</li> </ol> <p>2. Continuous improvement of services</p>
3	Investors	Stockholders	Contribute capital to the business	<ol style="list-style-type: none"> <li>1. Business economic performance</li> <li>2. Business strategic plans</li> <li>3. Sustainable value for stakeholders</li> </ol>	1. Annual Stockholder's Meeting
4	Business partners	Suppliers / Service providers / Contractors	Provide resources and services essentials to the operation	1. Value for suppliers	<ol style="list-style-type: none"> <li>1. Supplier Accreditation and audit</li> <li>2. Second Party Audit (Supplier's Audit)</li> </ol>
		Manning agencies	Provide manpower for an international voyage		1. Contract with the manning agency
		Insurance company	Insured assets	1. Incident/ Accident Reporting	1. Insurance claim process
		ISO Certifying Body	Continuous improvement of the management system performance; Fulfillment of legal requirements and other requirements; Achievement of objectives.	Maintenance of ISO certification	1. Renewal of certification
5	Community	Local community partner in CSR	Helps the company and other stakeholders to be socially accountable	Corporate Social Responsibility (CSR)	1. Quarterly visitation of the partner community
6	Government	Local government regulatory bodies; NGOs	Issuance of permit to operate	Sustainable operation	<ol style="list-style-type: none"> <li>1. ISO Certification to ensure compliance with legal requirements</li> <li>2. Attend Conferences</li> </ol>
7	Trade Organization	International and Local Trade Unions	Compliance to international standards To get more clients	Compliance with the requirements	<ol style="list-style-type: none"> <li>1. Renewal of membership</li> <li>2. Ensure compliance with the requirements</li> </ol>

# BUSINESS ECONOMIC PERFORMANCE

## Economic Performance

<b>Direct Economic Value Generated and Distributed, Php (201-1)</b>						
Disclosure	HSSSI	Peak Flag	HSSC	HSEC	ADGI	Consolidated
<b>Direct economic value generated (revenue)</b>	2,442,789,272	171,941,552	229,745,185	-	193,362,467	3,037,838,476
<b>Direct economic value distributed:</b>						
a. Operating Cost	320,710,530	23,515,636	9,080,917		99,840,970	453,148,053
b. Employee Wages and Benefits	507,578,129	30,662,065	2,330,855	1,152,500	3,971,240	545,694,789
c. Payments to suppliers, other operating costs	1,271,486,116	80,856,934	101,189,160	19,000	58,948,457	1,512,499,668
d. Dividends given to stockholders and interest payments to loan providers	156,241,036	9,588,092	-		124,814,894	290,644,023
e. Taxes given to government	19,335,215	261,905	7,003,180	102,819	16,775,098	43,478,218
f. Investments to the community (donations, CSR)	1,556,205	-	1,300		12,000	1,569,505

<b>Net Sales or Revenues by Countries or Regions that make up Five percent or more of the Total Revenue</b>						
Disclosure	HSSSI	Peak Flag	HSSC	HSEC	ADGI	Consolidated
%	80%	6%	8%	0%	6%	100%
Service Income	2,442,789,272	171,941,552	229,745,185	-	-	2,844,476,009
Revenue on generation of Solar Power				-	193,362,467	193,362,467
Total	2,442,789,272	171,941,552	229,745,185	-	193,362,467	3,037,838,476

<b>Cost by Countries or Regions that make up Five percent or more of the Total Cost</b>						
Disclosure	HSSSI	Peak Flag	HSSC	HSEC	ADGI	Consolidated
%	85%	4%	5%	0%	5%	100%
Cost of Service	1,839,949,916	94,398,225	117,845,042	-	100,074,471	2,152,267,654
Total	1,839,949,916	94,398,225	117,845,042	-	100,074,471	2,152,267,654

<b>Total Capitalization Broken Down in Terms of Debt and Equity</b>						
Disclosure	HSSSI	Peak Flag	HSSC	HSEC	ADGI	Consolidated
Long Term Borrowings	727,677,780	38,361,383	-	-	1,605,168,381	2,371,207,544
Equity	2,373,160,026	176,439,671	379,717,048	(125,137,449)	(359,885,797)	2,444,293,499
Total	3,100,837,806	273,648,152	367,468,307	(125,137,449)	1,245,282,584	4,862,099,400

## VALUE FOR CUSTOMER

At Harbor Star, the Company's commitment to delivering quality service that aligns with customers' needs remains unwavering. The organization prioritizes customer satisfaction by upholding stringent standards and continuously enhancing operations. By maintaining ISO certifications, Harbor Star not only ensures compliance with legal requirements but also strives for continuous improvement, driving toward operational excellence.

As of December 31, 2024, Harbor Star services encompass approximately one hundred seventy (170) ports within the Philippines, including eleven (11) are base or hub ports. These base ports comprise Bataan, Batangas, Cagayan de Oro, Cebu, Davao, Iligan, Iloilo, Leyte, Manila, Subic, and Zamboanga.

In some of the base ports mentioned above, there are a number of sub-ports or privately owned and operated ports that the Company also provides maritime services; including six (6) sub-ports in Bataan, six (6) in Batangas, six (6) in Iloilo, fourteen (14) in Cagayan de Oro, fifteen (15) in Davao, seven (7) in Zamboanga, and fifteen (15) in Cebu.

# EMPLOYEE ENGAGEMENT AND WELL-BEING

In 2024, Harbor Star proudly reaffirmed its dedication to enhancing employee engagement and well-being by implementing a range of strategic and impactful initiatives. This report outlines our primary areas of focus: Training and Development, Celebrating Milestones, Health and Wellness, and Community Engagement and Sustainability, all of which reflect our commitment to fostering a positive and inclusive workplace culture.

## Fostering Workplace Wellness and Engagement:

### Training and Development

In 2024, Harbor Star's training and development initiatives have shown significant improvement compared to previous years. The HRDM department has focused on enhancing employee competencies to ensure effective operations and build confidence in their most valuable asset—its employees.

The Operations Team has continued to enhance workforce capabilities by conducting Azimuth Stern Drive (ASD) Simulator training for the Vis-Min crew and newly hired deck officers. This training is essential for maintaining safety standards, sustainability, and competency as the organization transitions from an aging workforce to a more dynamic team.

In its commitment to fostering professional growth, Harbor Star has introduced various leadership, governance, and sustainability training programs. Events like the “Women Leading in the Workplace” forum provided valuable insights for women aspiring to leadership roles, reinforcing the company's dedication to inclusivity and advancement.

Leaders throughout the organization, from team leaders to executives, participated in face-to-face workshops covering topics such as Basic Supervisory Skills, Problem Solving, Conflict Management, and Introduction to Sustainable Finance: Principles and Framework. Additionally, the organization utilized LinkedIn Learning to offer a wider range of subjects that address employees' diverse learning needs.

To build technical expertise and enhance safety protocols, Harbor Star engaged its in-house subject-matter experts for specialized training sessions. The company improved its safety drills and emergency response through targeted training, ensuring that employees are well-prepared for unexpected situations. Furthermore, its oil spill responders completed a week-long Oil Spill Response IMO Level 1 training facilitated by an external provider, assuring readiness for critical environmental challenges.

### Celebrating Milestones

In our ongoing commitment to cultivating a positive workplace culture, we proudly launched the “Milestones: Celebrate and Elevate” initiative in 2024. This program is designed to recognize and celebrate key employee achievements, such as work anniversaries, birthdays, and promotions. By hosting celebratory gatherings with complimentary food and appreciation ceremonies, we strengthen connections among colleagues and acknowledge the essential contributions that each employee makes to the success of Harbor Star.

Additionally, our monthly celebrations provide valuable opportunities for employees to come together, share experiences, and engage in meaningful discussions that promote personal and professional growth. These initiatives reflect our unwavering dedication to ensuring that every team member feels valued and integral to our vibrant workplace community.

### Physical and Mental Health Awareness and Activities

Recognizing the importance of employee well-being, Harbor Star implemented several health and wellness initiatives throughout the year. In February, we held the “Healing Hearts” seminar, which focused on overcoming professional heartbreaks and promoting resilience and personal growth.

As we moved into Nutrition Month in March, the “Level Up Your Snack” initiative encouraged employees to share healthy food options and engage in conversations about nutritious eating habits. Following this, we launched the “Lose to Win” program, empowering employees to take charge of their health through fitness challenges and lifestyle change webinars. During this period, we also introduced various sports activities, including bowling, badminton, and basketball, allowing employees to participate in fun and engaging ways to stay active.

In October, we recognized Mental Health Awareness Month with various activities designed to promote mental well-being. Learning sessions on topics such as “Unified in Care: Employee Awareness and Leadership Approaches to Mental Health” and “Recognizing Mental Health Needs Across Family Members and Balancing Work and Family Responsibilities” equipped employees with essential tools to navigate mental health challenges effectively.

Additionally, in June, we hosted the Father’s Day webinar titled “Fatherhood in the Modern Age: Navigating New Challenges and Responsibilities,” which provided fathers and soon-to-be fathers with insights into the dynamics of modern parenting and balancing personal and professional life.

**Promoting Sustainability among employees**

Harbor Star is committed to fostering strong connections both within the workplace and in the wider community. During Maritime Week in September, the organization hosted informative webinars that educated employees on financial security and sustainable practices within the maritime industry. Participants engaged in discussions about innovative solutions for promoting sustainability, reinforcing the company's commitment to environmental responsibility.

In November, Harbor Star organized a fun trick-or-treat event for the children of employees. The emphasis on using sustainable materials for costumes and designs highlighted the organization's focus on environmental awareness while providing families an opportunity to bond and connect.

Closing the year, the annual Christmas party in December celebrated the dedication and achievements of employees, fostering unity and appreciation throughout the organization. These initiatives reflect Harbor Star's holistic approach to employee engagement, aligning with its mission and values while prioritizing a sustainable future.

Through targeted initiatives in training, recognition, health, and community engagement, Harbor Star continues to enhance employee morale and foster a supportive environment, driving both individual and collective success toward sustainability.

**Employee Management**

<b>Employee Data (401-1)</b>		
Disclosure	Quantity	Units
Total number of employees	631	
a. Number of female employees	65	#
b. Number of male employees	566	#
Attrition rate	16.67	%

<b>Employee Benefits (401-2)</b>			
Disclosure	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	34%	13%
PhilHealth	Y	12%	6%
Pag-ibig	Y	29%	27%
Parental leaves	Y	0%	0%
Vacation leaves	Y	94%	59%
Sick leaves	Y	62%	12%
Medical benefits (aside from PhilHealth)	Y	936 availment	
Housing assistance (aside from Pag- ibig)	N		
Retirement fund (aside from SSS)	Y	0%	.475%
Further education support	Y	2%	0.2%
Company stock options	Y	0%	0%
Telecommuting	Y	45%	10%
Flexible-working Hours	Y	100%	20%

<b>Employee Training and Development (404-1)</b>		
Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	1690	Hours
b. Male employees	8670	Hours
Average training hours provided to employees		
a. Female employees	26	Hours/employee
b. Male employees	15	Hours/employee

<b>Diversity and Equal Opportunity (405-1)</b>		
Disclosure	Quantity	Units
% of female workers in the workforce	10%	%
% of male workers in the workforce	90%	%
Number of employees from indigenous communities and/or vulnerable sector*	37 - Single Parents but no solo parent IDs; 1 HIV	

<b>Relationship with Community</b>					
Significant Impacts on Local Communities (413-1)					
Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Mangrove Planting	Brgy. Banoyo, San Luis Batangas	Elderly	N	None	Conserves marine resources and protects people living in coastal areas against natural hazards

# SAILING TOWARDS A GREENER FUTURE: HARBOR STAR'S ONGOING SUSTAINABILITY JOURNEY

At Harbor Star, environmental responsibility remains a core value woven into every operation. This year, the commitment to protecting our planet and addressing climate change continues to fuel meaningful action. Here's how Harbor Star is staying the course in driving sustainability:

## Bright Ideas, Greener Impact: Energy Optimization in Action

Harbor Star's facilities continue to serve as models of sustainable practice. The shift to LED lighting in office spaces—initiated last year—remains a key highlight of our energy-saving journey. By replacing traditional lighting with more efficient alternatives, we've successfully reduced energy usage while creating brighter, more productive workspaces. It's a small change with a lasting impact.

## Safe and Sustainable: Prioritizing Employee Well-being

While enhancing our energy conservation efforts, Harbor Star also ensures that the well-being of our employees remains a top priority. Work Environment Monitoring was conducted to assess air quality, lighting levels, noise, and overall workplace conditions. This proactive step guarantees that improvements in energy efficiency also support a safe, healthy, and comfortable environment for all team members.

## Tracking Emissions with Purpose

Through the Energy Conservation Committee (ENERCON), Harbor Star rigorously monitors carbon dioxide (CO2) emissions. While the current emission levels per tugboat movement have held steady compared to last year, our target remains firm: a 3% reduction. This consistency underscores our ongoing commitment and sets the stage for future improvements—because sustainability is not just a destination, but a journey.

## Innovating for Impact: Low-Carbon Solutions

We continue to advance our environmental goals with innovative initiatives that directly reduce our carbon footprint:

- Shoreline Power Connection allows vessels to plug into shore power while docked, cutting down on idle emissions.
- Tug-to-Tug Power Sharing introduces an efficient system where tugboats share power, lowering overall fuel use.
- Solar Integration sees solar panels installed on three fleets, leveraging renewable energy to drive daily operations.

At Harbor Star, going green isn't just about reducing our footprint—it's about optimizing performance, ensuring the safety of our people, and leading by example. By continuing to embrace sustainable practices, we reaffirm our role as stewards of the sea and champions of a healthier tomorrow.

## Resource Management

<b>Energy consumption within the organization (302-1)</b>		
<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Energy consumption (diesel)	370,709	GJ
Energy consumption (electricity)	350,851	kWh

<b>Water consumption within the organization (303-3, 303-5)</b>		
<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Water withdrawal	0	cum
Water consumption	38,225.57	cum
Water recycled and reused	0	cum

<b>Hazardous Waste (306-4)</b>		
<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total weight of hazardous waste generated	14,750	kg
Total weight of hazardous waste transported	14,750	kg

<b>Air Emissions : GHG (305-1, 305-2,305-6)</b>		
<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Direct (Scope 1) GHG Emissions	26,506	Tonnes
Energy indirect (Scope 2) GHG Emissions	229	Tonnes
Indirect (Scope 3) GHG Emissions	0	Tonnes

## **SUCCESSFUL CARGO REMOVAL OPERATION FOR MT TERRANOVA: AVERTING ENVIRONMENTAL DISASTER**

On July 25, 2024, Harbor Star launched a critical emergency response when MT Terranova capsized off the coast of Limay, Bataan while carrying 1,468,896 liters of industrial fuel oil. The vessel lost stability, listed to starboard, and sank within hours—settling on a muddy seabed at a depth of 33 meters, which posed significant challenges for recovery.



*Oil leaking from the Pressure Valve*

### **Immediate Action: Oil Removal Using Hot Tap Technology**

Upon activation, Harbor Star swiftly mobilized its oil spill response and salvage teams. A hot tap method was employed to access the submerged cargo tanks—located 34 meters underwater—allowing for safe and efficient oil extraction. This method involved precision drilling through the tank walls to create suction points, overcoming complications such as obstructive piping and welded seams.

The operation required seamless coordination between Harbor Star’s surface team and divers, ensuring the optimal positioning of suction points and safe handling of equipment in a complex underwater environment.



*Hot Tap Connection*



*Installed Capping Bags*

### Cargo Recovery Results

By September 13, 2024, Harbor Star had successfully extracted 1,404,182 liters of oil from the sunken vessel. An additional 17,139 liters were collected from the water surface, bringing the total recovered volume to 1,421,321 liters, or 97% of the vessel's declared cargo. The remaining 3%—approximately 47,575 liters—was lost due to natural biodegradation, dissipation, and absorption into sorbent booms and marine debris.



*Transfer of siphoned oil from the tank of MT Terranova to the receiving tanker, MT Helen Marie*

### Surface Response and Environmental Protection

In parallel with the cargo removal, Harbor Star coordinated surface response operations with Malayan Towage, which deployed containment and recovery equipment to address oil on the water. Harbor Star utilized its Current Buster 4 system to efficiently collect oil from the sea surface, preventing further environmental spread.

Oil-contaminated solid waste was also removed from the shorelines of Bulacan and Cavite, resulting in the collection of 17,725 kilograms of oily waste—further minimizing environmental impact.



*Harbor Star's Surface Response using the Current Buster 4*

### Final Inspection and Validation

On September 12, 2024, a final inspection was conducted with representatives from the Philippine Coast Guard, vessel owner, and local government unit. During this review:

- All recovered oil was transferred from the four cargo tanks into Intermediate Bulk Containers (IBCs) that mimicked the tank configuration.
- Less than 5% residual oil remained within each tank's mixture, with no further leakage detected.
- There was no oil migration to adjacent tanks that were not covered in mud.



*Final inspection with the Philippine Coast Guard, LGU, and vessel owner*

## Safeguarding the Seas: Harbor Star’s Sustainable Response

Despite extreme challenges—deepwater recovery at 34 meters, limited dive time, and structural constraints—Harbor Star’s timely and well-executed response averted a major environmental disaster. By recovering 97% of the cargo, the operation prevented widespread marine contamination and showcased Harbor Star’s capability in sustainable maritime emergency response.

This mission reaffirms Harbor Star’s leadership in oil spill management and marine salvage, and more importantly, its unwavering commitment to environmental protection and sustainability.

## HARBOR STAR RESPONDS TO LAND-BASED OIL SPILL IN LAGUNA: A COMMITMENT TO COMMUNITY AND THE ENVIRONMENT

In a significant expansion of its environmental response capability, Harbor Star took on its first land-based oil spill response operation following a fire incident in San Pedro, Laguna—marking a milestone in the company’s commitment to protecting not only coastal waters but also inland ecosystems and local communities.

On January 28, 2025, Harbor Star received an emergency call from one of its suppliers whose warehouse had been severely affected by a fire. The incident caused a significant volume of oil and chemical runoff to spill into the nearby San Isidro River, threatening to reach Laguna de Bay—one of the country’s most critical freshwater resources.

Recognizing the gravity of the situation, Harbor Star immediately mobilized a response team to contain and recover the spilled material. The operation ran until March 12, 2025, involving meticulous containment strategies, deployment of absorbent booms, skimming equipment, and manual collection efforts in difficult terrain.

Despite the relatively small scope of the project compared to Harbor Star’s usual large-scale marine operations, the company chose to act—**not for profit, but for purpose**. Fully aware of the potential ecological and public health impacts if the contaminants reached Laguna de Bay, Harbor Star committed its expertise, resources, and personnel to prevent further environmental degradation.



BEFORE



AFTER



BEFORE



AFTER

### Results of the Operation:

- 1,917,860 liters of liquid waste recovered
- 87,315 kilograms of oil-contaminated solid waste collected and properly disposed

This successful response highlights Harbor Star’s versatility and willingness to go beyond expectations in service of environmental protection. More importantly, it reinforces the company’s role as a responsible corporate citizen—one that values not just maritime safety, but also the health and well-being of communities and ecosystems beyond the shoreline.

Through this mission, Harbor Star has once again demonstrated that sustainability is not about the size of the project—it’s about the scale of the impact we prevent.

## PRIORITIZING SAFETY, HEALTH, AND WELL-BEING IN THE WORKPLACE

At Harbor Star, workplace safety and employee well-being form the foundation of our sustainability journey. Our people are at the heart of our operations, and we are committed to creating a safe, healthy, and empowering work environment—both at sea and onshore.

### BUILDING A CULTURE OF SAFETY AND READINESS AT HARBOR STAR

At Harbor Star, safety and preparedness are at the core of our values. To continuously improve and strengthen our safety culture, we have rolled out several key programs designed to ensure the well-being of our workforce, enhance operational readiness, and promote proactive risk management.

#### *Happiness Index Survey: Understanding Workforce Satisfaction*

To better understand the needs and well-being of our workforce, we launched the Happiness Index Survey, a tool that measures employee satisfaction across work-life balance, safety, and management support. The results revealed a score of 3.79 out of 5 for onboard crew members and 4.35 out of 5 for office employees. These insights are instrumental in guiding our efforts to improve communication, mental wellness initiatives, and overall safety culture within the organization



#### *Ka-MOSH-tahan: Strengthening Collective Safety Awareness*

Our Ka-MOSH-tahan (Biannual General Safety Assembly Meeting) has become a cornerstone of our safety initiatives. This event brings together all employees to review safety performance, discuss industry trends, and share best practices. Through interactive safety activities and open discussions, Ka-MOSH-tahan fosters a sense of collective responsibility and ownership, reinforcing our company-wide commitment to maintaining a safe and healthy workplace.

#### *Snap Back Zone Marking Project: Preventing Mooring Hazards*

In recognition of the inherent risks of mooring and towing operations, we implemented the Snap Back Zone Marking Project across our fleet. This initiative involved clearly marking high-risk zones on deck to raise awareness of dangerous areas, specifically to prevent line snap-back injuries—one of the most severe hazards faced during tugboat operations. This simple yet effective measure has helped to improve crew awareness, making it easier for our teams to navigate high-risk areas safely.



## **Emergency Response Training (ERT) and Safety Programs: Empowering Teams for Quick Action**

As part of our emergency preparedness strategy, we conducted specialized Emergency Response Training (ERT) for designated response teams to sharpen their skills in handling critical incidents. In addition to this, Harbor Star conducted 1-week IMO Level 1 Oil Spill Response training accredited by the Nautical Institute. The training, in collaboration with LAMOR, consisted of both classroom sessions and hands-on activities, including deployment of oil spill equipment in Subic Bay and a shoreline survey with SCAT (Shoreline Cleanup Assessment Technique) in Manila Bay. These programs ensure that our teams are well-equipped with the latest knowledge and skills to manage oil spill incidents and other environmental emergencies effectively. Furthermore, we also provided Occupational Safety and Basic Life Support (BLS) training to equip all employees with the skills necessary to manage workplace accidents and medical emergencies. These programs ensure that every team member is ready to act decisively and efficiently when lives and safety are at stake.



Basic Life Support Training (BLS)



IMO Level 1 | Oil Spill Response Training

## **Harbor Star Drill Olympics: Enhancing Emergency Preparedness**

The Harbor Star Olympics (Safety Towards Adaptability & Readiness) was organized as a company-wide emergency preparedness drill, where all tugboats actively participated in critical emergency response scenarios. These included fire drills, man-overboard rescues, and abandon-ship procedures—all designed to enhance crew readiness and coordination during high-risk situations. The drill reinforced our commitment to maritime safety protocols, ensuring our teams are always prepared to respond to emergencies effectively and efficiently.



## Fit@Work: Strengthening Health and Wellness at Harbor Star

In 2024, Harbor Star launched the Fit@Work Program, a comprehensive initiative that champions employee well-being as a core component of our sustainability strategy. Through a combination of fitness activities, health programs, and improved living conditions, Fit@Work reflects our commitment to cultivating a healthier, happier, and more resilient workforce.

### Virtual Fun Run: Promoting Active Lifestyles

To encourage physical activity and build a culture of wellness, we introduced the Virtual Fun Run, where both crew and office employees challenged themselves to complete 100 kilometers using the Strava app. The initiative fostered friendly competition, teamwork, and highlighted the importance of maintaining an active lifestyle—even in a demanding work environment.



### TugFit: Supporting Rest and Recovery at Sea

Recognizing the crucial role of rest in the well-being of our seafarers, the TugFit initiative focused on upgrading onboard accommodations. New beds and linens were provided to our tugboats operating in Luzon, Visayas and Mindanao, ensuring that our crew members enjoy improved comfort, better sleep quality, and enhanced recovery while on duty.



### Blood Donation Program: Giving Back and Saving Lives

In line with our health advocacy and corporate social responsibility, Harbor Star conducted a Blood Donation Program to support local healthcare institutions and encourage a spirit of volunteerism. With 49 volunteers, 18 successful donors, and a total of 8,100 cc/ml of blood collected, the program exemplified the compassion and civic duty embedded in our company culture.



### Annual Physical Examination: Prioritizing Preventive Health

A cornerstone of our Fit@Work campaign is the Annual Physical Examination (APE), conducted across all departments. The APE allows us to monitor the health of our workforce, identify potential health risks early, and provide timely medical support. By ensuring our employees remain fit for duty, we not only safeguard their well-being but also enhance overall operational reliability.

Together, these Fit@Work programs underscore Harbor Star's commitment to employee health, safety, and sustainability. By investing in our people, we lay the foundation for a workplace that is not only compliant and productive—but thriving, empowered, and future-ready.

Workplace Conditions, Labor Standards, and Human Rights		
Occupational Health and Safety (403-9)		
Disclosure	Quantity	Units
Safe Man-Hours	15,938,796	Man-hours
No. of work-related injuries	2	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	1989	#

## SUSTAINING EXCELLENCE THROUGH STANDARDS, SAFETY, AND STEWARDSHIP

At Harbor Star, the commitment to excellence goes beyond meeting industry expectations—it's about setting the bar higher. Driven by a passion for quality service, operational safety, and environmental responsibility, the company continues to earn its reputation as a trusted leader in the maritime industry, both locally and globally.

A cornerstone of this commitment is the ongoing retention of internationally recognized certifications. Harbor Star proudly upholds:

- ISO 9001:2015 – Quality Management
- ISO 14001:2015 – Environmental Management
- ISO 45001:2018 – Occupational Health & Safety Management

These certifications are more than just accolades—they reflect a culture of continuous improvement, process evaluation, and alignment with global standards. Further solidifying this commitment is the attainment of the Integrated Management System (IMS) Certification from DNV, demonstrating Harbor Star's dedication to excellence across every dimension of its operations.

Harbor Star's proactive approach to compliance and responsibility is also evident in its clean record of Occupational Health & Safety compliance, with no violations or pending environmental cases—a testament to its robust systems and genuine concern for people and the planet.

Looking ahead, Harbor Star remains future-focused. As the industry advances in safety, sustainability, and innovation, the company is investing in its most valuable asset: its people. Through continuous learning and capability-building programs, Harbor Star ensures its workforce is empowered to lead, innovate, and elevate industry standards.

At Harbor Star, sustainability isn't just about protecting the environment—it's about nurturing a culture of excellence, safety, and integrity. With every operation, the company reaffirms its commitment to being a responsible maritime leader in a rapidly evolving world. Highest standards of quality, safety, and environmental responsibility, serving as a beacon of industry leadership and innovation.



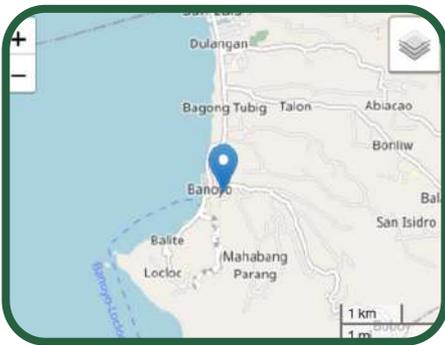


# SUSTAINABLE DEVELOPMENT GOALS

In 2024, Harbor Star embarked on an inspiring journey to build our relationship with the communities we serve through a diverse activities of impactful Corporate Social Responsibility (CSR) initiatives. We truly believe that our business success is connected with the well-being of the community, leading us to prioritize meaningful engagement as a cornerstone of our mission.

## Dedication to Environmental Stewardship

Harbor Star is dedicated to sustainability, with notable efforts in Barangay Banoyo, San Luis, Batangas. This year, the organization added 1,000 mangrove propagules to the area. This project helps prevent coastal erosion and provides habitats for marine species. It also brings together employees and local residents, creating a sense of shared responsibility for the environment. Harbor Star showed its commitment to “malasakit” when employees donated relief goods to families affected by Typhoon Kristine.



The Adopt-a-Mangrove Program is an important part of Harbor Star's work. Over the past 12 years, Harbor Star has planted 15,000 mangrove propagules. This initiative involves community volunteers, schools, and government agencies, increasing the impact of their efforts. Together, they are restoring the environment and strengthening community connections.

Another key part of Harbor Star's environmental strategy is the creation of artificial coral reefs in Barangay Ligo, Sitio Locloc, in the San Luis Marine Sanctuary. This project aims to restore marine ecosystems and support local biodiversity. By building these reefs, Harbor Star helps marine life and supports the recovery of fish populations. These artificial reefs provide homes for marine creatures and benefit local fisheries.

Additionally, Harbor Star participates in the International Coastal Cleanup in Manila Bay and Iloilo, reinforcing its commitment to environmental stewardship.

## Fostering Community Health Through Strategic Partnerships

Harbor Star understands that strong partnerships with government entities improve outreach and impact. The organization has worked closely with the Coast Guard District Southeastern Mindanao (CGDSEM) to enhance efforts in the Visayas-Mindanao (VisMin) region. The Davao branch has supported CGDSEM in important community health programs that show their commitment to social responsibility. On April 6, 2024, Harbor Star joined a comprehensive outreach in Barangay Matina Biao, Tugbok, Davao City, providing essential medical consultations, dental care, and a feeding program for about 150 beneficiaries.



In partnership with CGDSEM, the Nursing Service Sub-Unit, Dental Station, Medical Clinic, and various local partners—including the Matina Biao Barangay Council and the Philippine Navy—Harbor Star helped ensure community members received vital health services. Harbor Star sponsored chicken meals to the participants and volunteers, reflecting its commitment to improving quality of life alongside environmental initiatives.

## Empowering Communities Through Education

In addition to our environmental and health endeavors, our commitment to education remains central to our CSR narrative. Empowering individuals through knowledge is vital for fostering resilient communities. In 2024, San Luis Batangas, we rolled out workshops aimed at equipping Barangay Banoyo elementary and high school students with emergency preparedness and essential safety skills, ensuring they are well-prepared for future challenges. Our livelihood seminars for women have also proven transformative, teaching participants how to produce practical goods like detergents and soaps, enabling them to start their small businesses. This initiative has supported their economic stability and instilled confidence and pride within the community.

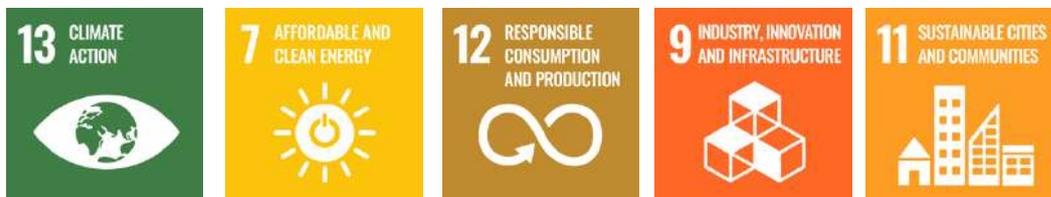


The Brigada Eskwela program launched in Bangkal, Makati, shows Harbor Star's dedication to supporting education. Through this initiative, the employees painted classrooms, installed handwashing stations at Bangkal High School and distributed essential school supplies. These efforts are designed to promote hygiene, create a safe learning environment, and encourage students to feel prepared for their studies. Furthermore, community collaboration continues to be a vital aspect of Harbor Star's approach, as partnerships with local residents and organizations strengthen the impact of such programs.



## Advancing Renewable Energy through Solar Power

Harbor Star continues to strengthen its commitment to environmental sustainability through investments in clean and renewable energy. One of its key initiatives is the operation of a solar power plant under Harbor Star Energy Corporation (HSEC), which harnesses sunlight through photovoltaic panels to generate clean electricity.



As of December 31, 2024, the solar power plant has produced a total of 39,694,564 kilowatt-hours (kWh) of renewable energy. All electricity generated is supplied to the Wholesale Electricity Spot Market (WESM), helping power the grid with low-carbon, sustainable energy. This initiative directly supports the energy needs of WESM, contributing to its contracted capacity and improving power reliability in the region.

By generating electricity without burning fossil fuels, HSEC's solar facility significantly reduces greenhouse gas emissions, making it a key contributor to the country's low-carbon energy transition. The solar farm's output not only helps meet the increasing energy demands in General Santos City and surrounding areas, but also plays a vital role in promoting energy security and environmental protection.

Harbor Star's strategic investment in Advanced Green Energy Development, Inc. (ADGI) reflects the company's long-term vision for sustainability. Through its involvement in renewable energy, Harbor Star is actively supporting the national push for greener alternatives while aligning its operations with global climate goals. The initiative also demonstrates the company's ability to balance economic growth with environmental responsibility—delivering positive impacts to both the community and shareholder value.

The success of Harbor Star Energy's solar power farm stands as a testament to the organization's pursuit of responsible energy production, climate action, and sustainable development.

### Reflecting on Our Achievements

As we reflect on the progress of our CSR initiatives, it is evident that Harbor Star's commitment to sustainability and community involvement has laid a strong foundation for enduring impact. We remain dedicated to nurturing relationships with local stakeholders, educational institutions, and community organizations, recognizing that open communication and collaboration are paramount for shared growth.

Our vision centers on igniting a culture of awareness among our employees and community members. By fostering these connections, we aim to empower future generations to champion sustainable practices, ensuring our legacy of environmental stewardship continues. Through collective action and the empowerment of communities, Harbor Star is actively shaping a hopeful future—one where our business flourishes alongside the communities we serve, and where our shared dedication to the planet and each other cultivates a prosperous tomorrow.

In essence, our CSR activities embody our core values, our commitments, and our resolve to make a meaningful difference. Together, we are making concerted strides toward a sustainable future, addressing challenges one action at a time.

## GRI Content Index

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is presented and the references for Disclosures 102-40 to 10249 align with appropriate sections in the body of the report.

GRI Standard	Disclosure	Page Number(s), direct answers and/or URLs	Reason for Omission	
GRI 101: Foundation 2016				
General Disclosures				
GRI 102: General Disclosures 2016	<b>Organizational Profile</b>			
	102-1	Name of the organization	Page 2	
	102-2	Activities, brands, products, and services	Page 2	
	102-3	Location of headquarters	Page 2	
	102-4	Location of operations	Refer to 17-A Page 3: Business Development and Updates	
	102-5	Ownership and legal form	Refer to 17-A Page 19: Holder	
	102-6	Markets served	Refer to 17-A Pages 9-10 Market, Pages 11-13: Government Regulations and Licenses	
	102-7	Scale of the organization	Pages 5-6, Refer to 17-A Page 15-17 Properties, Page 19 Holder	
	102-8	Information on employees and other workers	Refer to 17-A Pages 13-14 Employee per Category	
	102-9	Supply chain	The company's key focus of the operation is providing maritime services. The company has a supplier/service provider accreditation process to ensure compliance with ISO standards and for sustainable development.	
	102-10	Significant changes to the organization and its supply chain		None to report
	102-11	Precautionary Principle or approach	Since the company is an IMS certified, we are using the ISO standards when planning our processes and projects balancing the three pillars of sustainability.	
	102-12	External initiative	See UN SDGs, Page 18-20	
	102-13	Membership of associations	<ol style="list-style-type: none"> <li>1. International Salvage Union (ISU)</li> <li>2. Employer Confederation of the Philippines (ECOP)</li> <li>3. Philippine Chamber of Commerce and Industry (PCCI)</li> <li>4. People Management Association of the Philippines (PMAP)</li> <li>5. Harbor Tugs Association of the Philippines (HTAP)</li> <li>6. Philippine Inter-island Shipping Association (PISA)</li> </ol>	
	<b>Strategy</b>			
102-14	Statement from senior decision-maker	Refer to Annual Report		

<b>Ethics and Integrity</b>			
102-16	Values, principles, standards, and norms of behavior	Page 2 Mission, Vision and Values	
<b>Governance</b>			
102-18	Governance structure	Refer to 17-A Pages 34-40 Item 9: Directors and Executive Officers of the Issuer	
<b>Stakeholder Engagement</b>			
102-40	List of stakeholder groups	Page 4	
102-41	Collective bargaining agreements		None to report
102-42	Identifying and selecting stakeholders	Page 4	
102-43	Approach to stakeholder engagement	Page 4	
102-44	Key topics and concerns raised	Page 4	
<b>Reporting Practice</b>			
102-45	Entities included in the consolidated financial statements	Parent and Subsidiaries	
102-46	Defining report content and topic Boundaries	Page 3	
102-47	List of material topics	Page 3	
102-48	Restatements of information		None to report
102-49	Changes in reporting		None to report
102-50	Reporting period	Page 1	
102-51	Date of most recent report	2023	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	Jay-R L. Castillo , QHSE Manager	
102-54	Claims of reporting in accordance with the GRI Standards	Page 1	
102-55	GRI Content Index		
102-56	External assurance		Not applicable
<b>MATERIAL TOPICS</b>			
<b>Economic Performance</b>			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	Page 3
	103-2	The management approach and its components	Pages 3-4, 11, Refer to 17-A Pages 14-15 Discussion on Risk; Page 10 Competition
	103-3	Evaluation of the management approach	Page 5, Refer to 17-A Pages 9-10 Market
<b>GRI 201: Economic Performance 2016</b>	201-1	Direct Economic Value Generated and Distributed	Page 5
<b>Environmental Performance</b>			
<b>Energy</b>			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	Page 3
	103-2	The management approach and its components	Pages 3, 4, 17
	103-3	Evaluation of the management approach	Page 10
<b>GRI 302: Energy 2016</b>	302-1	Energy consumption within the organization	Page 10
<b>Water</b>			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	Page 3
	103-2	The management approach and its components	Pages 3, 4, 17
	103-3	Evaluation of the management approach	Page 10
<b>GRI 303: Water 2016</b>	303-3	Water withdrawal	Page 10
<b>Emission</b>			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	Page 3
	103-2	The management approach and its components	Pages 3, 4, 17
	103-3	Evaluation of the management approach	Page 10
<b>GRI 305: Air Emissions 2016</b>	305-1	Direct (Scope 1) GHG Emissions	Page 11
	305-2	Energy indirect (Scope 2) GHG Emissions	Page 11
	305-3	Other indirect (Scope 3) GHG Emissions	Page 11
<b>Hazardous Wastes</b>			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	Page 3
	103-2	The management approach and its components	Pages 3, 4, 17
	103-3	Evaluation of the management approach	Page 10
<b>GRI 302: Waste 2016</b>	306-4	Hazardous Waste	Page 10

<b>Social Performance</b>				
<b>Employment</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 17	
	103-3	Evaluation of the management approach	Pages 7-8	
<b>GRI 401: Employment 2016</b>	401-1	Employee Data	Page 8	
	401-2	Employee Benefits	Page 8	
<b>Occupational Safety and Health</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 17	
	103-3	Evaluation of the management approach	Pages 14-16	
<b>GRI 403: Occupational Health and Safety</b>	403-9	Occupational Health and Safety	Page 17	
<b>Training and Education</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 17	
	103-3	Evaluation of the management approach	Pages 7	
<b>GRI 404 : Training and Education</b>	404-1	Employee Training and Development	Page 9	
<b>Diversity and Equal Opportunity</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 17	
	103-3	Evaluation of the management approach	Page 7-8	
<b>GRI 405: Diversity and Equal Opportunity</b>	405-1	Diversity and Equal Opportunity	Page 9	
<b>Local Communities</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 17	
	103-3	Evaluation of the management approach	Pages 11-14, 18-20	
<b>GRI 413 : Local Communities 2016</b>	413-1	Significant Impacts on Local Communities	Page 9	



# SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City  
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



**The following document has been received:**

**Receiving:** RICHMOND CARLOS AGTARAP

**Receipt Date and Time:** March 31, 2025 01:23:07 PM

## Company Information

---

**SEC Registration No.:** 0000152897

**Company Name:** HARBOR STAR SHIPPING SVCS. INC.

**Industry Classification:** I63200

**Company Type:** Stock Corporation

## Document Information

---

---

**Document ID:** OST10331202583133406

**Document Type:** SEC\_FORM\_17-L

**Document Code:** SEC\_Form\_17-L

**Period Covered:** December 31, 2024

**Submission Type:** As needed

**Remarks:** None

---

---

Acceptance of this document is subject to review of forms and contents



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-L

NOTIFICATION OF INABILITY TO FILE ALL OR ANY PORTION OF SEC FORM 17-A OR 17-Q

Check One:

Form 17-A  Form 17-Q

Period-Ended Date of required filing.... **For the Year Ended 31 December 2024/15 April 2025**

Date of this report..... 31 March 2025

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates:.....

1. SEC Identification Number ..... **152897** 2. BIR Tax Identification No. .... **201-128-653-000**

3. **HARBOR STAR SHIPPING SERVICES, INC.**  
Exact name of issuer as specified in its charter

4. **Philippines**  
Province, country or other jurisdiction of incorporation

5. Industry Classification Code:  (SEC Use Only)

6. **2224 A. Bonifacio St. corner President Osmeña Highway, Brgy. Bangkal, Makati City 1233**  
Address of principal office Postal Code

7. **(+632) 8886-3703**  
Issuer's telephone number, including area code

8. ....  
Former name, former address, and former fiscal year, if changed since last report.

9. Are any of the issuer's securities listed on a Stock Exchange?

Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**Philippine Stock Exchange**

**Common stock**

### Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense.

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth day following the prescribed due date.

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable.

### Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed.)

**The Company could not file the SEC Form 17-A ("Annual Report") for the Year Ended 31 December 2024 and its attachments, the Audited Financial Statements ("AFS") and ("Sustainability Report") on the prescribed deadline of 15 April 2025 due to the following factor:**

- 1. The Company's external Auditor, Isla Lipana & Co./PWC Philippines is still in the process of reviewing, consolidating, and finalizing the Financial Statement; of which some of the crucial contents of the 17-A and Sustainability Report were derived from.**

**Thus, the Company is constrained to defer the filing of the SEC 17-A to a later date, on or before the fifteen-day extension allowed by the SRC Rules.**

### Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification

**Dany Cleo B. Uson**  
Chief Financial Officer  
2224 A. Bonifacio corner Pres. Osmena Hi-way  
Bangkal, Makati City,  
Telephone number : 8886-3703  
Fax number : 8887-2103

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes  No  Reports: .....

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes  No

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

**SIGNATURE**

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**HARBOR STAR SHIPPING SERVICES, INC.**

Registrant's full name as contained in charter

A handwritten signature in black ink, appearing to read "Charlene O. Ang". The signature is written in a cursive style with a large initial "C" and a stylized "A".

**CHARLENE O. ANG**  
Corporate Secretary  
Signature and Title

Date: **31 March 2025**



# SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City  
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



**The following document has been received:**

**Receiving:** DONNA ENCARNADO

**Receipt Date and Time:** May 16, 2025 10:10:05 AM

## Company Information

---

**SEC Registration No.:** 0000152897

**Company Name:** HARBOR STAR SHIPPING SVCS. INC.

**Industry Classification:** I63200

**Company Type:** Stock Corporation

## Document Information

---

---

**Document ID:** OST10516202583346417

**Document Type:** Quarterly Report

**Document Code:** SEC\_Form\_17-Q

**Period Covered:** March 31, 2025

**Submission Type:** Original Filing

**Remarks:** None

---

---

Acceptance of this document is subject to review of forms and contents

**COVER SHEET**

**SEC Registration Number**

						1	5	2	8	9	7
--	--	--	--	--	--	---	---	---	---	---	---

**Company Name**

H	A	R	B	O	R		S	T	A	R		S	H	I	P	P	I	N	G		S	E	R	V	I	C	E	S	,
I	N	C	.		A	N	D		I	T	S		S	U	B	S	I	D	I	A	R	I	E	S					

**Principal Office (No./Street/Barangay/City/Town/Province)**

2	2	2	4		A		B	O	N	I	F	A	C	I	O		S	T	.	,		C	O	R	.			
P	R	E	S	.		S	E	R	G	I	O		O	S	M	E	Ñ	A		H	I	G	H	W	A	Y	,	
B	A	N	G	K	A	L	,		M	A	K	A	T	I		C	I	T	Y		1	2	3	3				
P	H	I	L	I	P	P	I	N	E	S																		

**Form Type**

1	7	-	Q
---	---	---	---

**Department requiring the report**

C	R	M	D
---	---	---	---

**Secondary License Type, if applicable**

N	A
---	---

**COMPANY INFORMATION**

**Company's Email Address**

info@harborstar.com.ph
------------------------

**Company's Telephone Number/s**

(+632) 8886-3703
------------------

**Mobile Number**

N/A
-----

**No. of Stockholders**

116
-----

**Annual Meeting Month/Day**

every last Wed. of May
------------------------

**Fiscal Year Month/Day**

12/31
-------

**CONTACT PERSON INFORMATION**

The designated contact person ***MUST*** be an Officer of the Corporation

**Name of Contact Person**

Dany Cleo B. Uson
-------------------

**Email Address**

dbuson@harborstar.com.ph
--------------------------

**Telephone Number/s**

(+632) 8886-3703
------------------

**Mobile Number**

N/A
-----

**Contact Person's Address**

2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway, Brgy. Bangkal, Makati City, 1233, Philippines
--

**Note:** In case of death, resignation, or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2025**
2. Commission identification number **152897**
3. BIR Tax Identification No. **201-128-653-000**
4. Exact name of issuer as specified in its charter **HARBOR STAR SHIPPING SERVICES INC.**
5. Province, country or other jurisdiction of incorporation or organization **Philippines**
6. Industry Classification Code: \_\_\_\_\_ | (SEC Use Only)
7. Address of issuer's principal office \_\_\_\_\_ Postal Code  
**2224 A. Bonifacio St., cor. Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233**
8. Issuer's telephone number, including area code **(+632)-8886-37-03**
9. Former name, former address and former fiscal year, if changed since last report  
\_\_\_\_\_
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b><u>Common</u></b>	<b>903,781,870</b>
<b><u>Treasury</u></b>	<b>13,271,000</b>

11. Are any or all of the securities listed on a Stock Exchange?  
Yes [] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange**

**Common stock**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No [ ]

(b) has been subject to such filing requirements in the past 90 days

Yes [] No [ ]

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The summary financial data as at and for the period ended March 31, 2025 are based on the interim unaudited financial statements as at and for the three months ended March 31, 2024 of Harbor Star Shipping Services, Inc. and its subsidiaries (the “Group”). The financial statements for the annual and interim period are prepared in accordance with Philippine Financial Reporting Standards (“PFRS”).

### Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

#### Results of Operations

	For the Three Months Ended		
	March 31, 2025 (Unaudited)	2024 (Unaudited)	% Change
Service income, net	634,087,210	548,738,698	15.55%
Cost of Services	451,436,990	410,686,818	9.92%
General and Admin. Expenses	95,500,881	92,527,146	3.21%
Other Charges, net	61,150,911	87,504,145	(9.28%)
Net Income (Loss) Before Income Tax	25,998,428	(21,880,621)	218.82%

#### **Service Income, Net**

The Group has posted total net service income of P634.09 million for the three-month period ended March 31 2025, or 15.55% higher than P548.74 million net service income posted in 2024 of the same period (Note 16).

#### **Cost of Services**

The Group’s total cost of services for the three-month period ended March 31 2025 has increased by 9.92% (P4.75 million) from P410.69 to P451.44 million incurred in March 2025 mainly due to fuel and lubricants, depreciation, personnel cost, insurance, supplies, transportation, port expense and others (Note 17).

#### **General and Administrative Expenses**

The Group’s general and administrative expenses as of first quarter of 2025 have increase by 3.21% (P2.97million) from P92.53million on March 31, 2024, to P95.5million on March 31, 2025 mainly due to depreciation, professional fees, supplies, personnel cost, transportation, taxes and license and others (Note 18).

#### **Other Charges, Net**

The other charges, net decrease of 9.28% (P6.25million) from P67.41 million on March 31, 2024 to P61.15 million on March 31, 2025 is mainly due to the interest expense on borrowings and loans.

### **Net Income (Loss) Before Tax**

The pre-tax net income of the Group has increased by 218.82% amounting to P47.88 million from net loss of P21.88 million on March 31, 2024 to net income of P26.0 million on March 31, 2025 mainly because there was oil spill response activity during the 1st quarter 2025.

### **Financial Condition**

	<b>As of March 31, 2025</b> (Unaudited)	<b>As of December 31, 2024</b> (Audited)
Total Assets	7,331,929,652	7,336,973,826
Total Liabilities	4,996,698,163	5,058,044,383
Total Equity	2,335,231,489	2,278,929,443

### **Cash and Cash Equivalent**

The account has decreased by 24.40% or (P93.4 million) from P383.03 million on December 31, 2024 to P289.59 million on March 31, 2025 mainly due to payment of the supplier from recurring activities and short-term borrowings for working capital requirements (Note 4).

### **Trade and Other Receivables, Net**

The account has decreased by 1.18% (P16.06million) from P1.35billion on December 31, 2024 to P1.34 billion on March 31, 2025 mainly due to trade receivable on operations (Note 5).

### **Prepayments and Other Current Assets**

The account has increased by 18.02% (P86.53million) from P480.21 million on December 31, 2024 to P566.74 million on March 31, 2025 mainly due increase in refundable deposits, input tax and other prepayments (Note 6).

### **Property and Equipment at Cost, Net**

The account has increased by 1.30% (P59.7 million) from P4.59 billion on December 31, 2024 to P4.6 billion on March 31, 2025 mainly due to depreciation of the assets (Note 9).

### **Trade and Other Payables**

The account has decreased by 3.72% (P45.59million) from P1.22billion on December 31, 2024 to P1.17 billion on March 31, 2025 mainly due to trade payables related to operations, advances from employees and payable to government agencies and others (Note 13).

### **Borrowings, Current Portion**

The account has decreased by 5.24% (P49.16 million) from P938.34 million on December 31, 2024 to P889.18 million on March 31, 2025 due to payment of borrowings (Note 14).

### **Lease Liabilities, Current Portion**

The account decreased by 18.91% (P1.37 million) from P7.25 million on December 31, 2024 to P5.88 million on March 31, 2025 mainly due to repayment of lease amortization (Note 14).

### **Borrowings, net of current portion**

The account has increased by 0.39% (P9.2million) from P2.37million on December 31, 2024 to P2.38million on March 31 2025 (Note 14).

### **Retained earnings (Deficit)**

The account has a surplus of P24.78 million, from P344.45million in December 2024 to P369.23 million in March 2025.

### **Discussion and Analysis of Material Events and Uncertainties**

As at and for the periods ended March 31, 2025, and December 31, 2024:

- There are no other material changes in the Group's financial position (changes of 5.00% or more) and condition that will warrant a more detailed discussion.
- The Group is not aware of any known trends, or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.
- The Group is not aware of any event that would trigger a direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations, and other relationships of the Group with unconsolidated entities or other persons created during the period were considered.
- There are no known trends, events, or uncertainties that have had or that are reasonably expected to have materially favorable or unfavorable impact on net revenues or income from continuing operations.
- The Group is not aware of any significant elements of income and loss that did not arise from the Group's continuing operations.
- The Group is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

### **Comparative Key Performance Indicators**

The Group uses the following financial metrics to assess its performance from period to period.

<b>Financial Soundness Indicator</b>	<b>March 31 2025</b> (Unaudited)	<b>March 31 2024</b> (Unaudited)	<b>December 31 2024</b> (Audited)	<b>December 31 2023</b> (Audited)
Current Ratio	1.03:1	1.55:1	1.00:1	1.53:1
Quick Ratio	0.77:1	1.26:1	0.78:1	1.24:1
Debt-to-Equity Ratio	2.14:1	2.47:1	2.22:1	2.22:1
Asset-to-Equity Ratio	3.14:1	3.49:1	3.22:1	3.43:1
Interest Coverage Ratio	1.42	0:70	2.26	1.22
Net Profit Margin Ratio	3.91%	3.99%	6.20%	3.92%
Gross Profit Margin Ratio	28.81%	25.16%	29.20%	(18.7%)

### **Financial Risk Management Objectives and Policies**

Please refer to Note 22 of the notes to the consolidated financial statements.

## PART II – OTHER INFORMATION

There are no disclosures not reported under SEC Form 17-C.

### SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **HARBOR STAR SHIPPING SERVICES, INC.**



---

**GERONIMO P. BELLA JR.**  
Chairman and President

Date signed: 15 May 2025



---

**DANY CLEO B. USÓN**  
Chief Financial Officer

Date signed: 15 May 2025

**HARBOR STAR SHIPPING SERVICES, INC. AND ITS SUBSIDIARIES**  
**17Q Unaudited Financial Statements with**  
**Supplemental Schedules for the**  
**Securities and Exchange Commission**  
**March 31 2025**

TABLE OF CONTENTS

Consolidated statements of financial position

Consolidated statements of total comprehensive Income

Consolidated statements of changes in equity

Consolidated statements of cash flows

Notes to the consolidated financial statements

Supplementary Schedules	Remarks
Financial Assets	Schedule A
Amounts Receivable from Directors, Officers, Employees, Related Parties	Schedule B
Amounts Receivable from Related Parties which are Eliminated During the consolidation of financial statements	Schedule C
Long-term Debt	Schedule D
Indebtedness to Related Parties (Long-term Loans from Related Companies)	Schedule E
Guarantees of Securities of Other Issuers	Schedule F
Share Capital	Schedule G

A Map Showing the Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-Subsidiaries and Associates

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration

Aging of Trade and Other Receivables, net

## Harbor Star Shipping Services, Inc. and Subsidiaries

### Consolidated Statements of Financial Position (All amounts in Philippine Peso)

		March 31, 2025 Unaudited	December 31, 2024 Audited
	Notes	Consolidated	Consolidated
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	289,588,607	383,033,395
Trade and other receivables, net	5	1,341,178,688	1,357,237,750
Advances to related parties		-	-
Prepayments and other current assets	6	566,736,923	480,205,306
Total current assets		2,197,504,219	2,220,476,451
<b>Non-current assets</b>			
Property and equipment at revalued amounts, net	8	4,211,745,606	2,680,908,288
Property and equipment at cost, net	9	445,010,255	1,916,137,010
Right-of-use asset, net		38,853,061	39,062,622
Computer software, net	10	10,250,741	8,556,758
Investment properties	11	73,267,660	69,983,207
Investment in subsidiaries and associate	7	110,078,254	147,460,440
Other non-current assets, net	12	245,219,857	254,389,050
Total non-current assets		5,134,425,433	5,116,497,375
<b>Total assets</b>		<b>7,331,929,652</b>	<b>7,336,973,826</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	13	1,178,829,182	1,224,417,978
Short-term loans	14	-	-
Borrowings, current portion	14	889,179,255	938,338,867
Lease liability, current	14	5,882,074	7,253,871
Advances from related parties	20	22,785,682	17,725,458
Income tax payable		33,900,068	35,967,073
Total current liabilities		2,130,576,261	2,223,703,247
<b>Non-current liabilities</b>			
Non-current portion of trade payable	13	9,298,942	9,298,942
Borrowings, net of current portion	14	2,380,440,091	2,371,207,544
Lease liability, non-current	14	39,208,159	38,966,037
Deferred income tax liabilities, net		259,139,882	236,833,784
Retirement benefit obligation		178,034,828	178,034,828
Total non-current liabilities		2,866,121,902	2,834,341,136
Total liabilities		4,996,698,163	5,058,044,383
<b>Equity</b>			
Share capital	15	907,857,870	907,857,870
Additional paid-in-capital		121,632,762	121,632,762
Revaluation surplus, net of tax	8	948,829,194	948,829,194
Cumulative translation difference		(6,068,601)	(6,068,601)
Fair value reserve on available-for-sale financial assets		(160,000)	(160,000)
Treasury stock	15	(37,614,990)	(37,614,990)
Retained earnings		369,232,427	248,064,613
Total equity		2,027,416,933	2,182,540,848
Non-controlling interest		31,522,827	96,388,595
Total equity		2,335,231,489	2,278,929,443
<b>Total liabilities and equity</b>		<b>7,331,929,652</b>	<b>7,336,973,827</b>

## Harbor Star Shipping Services, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income- Unaudited  
(All amounts in Philippine Peso)

	Notes	2025	2024
Service income, net	16	634,087,210	548,738,698
Cost of services	<u>17</u>	(451,436,990)	(410,686,818)
<b>Gross profit/(loss)</b>		182,650,220	138,051,880
General and administrative expenses		(95,500,881)	(92,527,146)
Other income, net		1,006,881	1,164,170
<b>Operating profit/(loss)</b>		88,156,220	46,688,904
<b>Finance cost</b>			
Interest expense		(61,214,787)	(66,859,392)
Foreign exchange gains (losses), net		(943,005)	71,699
		(62,157,792)	(66,787,693)
<b>Profit before income tax</b>		25,998,428	(20,098,790)
Income tax expense	<u>21</u>	(1,219,209)	(1,781,832)
<b>Profit for the year</b>		24,779,219	(21,880,621)
Profit (loss) attributable to:			
Owners of the parent		23,684,242	(21,880,621)
Non-controlling interest		1,094,977	
		24,779,219	(21,880,621)
<b>Earnings per share</b>			
Basic and diluted	<u>15</u>	0.03	(0.02)

## Harbor Star Shipping Services, Inc. and its Subsidiaries

Consolidated Statements of Changes in Equity - Unaudited  
For the Three Months Ended March 31, 2025 and 2024  
(All amounts in Philippine Peso)

	Share capital	Treasury Stock	Additional paid in capital	Revaluation surplus	Cumulative translation differences	Fair value reserve on available- for-sale financial assets	Retained earnings	Total	Non- controlling interest	Total equity
Balances at January 1, 2025	907,857,870	(37,614,990)	121,632,762	948,829,193	(6,068,601)	(160,000)	248,064,613	2,182,540,847	98,388,595	2,278,929,442
Net income for the period	-	-	-	-	-	-	24,779,219	24,779,219	-	24,779,219
Depreciation transfer of revaluation surplus	-	-	-	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	31,522,827	31,522,827	-	31,522,827
<b>Balances at March 31, 2025</b>	<b>907,857,870</b>	<b>(37,614,990)</b>	<b>121,632,762</b>	<b>948,829,193</b>	<b>(6,068,601)</b>	<b>(160,000)</b>	<b>304,366,659</b>	<b>2,238,842,893</b>	<b>98,388,595</b>	<b>2,335,231,489</b>
Balances at January 1, 2024	907,857,870	(37,614,990)	121,660,272	1,034,833,336	(3,404,695)	(160,000)	(7,689,496)	1,742,384,778	28,981,703	1,771,366,481
Net income for the period	-	-	-	-	-	-	(21,880,621)	49,237,680	813,479	50,051,158
Depreciation transfer of revaluation surplus	-	-	-	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	38,942,489	69,152,989	(523,484)	68,629,505
<b>Balances at March 31, 2024</b>	<b>907,857,870</b>	<b>(37,614,990)</b>	<b>121,660,272</b>	<b>1,034,833,336</b>	<b>(3,404,695)</b>	<b>(160,000)</b>	<b>110,701,172</b>	<b>1,880,347,142</b>	<b>29,271,698</b>	<b>1,889,618,840</b>

*See accompanying Notes to Financial Statements*

## Harbor Star Shipping Services, Inc. and its Subsidiaries

Consolidated Statements of Cash Flows - Unaudited  
For the Three Months Ended March 31, 2025 and 2024  
(All amounts in Philippine Peso)

	Notes	Six Months Ended March 31	
		2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax		25,998,428	51,971,239
Adjustments for:			
Depreciation and amortization	17, 18	159,409,985	122,858,520
Interest expense		61,214,787	67,560,893
Bad debts		-	-
Unrealized foreign exchange loss(gain) - net	18	-	215,331
Interest income		(2,2068)	(313,059)
Operating income before working capital changes		246,601,132	242,292,923
Decrease (increase) in:			
Trade and other receivables	5	14,815,275	(117,013,871)
Prepayments and other current assets	6	(100,915,659)	(74,673,016)
Increase (decrease) in trade and other payables	13	(35,461,193)	222,034,823
Net cash generated from operations		125,039,554	272,640,859
Retirement obligation paid		-	-
Interest paid		(61,214,787)	(67,560,893)
Income taxes paid		-	(222,419)
Interest received		22,068	313,059
<b>Net cash flows from (used in) operating activities</b>		<b>63,84,835</b>	<b>205,170,607</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Property and equipment	8, 9	(113,893,538)	(61,894,131)
Intangible asset		(2,222,368)	(227,652)
Investment Property		(3,284,453)	-
Decrease (increase) in:			
Investment in an Associate		-	-
Advances to related parties	20	(52,425,377)	(976,005)
Other noncurrent assets	12	(3,284,453)	911,040
<b>Net cash flows from (used in) investing activities</b>		<b>(171,825,736)</b>	<b>(62,186,747)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of:			
Interest-bearing loans and borrowings	14	(49,286,045)	(46,122,389)
Lease liabilities	14	(1,129,675)	(863,946)
Increase (decrease) in advances from related parties	20	64,767,398	(44,547,033)
<b>Net cash flows from (used in) financing activities</b>		<b>14,351,677</b>	<b>(91,533,367)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES IN CASH</b>		<b>182,437</b>	<b>(441,308)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>4</b>	<b>(93,444,787)</b>	<b>51,009,184</b>
<b>CASH AT BEGINNING OF THE PERIOD</b>	<b>4</b>	<b>383,033,395</b>	<b>263,219,080</b>
<b>CASH AT END OF THE PERIOD</b>	<b>4</b>	<b>289,588,607</b>	<b>314,228,265</b>

# **HARBOR STAR SHIPPING SERVICES, INC. AND ITS SUBSIDIARIES**

---

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

### **1. Business Information**

#### **1.1 General Information**

Harbor Star Shipping Services, Inc. (the "Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission ("SEC") on July 5, 1988, primarily to engage in harbor assistance (docking and undocking), ship salvage, towage/lighterage and specialized cargo handling operations and other marine services.

In July 2012, the Parent Company commenced activities for an initial public offering ("IPO") of its common shares in the Philippines. On October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the Parent Company completed its listing in the Philippine Stock Exchange ("PSE") and became a public company. The Parent Company did not have any follow-on offering subsequent to its initial public offering.

As a public Company, the Parent Company is covered by Part I Section 2A(i) of the Securities Regulation Code (SRC) Rule 68, as amended on October 20, 2011 and also covered by additional requirements under SRC Rule 68, as amended, Part II.

As at June 30, 2023, the Parent Company has 114 shareholders, 117 of which holds at least 100 common shares (2020 - 110). The Parent Company's major shareholders are its own directors holding 68.93% of its total issued shares and the remaining 31.07% of total issued shares as at June, 2023 and 2022 and are held by the public.

The Group's registered office, which is also its principal place of business, is located at 2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233, Philippines.

#### **1.2 Significant Developments**

Acquisition of Astronergy Development Gensan Inc. (ADGI);  
Astronergy Development F1 Inc. (ADF1) and Astronergy Development F2 Inc. (ADF2)

On October 6, 2017, the Parent Company's BOD resolved to acquire 60% shareholdings of ADGI, an entity engaged in power generation through renewable energy through HSEC, a new subsidiary. On the same date, which became the acquisition date, a total of 599,997 shares were acquired, representing 60% of the issued and outstanding shares of ADGI. As a result, ADGI became a subsidiary of HSEC effective October 6, 2017.

ADGI was registered with the Department of Energy (DOE), with Registration No. SESC 2014-12-096 on December 29, 2014, as a Renewable Energy (RE) Developer of Solar Energy Resources. Pursuant to Section 15 Chapter VI of Republic Act (RA) No. 9513, An Act Promoting The Development, Utilization and Commercialization of Renewable Energy Resources and For Other Purposes, ADGI, as RE Developer, is entitled to certain incentives including income tax holiday (ITH) for the first seven (7) years of its commercial operations.

ADGI has permits, licenses and entitlements to operate 25MW, expandable to 75MW, solar power plant in General Santos. ADGI has been issued a Certificate of Commerciality by the DOE and has an existing ERC-approved Power Purchase Agreement (PPA) with South Cotabato II Electric Cooperative, Inc. ("SOCOTECO II"). Under the PPA, SOCOTECO-II will purchase all the energy output from the project. On March 15, 2018, the Parent Company's BOD resolved to acquire the following shares of stocks through HSEC, its subsidiary:

- 40% additional shareholdings of ADGI
- 100% shareholdings of Astronergy Development F1 Inc. (ADF1)
- 100% shareholdings of Astronergy Development F2 Inc. (ADF2)

On April 12 and October 18, 2018, HSEC acquired the remaining 25% and 15% shareholdings of ADGI which represents 250,000 and 150,000 shares of stock, respectively for a total of P75,108,479. The acquisition resulted in the reversal of NCI and a charge to retained earnings amounting to P18,695,948 and P83,342,728, respectively. The acquisition of the remaining shares of stocks made ADGI a wholly-owned subsidiary of HSEC.

The total consideration given with respect to the acquisition of ADGI's 60% shares and 100% shares of ADF1 and ADF2 is P147,453,712. Provisional goodwill amounting to P48,603,347 recognized in 2017 was then subsequently adjusted in 2018 to P154,207,159 which considered likewise subsequent acquisition that pertains to the same PPA. The goodwill is attributable to the continuing operations of the acquired businesses. It will not be deductible for tax purposes.

ADF1 and ADF2 have their own ancillary permits and contracts to support the expansion of the 25 MW ADGI solar power plant to 75MW.

On July 27, 2019, ADGI started the commercial operation of its solar power plant in Sitio Changco, Brgy. Bawing, General Santos City, South Cotabato with a capacity of 25MW.

#### *Cash paid for the acquisitions*

Cash paid for the acquisition of 60% of ADGI amounting to P20,559,425 is presented net of cash from acquired subsidiary of P50,000 for a net cash paid of P20,509,425 in the consolidated statement of cash flows for the year ended December 31, 2017. In 2018, the cash paid was subsequently adjusted by P20,161,428 due to adjustments in purchase price.

Cash paid for the acquisition of 100% of ADF1 and ADF2 amounting to P147,053,712 is presented net of cash from acquired subsidiaries in the consolidated statement of cash flows for the year ended December 31, 2018.

On May 29, 2019, ADGI has received the Certificate of Approval of Increase in Capital Stock from the SEC. The authorized capital stock was increased from P2,000,000 divided into 2,000,000 shares with a par value of P1 each to P600,000,000 divided into 600,000,000 shares with a par value of P1. Subsequently, HSEC, the parent company of ADGI subscribed to an additional 300,000,000 shares with a par value of P1 for a total of P300,000,000. HSEC has settled P92,000,000 from the subscribed amount through application of its advances of deposit for future subscription.

On December 3, 2019, Energy Regulatory Commission (ERC) granted the Certificate of Compliance (COC No. 19-12-M-00188M) to ADGI after having found to comply with all the requirements in the 2014 Revised COC Rules, the Philippine Grid Code, the Philippine Distribution Code, the Wholesale Electricity Spot Market (WESM) Rules and related laws, orders and regulations. The COC shall be valid for a period of five (5) years, from December 31, 2019 to December 2, 2024, and its application for renewal shall be filed at least six (6) months before its expiration date.

In 2020, ADGI commenced commercial operations for the entire year. On January 26, 2021, SOCOTECO II and ADGI filed an Application on ERC Case No. 2013-2017 RC seeking the Commission's approval of their Renewable Energy Supply Agreement (RESA) for issuance of final authority and collection for the supply of power based on the RESA as at December 31, 2020. In 2020, ADGI has submitted to the ERC all documents to support their claims. As at reporting date, ADGI is awaiting for final ruling from the ERC.

#### Other significant investment in 2018

On April 20, 2018, the Parent Company subscribed to 97% or equivalent to 48,500 shares of the 50,000 authorized shares of Harbor Star East Asia (Myanmar) Limited (HSEA) and paid 50% of the subscription amounting to P1,354,522 which gave the Parent Company 100% controlling interest over HSEA.

HSEA was incorporated on February 6, 2018 in The Republic of the Union of Myanmar in accordance with Myanmar Companies Act under Registration and Permit no. 1054FC/2017-2018 (YGN) as a Private Company. HSEA is engaged in providing consultancy and support services, underwater, marine and maritime- related business in Myanmar. The period of the validity of permit is from February 6, 2018 to February 5, 2023.

On August 16, 2018, the Parent Company subscribed to 31% (218,464 shares) of the 705,924 authorized shares of Hi-Energy Marine Services, Inc. (HEMSI) and paid 100% of the subscription amounting to P85,368,973. As a result, HEMSI became an associate.

HEMSI was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 2012 primarily to engage in towage, mooring, maritime commerce and navigation.

#### Other significant investments in 2019

On September 20, 2019, the Parent Company subscribed to 29% or equivalent to 5,799 shares of the 100,000 authorized shares of Harbor Star East Asia (Thailand) Co. (HSEAT). The total subscribed amount of P49,651 is has yet to be paid as at December 31, 2020. The subscribed shares of 29% and a seat in the BOD gave the Parent Company controlling interest over HSEAT.

HSEAT was incorporated and registered with The Partnership and Company Registration Office of Bangkok Metropolis in Thailand on September 20, 2019. HSEAT is primarily engaged in providing transportation and warehousing in Thailand.

Its registered address is 589/2 Central City Tower 1, 17<sup>th</sup> floor, Debaratana Road, Bangnaneua Subdistrict, Bagna District, Bangkok.

#### Other business updates

On January 29, 2020, the Maritime Industry Authority (MARINA) issued its first endorsement that it has no objection to the amendment of the Second Article of the Articles of Incorporation of TUGS authorizing it to engage in operation of maritime schools/educational/training facilities. This is in line with the process of applying for applying for an amendment on AOI with SEC based on the BOD resolution issued last March 6, 2017. On July 7, 2020, the SEC approved the amendment of the AOI.

On September 8, 2020, the Parent Company has been accredited by the Philippine Contractors Accreditation Board (PCAB) for General Building and Engineering. The Parent Company is licensed to perform both private and public construction work which includes building, rehabilitating and repairing roads, piers, terminations and other infrastructure.

On February 2, 2021, the BOD has been informed that HSEAT would be closed due to continuing expenses with no operations. On April 23, 2021, the BOD has been informed that HSEAM would be suspending its operations while the Company is complying with the requirements to permanently wind-up. On November 11, 2021, HSEAT has completed the registration of its liquidation.

On March 17, 2021, the Parent Company has subscribed to 29,999,999 shares of Harbor Star Construction Corporation (HSCC) for a total amount of P29,999,997, which gave the Group 100% controlling interest over HSCC.

On April 23, 2021, the SEC has approved the Certificate of Incorporation of Harbor Star Construction Corporation (HSCC). HSCC's primary purpose is to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.

### 1.3 Consolidation

As at March 31, 2025 and December 31, 2024, the consolidated financial statements include the Parent Company and its Subsidiaries, namely, Harbor Star Subic Corp., Peak Flag SDN BHD, Harbor Star Energy Corporation, Harbor Star East Asia (Myanmar) Limited, Harbor Star Construction Corp., Astronergy Development Gensan Inc., Astronergy Development F1, Inc., and Astronergy Development F2, Inc. In both reporting period, they are collectively referred to as the "Group".

The principal activities of the subsidiaries and associate are set out below.

	Relationship	% of interest held		Registered place of business/ Country of incorporation	Main activity
		2025	2024		
Harbor Star Subic Corp. (HSSC)	Subsidiary	100%	100%	Philippines	HSSC was incorporated on September 17, 2015 and registered in the Philippines primarily to engage in marine-related ancillary services such as harbor assistance, towage, lighterage, oil spill response and underwater marine services.  Its registered address, which is also its principal place of business, is located at Units 9 and 10, Alava Quay, Waterfront Road, Subic Bay Freeport Zone, Subic, Zambales.
Harbor Star Energy Corporation (HSEC)	Subsidiary	100%	100%	Philippines	HSEC was incorporated on May 11, 2017 and registered in the Philippines primarily to engage in the production and sale of renewable energy.  Its registered address is at 2224 A. Bonifacio cor Pres. Osmeña Bangkal Makati, Metro Manila.

Peak Flag SDN BHD (Peak Flag)	Subsidiary	45%	45%	Malaysia	<p>Peak Flag was incorporated and registered in Malaysia, primarily to carry on the business of providing tugboat harbor assist/ marine support services.</p> <p>Its registered address, which is also its principal place of business, is at Suite N-6-04, The Gamuda Biz Suites, No.12, Persiaran Anggerik Vanilla 31/99 Seksyen 31, Kota Kemuning 40460 Shah Alam, Selangor.</p>
Astronergy Development Gensan, Inc. (ADGI)	Subsidiary (indirect)	100%	100%	Philippines	<p>In 2018, HSEC completed full subscription to total share of ADGI, an entity engaged in power generation through renewable energy. ADGI has not started commercial operations as at June 30, 2019.</p> <p>Its registered address, which is also its principal place of business, is at Unit 202 Midway Court Building, EDSA Mandaluyong, Metro Manila.</p>
Astronergy Development F1 Inc. (ADF1)	Subsidiary (indirect)	100%	100%	Philippines	<p>During 2018, HSEC acquired 100% ownership of Astronergy Development F1 Inc., an entity engaged in power generation through renewable energy. ADF1 has not started commercial operations as at June 30, 2019.</p> <p>Its registered address, which is also its principal place of business, is at 2224 A. Bonifacio Street corner President Sergio Osmeña Highway, Bangkal, Makati City, Philippines.</p>
Astronergy Development F2 Inc. (ADF2)	Subsidiary (indirect)	100%	100%	Philippines	<p>During 2018, HSEC acquired 100% ownership of Astronergy Development F2 Inc., an entity engaged in power generation through renewable energy. ADF2 has not started commercial operations as at June 30, 2019.</p> <p>Its registered address, which is also its principal place of business, is at 2224 A. Bonifacio Street corner President Sergio Osmeña Highway, Bangkal, Makati City, Philippines.</p>

Harbor Star East Asia (Myanmar) Limited (HSEAM)	Subsidiary	100%	100%	Myanmar	<p>During 2018, HSSSI acquired 97% ownership of Harbor Star East Asia (Myanmar) Limited, an entity providing consultancy and support services including underwater, marine, and maritime related business.</p> <p>Its registered address, which is also its principal place of business, is at No. Level 8 A, Union Financial Center, Corner of Mahabandoola and Thein Phyu Road, Botahtaung Township, Yangon.</p>
Harbor Star Construction Corporation (HSCC)	Subsidiary	100%	-	Philippines	<p>HSCC was incorporated on April 23, 2021 and registered in the Philippines primarily to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.</p> <p>Its registered address, which is also its principal place of business is located at 2224 A. Bonifacio cor Pres. Osmena Bangkal Makati, Metro Manila.</p>
Hi-Energy Marine Services, Inc. (HEMSI)	Associate	31%	31%	Philippines	<p>During 2018, HSSSI acquired 31% ownership of HEMSI, an entity engaged in towage, mooring, maritime commerce and navigation.</p> <p>Its registered address, which is also its principal place of business, is at Bldg No, 1811 CUD 14 Studio Zen Taft Avenue St. Zone 03 Brgy 36 Pasay City</p>
Great Eastern Tug Corporation (GETC)	Associate	20%	20%	Philippines	<p>GETC was incorporated and registered with the Philippine SEC on September 9, 2002, primarily to own, charter in/out, operate and manage tugboats or domestic services.</p> <p>Its registered address, which is also its principal place of business, is located at 11F Marc 2000 Tower, 1973 Taft Avenue, Malate, Manila.</p>

## Critical accounting judgments

### (a) Determining control over investments with ownership of less than half of the entity's total equity

The Parent Company follows the guidance of Philippine Financial Reporting Standards (PFRS) 10 "Consolidated Financial Statements" in determining if control exists for investments with ownership of less than half of its total equity. In making this judgment, the Parent Company considers the power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the Board of Directors (BOD), or power to cast the majority of votes at meetings of the BOD.

Having a significant influence based on the percentage ownership, the Parent Company initially considered Peak Flag as associate. However, effective January 1, 2014, the Parent Company has gained control over the key economic decisions and policies affecting Peak Flag under the duly signed amended shareholders' agreement including majority board representation. Consequently, based on management's judgment and continuous assessment of the Parent Company, Peak Flag is considered a subsidiary as at March 31, 2025 and December 31, 2024.

Assessment of control over subscribed shares of HSEAT is disclosed in Note 1.2

### (b) Non-controlling interest

Set out below are the summarized financial information of Peak Flag, a subsidiary, that has non-controlling interest to the Group. The amounts disclosed are before intercompany eliminations.

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Total current assets	123,512,319	127,828,021
Total non-current assets	472,476,986	376,183,989
Total current liabilities	218,060,937	249,208,783
Total non-current liabilities	5,593,754	78,363,556
Equity	250,533,216	176,439,671
Total revenue	14,180,667	171,941,552
Total expense	(12,189,799)	(80,170,948)
Total income (loss) for the year	1,990,868	91,770,604
Total comprehensive income (loss) for the year	1,990,868	138,409,424
Net cash provided by operating activities	1,990,868	65,349,650
Net cash provided by (used in) financing activities	(8,639,290)	21,943,138

## **2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies**

### Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property and equipment - tugboats and fair value measurement of financial assets at fair value through other comprehensive income.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

### Changes in accounting policies and disclosures

#### a. New and amended standards and interpretations adopted by the Group

There are a number of new accounting standards, amendments and interpretations that have been published that are mandatory for March 31, 2025 reporting period.

#### Interest Rate Benchmark Reform Phase 2 - Amendments to PFRS 9 PAS 39, PFRS 7, PFRS 4 and PFRS 16 (effective January 1, 2021)

In August 2020, the IASB made amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
- The hedge accounting reliefs will allow most PAS 39 or PFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.

#### Covid-19-Related Rent Concessions - Amendments to PFRS 16 (Effective June 1, 2020)

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to PFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The Group has no lease concessions as at December 31, 2024.

None of these standards, amendments and interpretations have a significant impact on the Group's financial statements.

#### b. New standards, amendments and interpretations not yet adopted by the Group

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2020. Management will adopt the following relevant pronouncements in accordance with their transitional provisions. None of those standards are expected to have a significant impact on the consolidated financial statements of the Group, but the more relevant ones are set out:

#### Classification of Liabilities as Current or Non-current - Amendments to PAS 1 (Effective January 1, 2023)

The narrow-scope amendments to PAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

#### Property, Plant and Equipment: Proceeds before intended use - Amendments to PAS 16 (Effective January 1, 2022)

The amendment to PAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

#### Reference to the Conceptual Framework - Amendments to PFRS 3 (effective January 1, 2022)

Minor amendments were made to PFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

#### Annual Improvements to PFRS Standards 2018 - 2020 (effective January 1, 2022)

The following improvements were finalized in May 2020:

- PFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- PFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- PFRS 1 First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.

#### Disclosure of Accounting Policies - Amendments to PAS 1 and PFRS Practice Statement 2 (effective January 1, 2023)

The IASB amended PAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended PFRS Practice Statement 2, Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

#### Definition of Accounting Estimates - Amendments to PAS 8 (effective January 1, 2023)

The amendment to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

### Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to PAS 12 (effective January 1, 2023)

The amendments to PAS 12 Income Taxes require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets.

The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

None of these standards are expected to have a significant impact on the financial statements of the Group.

### Consolidation

#### a. Business combination

The Group applies the purchase or acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

#### b. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has a right to, variable returns from its involvement with the entity and

has the ability to affect those returns through its power over the entity. The subsidiary is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Intercompany transactions, balances and unrealized gain on transactions between Parent Company and its subsidiaries are eliminated.

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group surrenders control to a related party within the Group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized within equity.

#### c. Associate

An associate is an entity over which the Group can exert significant influence, but which is neither a subsidiary nor a joint venture. Investment in associate is initially recognized at cost and subsequently accounted for using the equity method.

Under the equity method, the carrying amount of the investment in associate is increased or decreased to recognize the Group's share of the net earnings (losses) and other comprehensive income of the associates after the date of acquisition. The Group's share in the net earnings (losses) and

other comprehensive income of the associates is recognized in the Group's profit or loss. Items that have been directly recognized in the associates' equity are recognized in equity of the Group. Distributions received from the associates reduce the carrying amount of the investment.

If the Group's share in net losses of associates equals or exceeds its interest in the associates, the Group will discontinue recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those net earnings only after its share of the earnings equals the share of losses not recognized.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit (loss) of an associate' in profit or loss.

Investment in associate is derecognized when the risk and rewards of ownership have been transferred or extinguished. When the investment in associate is derecognized, its cost and related impairment, if any, are eliminated from the accounts.

#### Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred (including the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree) over the fair value of the Group's share of the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less from date of acquisition. Deposits held at call with banks earn interest at the prevailing bank interest rate. These are carried at amortized cost.

#### Investments and other financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity. The Group recognizes a financial instrument in the consolidated statements of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

#### Financial assets

##### a. Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group only holds financial assets classified as financial assets at amortized cost as at March 31 2025 and December 31, 2024 which comprise cash and cash equivalents, trade and other receivables, deposit bond, advances to related parties, refundable deposits and financial assets at fair value through other comprehensive income in the consolidated statements of financial position.

##### b. Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### c. Measurement

At initial recognition, the Group measures a financial asset at its fair value.

Subsequent to initial recognition, measurement depends on the Group's business model for managing the asset and cash flow characteristic of the asset. For financial assets at amortized cost, interest income, if any, from these financial assets is included within other income in the statement of total comprehensive income using the effective interest rate method. Impairment losses are presented as separate line item in profit or loss.

Where the Group's management has elected to present fair value gains and losses on investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

d. Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment loss is recognized in profit or loss and the carrying amount of the asset is reduced through by an allowance. The Group applies the ECL model to measure the impairment for all financial assets at FVOCI and at amortized costs.

The Group calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. ECL are measured through an allowance at an amount equal to:

- the 12-month ECL (that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime ECL (that result from all possible default events over the life of the financial instrument).

Financial liabilities

a. Classification

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and other financial liabilities. As at March 31, 2025 and December 31, 2024, the Group's financial liabilities are limited to other financial liabilities at amortized cost.

The Group's trade and other payables (excluding payable to government agencies, unliquidated expenses, and unearned income), advances from related parties, short-term loans and borrowings, finance lease liabilities and lease liabilities are classified under other financial liabilities at amortized cost.

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include accrued expenses. These are included in current liabilities except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

b. Initial recognition and derecognition

Financial liabilities are initially recognized at fair value of the consideration received plus directly attributable transaction costs. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

c. Subsequent measurement

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by considering any discount or premium on the issue and fees that are an integral part of the effective interest rate.

### Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

The Parent Company has right to offset intercompany payables and receivables as at March 31, 2025. Total intercompany receivables offset against payables amounts to P10,125,000.

### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's financial asset at FVOCI with quoted market price is valued using Level 1 of the fair value hierarchy.

The Group has no other significant financial assets and liabilities carried at fair value.

The carrying amount of significant financial assets and liabilities, except borrowings approximates their fair value as the impact of discounting is not considered significant considering that the remaining significant financial assets and liabilities generally have short term maturity.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined based on the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The Group's tugboats are valued using Level 2 of the fair value hierarchy. The fair value of tugboats was determined using cost approach where valuation performed are based on cost of reproduction of new vessel, accumulated depreciation, character, and utility of the vessel (Note 8).

The Group determines the fair value of its investment properties, which is carried at cost (Note 11), using Level 2 of the fair value hierarchy by direct comparison approach with reference to open market of similar properties with consideration of the location, property size, physical features, and economic factors.

The Group has no other significant non-financial assets and liabilities carried at fair value.

#### Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, these are classified as current assets. If not, these are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method, less provision for impairment.

The carrying amount of the receivable is reduced by an allowance account, and the amount of loss is recognized within general and administrative expenses in profit or loss. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written off against the allowance account for receivables. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of the amounts previously written off are credited to general and administrative expenses in profit or loss.

#### Prepayment and other assets

Prepayments are recognized in the consolidated statement of financial position if payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts.

Other assets consist substantially of input value-added taxes (VAT) and leasehold rights.

Input VAT are recognized as assets in the period such input VAT become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group.

A provision for unrecoverable input VAT is established when there is objective evidence that the Group will not be able to recover the claims. The carrying amount of the asset is reduced by an allowance account and the amount of the loss is recognized in profit or loss within general and administrative expenses.

Leasehold rights are recognized at cost which approximates purchase price or total consideration. Leasehold rights with definite life are amortized over the period of the contract while leasehold rights that have indefinite life, are carried at cost less impairment, if any.

Prepayments and other assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve months after the reporting period which are classified as non-current assets.

Prepayments are derecognized in the consolidated statement of financial position upon receipt of goods or services, through amortization over a certain period and use or consumption.

Input VAT are derecognized when applied against output or when written off.

#### Property, plant and equipment

All property, plant and equipment are carried at cost less accumulated depreciation and any impairment except for tugboats which are carried at revalued amounts.

Tugboats are initially recognized at cost. Subsequently, tugboats are carried at revalued amounts, which is the fair value at date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The Group engages external, independent and qualified valuers to determine the fair value of the Group's tugboats once every 3-5 years. The increase of the carrying amount of an asset as a result of a revaluation is credited directly to equity (under the heading 'revaluation surplus'), unless it reverses a revaluation decrease previously recognized as an expense, in which case it is credited in profit or loss. A revaluation decrease is charged directly against any related revaluation surplus, with any excess being recognized as an expense in profit or loss.

Each year, the Group transfers from revaluation surplus reserve to retained earnings the difference between the depreciation charges calculated based on the revalued amount and the depreciation charge based on the assets' historical cost.

The profit or loss on disposal of a revalued asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset. On disposal of the revalued asset, the relevant revaluation surplus included in equity is transferred directly to retained earnings.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which these are incurred.

Dry docking cost represents major inspection and overhaul costs and is depreciated to reflect consumption benefits which is to be replaced or restored by the subsequent dry docking generally every two (2) years. The Group has included these dry-docking expenses as part of tugboat component. Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives (in years), as follows:

Tugboats	8 to 26
Barges	10 to 37
Building and building improvements	10
Transportation equipment	5
Construction equipment	5
Diving and oil spill equipment	3 to 5
Furniture, fixtures, and leasehold improvements	3 to 4

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time as the relevant assets are completed and are available for use. Tugboats under construction is classified as "Property, plant and equipment at cost" and subsequently transferred to "Property and equipment at revalued amounts" upon completion. Leasehold improvements are amortized over the estimated useful life of the improvements, which is shorter than the lease term, considering the renewal option.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the consolidated statement of financial position. Any gains and losses on disposals of an asset as cost are determined by comparing proceeds with carrying amount and are recognized in profit or loss.

#### Computer software

Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. These costs will be amortized over its estimated useful lives of five (5) years from the start of its use. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Computer software is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and the related accumulated amortization are removed from the consolidated statement of financial position. Any gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit or loss.

#### Investment property

Investment property is recognized as an asset, when it is probable that the future economic benefits that are associated with the investment property will flow to the Group and the cost of the asset can be measured reliably.

Investment properties consist of land in various locations. Land is initially recognized at cost and subsequently carried at cost less any impairment losses. Land is not depreciated.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation and commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant, and equipment up to the date of change in use.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Gains or loss on derecognition of an investment property is calculated as the difference between any disposal proceeds and the carrying amount of the related asset and is recognized in profit or loss in the year of derecognition.

#### Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as land, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property, plant and equipment, computer software, investment properties, input VAT, investment in associate and leasehold rights, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately

identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized in profit or loss as part of general and administrative expenses.

When impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of an impairment loss are credited to the provision account in profit or loss.

#### Trade and other payables

Trade and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets or expenses are recognized. These are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

These are derecognized when extinguished or when the obligation is discharged, cancelled, or has expired.

#### Borrowings and borrowing cost

##### a. Borrowings

Borrowings are measured initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowings are derecognized when the obligation is settled, paid, or discharged.

A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Where the terms of a financial liability are modified, a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate. If the modification of the terms of borrowings is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on extinguishment. If the modification of the terms of borrowings is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Where the terms of the borrowings are renegotiated, a gain or loss is recognized in the profit or loss, which is measured as the difference between the carrying amount of the financial liability and the

##### b. Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period that is required to complete and prepare the asset for its intended use.

All other borrowing costs are recognized in profit or loss in the period in which these are incurred.

## Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the consolidated statement of financial position..

## Current and deferred income tax

The tax expense for the year comprises deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the DIT liability arises from the initial recognition of goodwill. DIT liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for DIT liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

DIT assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Specifically, DIT is provided on the temporary difference between the carrying amount of the revalued property, plant and equipment and its tax base. Any taxable temporary difference reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the tax rate

applicable to the taxable amount derived from the sale of a non-depreciable capital or ordinary asset or the tax rate applicable during the years the asset is utilized.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group re-assesses at each reporting date the need to recognize a previously unrecognized DIT asset, if any.

DIT assets and liabilities are derecognized when the related temporary difference are realized or settled.

#### Employee benefits

The Group provides short-term, retirement and terminal benefits to its employees. The Group did not grant any stock options or share based payments to its officers and employees.

##### a. Other short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

##### b. Retirement benefit obligations

Defined benefit plans are defined as an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in unrestricted earnings in the period in which these arise.

Past service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in personnel cost (Note 18) in profit or loss.

##### c. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### Share capital

Common shares, recognized at par value, are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

When the shares are issued at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at fair value of the share issued or fair value of the liability settled, whichever is more reliably determinable.

Where any member of the Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

### Retained earnings

Retained earnings represent the accumulated profit or loss arising from the operations of the Group and reserves for remeasurement on retirement benefit obligation less any dividends declared by the Parent Company.

Appropriation of retained earnings is recognized based on the provisions of the Corporation Code of the Philippines and by approval of the Parent Company's BOD. The Parent Company's BOD releases retained earnings from the appropriation when the purpose of such appropriation has been completed.

### Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's BOD.

### Foreign currency transactions and translation

#### a. Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency.

#### b. Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. All foreign exchange gains and losses except for foreign exchange loss on borrowings are presented in profit or loss within other income (expense), net. Foreign exchange gains and losses from borrowings are presented as part of finance cost in profit or loss.

c. Subsidiary

The results and financial position of the subsidiary, (which has no currency of a hyperinflationary economy), that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- ii. Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- iii. All resulting exchange differences are recognized as cumulative translation differences as a separate line item under equity.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with customer. The Group recognizes revenue when it transfers control over service to a customer.

a. Sale of services

The Group provides (i) harbor assistance, (ii) lighterage services (iii) towing services and (iv) salvage income. These services are provided on a time-basis or as a fixed-price contract, net of any subsequent discounts. Discounts are considered as part of the transaction price when granting such is highly probable. Contract terms of services are generally range from less than a year. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

b. Revenue on generation and sale of solar energy

The Group is engaged in the generation and sale of solar energy. Revenue is recognized monthly based on the transmission of solar energy to its sole customer. Revenue is recognized when the solar energy is delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue is also recognized based on the price agreed with the customer and is only recognized to the extent that it is probable that a significant reversal will not occur. No element of financing is deemed present as the sale are made with a credit of ten (10) to 15 days.

c. Revenue/Income on construction contracts

combination of assets that are closely interrelated or interdependent in terms of their design and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the accounting period.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognize in each period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These are presented as inventories, prepayments, or other assets, depending on their nature.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately in profit or loss as part of cost of construction contracts, with a corresponding credit to allowance. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract.

Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins will be recognized in the year in which the changes are determined.

Progress payments received under the construction contracts are deducted from contract assets as the contract is completed. Progress payments received before corresponding work has been performed (or in excess of percentage of completion) are presented as advances from customers under trade and other payable in the consolidated statement of financial position.

The Group recognizes on a net and gross basis when it satisfies its promise to facilitate the service over a period when it is not a principal in a contract and acting as the principal in a contract, respectively. The Group is not the principal for construction contracts, wherein the Group does not control the service before it is transferred to a customer and the Group is also is not solely responsible for the service and discretion in establishing contract prices.

d. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

e. Contract assets and liabilities

Services are normally billed to the customer one month in advance. The customer pays the fixed amount based on the billing. If the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognized. If the total payments received to date exceed the performance obligation fulfilled, a contract liability is recognized and is presented as unearned revenue. The contract assets are transferred to receivables when the Group's rights to the contract consideration become unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Other income

a. Interest income

Interest income is recognized in profit or loss on a time-proportion basis using the effective interest method. Interest income from cash in banks and short-term placements is presented net of final taxes paid and withheld.

b. Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.

Costs and expenses

Costs and expenses are recognized:

- i Based on a direct association between the costs incurred and the earning of specific items of income;
- ii on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or
- iii immediately and as incurred (i.e. when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statement of financial position).

Costs and expenses are presented in the profit or loss according to their function.

#### Leases where Group is a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

##### a. Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- adjusts specific to the lease (i.e., term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

##### b. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset's useful life.

c. Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

d. Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Earnings per share

a. Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Parent Company and held as treasury shares. In a capitalization or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Parent Company has two possible categories of dilutive potential common shares: convertible debt and share options. The Parent Company has no convertible debt nor share options as at March 31, 2025 and December 31, 2024.

Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

---

**3. Significant Accounting Judgments, Estimates and Assumptions**

In preparing the Group's consolidated financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as at the date of the consolidated financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results.

These estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

As at March 31, 2025, there were no judgments, seasonal or cyclical aspects that materially affect the operations of the Group.

---

#### 4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Cash on hand	2,762,633	2,708,159
Cash in banks	191,329,220	276,742,969
Cash equivalents	95,496,754	103,582,2667
	<b>289,588,607</b>	<b>383,033,395</b>

Interest income earned from cash in banks and cash equivalents as at March 31, 2025 and December 31, 2024 amounted to 34,573 and P1,451,287, respectively.

The carrying values of cash and cash equivalents represent maximum exposure to credit risk other than cash on hand. While cash and cash equivalents are also subject to the impairment of PFRS 9, the identified impairment loss was immaterial.

---

#### 5. Trade and Other Receivables, Net

Trade and other receivables, net consist of:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Trade receivables	1,554,470,694	1,564,761,615
Advances to officers and employees	86,339,265	186,516,788
Others	14,867,386	18,807,206
	1,655,677,345	1,770,085,609
Allowance for impairment losses	(412,592,644)	(452,990,359)
Unbilled Revenues	40,142,500	40,142,500
	<b>1,283,227,202</b>	<b>1,357,237,750</b>

Trade receivables are amounts due from customers for rendering harbor assistance and other marine services and solar energy fee in the ordinary course of the business with an average credit term of 30 to 60 days.

Advances to employees represent outstanding balances with existing employees and regular collections are made through liquidation and salary deduction.

The carrying value of trade and other receivables as at March 31, 2025 and December 31, 2024 approximates its fair value as at reporting date.

### Allowance for impairment

The Group applies PFRS 9 simplified approach in measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in such rates.

Movements in the provision for impairment are as follows:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Beginning balances	452,990,359	441,367,965
Provision for impairment of trade and other receivables	-	12,212,023
Recovery	-	-
Write-off	40,397,715	-
Cumulative translation adjustment	-	(589,629)
<b>Ending balances</b>	<b>412,592,644</b>	<b>452,990,359</b>

---

## 6. Prepayments and Other Current Assets

Prepayments and other current assets consist of:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Construction advances	135,952,244	135,952,244
Allowance for impairment of input VAT	(1,150,401)	(1,150,401)
Advances to suppliers	40,863,926	55,646,337
Prepayments	146,193,090	98,069,203
Input value-added tax (VAT), net	225,824,213	185,543,075
Refundable deposits	19,053,851	6,144,848
	<b>566,736,923</b>	<b>480,205,306</b>

Construction advances pertain to advances to suppliers, contractors and employees related to construction projects subject to liquidation.

Allowance for construction receivables pertain to uncollectible portion of uncompleted projects.

Prepayments consist mainly of hull and machinery insurance, motor car insurance, life and health insurance, fuel and charter hire of tugboats which is expected to be utilized for a period of less than a year.

Advances to supplier consist of advance payments on services to be performed within 12 months.

## 7. Investment in Associates

Investment in associates consist of:

	Note	March 31, 2025	December 31, 2024
GETC	1.3	19,275,755	19,275,755
KSSI	1.3	16,624,025	16,624,025
HEMSI	1.3	111,560,660	111,560,660
		147,460,440	147,460,440

The movements of investment in associate as at March 31, 2025 and December 31, 2024 are as follows:

	March 31, 2025	December 31, 2024
Beginning of period	147,640,440	206,628,414
Share in net profit	(37,382,186)	(57,968,214)
Dividends	–	(1,199,760)
Ending of period	110,078,254	147,640,440

### GETC

The movement of investment in GETC are as follows:

	March 31, 2025	December 31, 2024
Beginning of period	19,275,755	19,695,850
Dividends Received	–	(1,199,760)
Share in net profit	–	779,665
Ending of period	19,275,755	19,275,755

Set out below is the summarized financial information of GETC:

	March 31, 2025	December 31, 2024
Net assets	96,378,773	96,378,773
Group's share in %	20%	20%
Group share in net assets	19,275,755	19,275,755

### HEMSI

The movement of investment in HEMSI are as follows:

	March 31, 2025	December 31, 2024
Beginning of period	111,560,660	170,308,539
Share in net profit	–	(58,747,879)
Dividends received	–	–
Ending of period	111,560,660	111,560,660

Set out below is the summarized financial information of HEMSI:

	March 31, 2025	December 31, 2024
Net assets	200,615,663	200,615,663
Group's share in %	31%	31%
Group's share in net assets	62,190,856	62,190,856
Goodwill	49,369,805	49,369,805
Carrying amount	111,560,661	111,560,661

## 8. Property and Equipment at Revalued Amounts, Net

Details of property and equipment carried at revalued amounts are as follows:

	March 31, 2025	December 31, 2024
Beginning		
Revalued amount	20,050,924,209	21,301,362,269
Accumulated depreciation	(17,370,015,921)	(18,881,082,951)
Net carrying amount	2,680,908,288	2,420,279,318
Opening net carrying amount	2,680,908,288	2,420,279,318
Additions	1,690,247,303	609,932,554
Revaluation increments		
Cost		(1,033,861,262)
Accumulated depreciation		1,016,038,608
Disposal		
Cost		(826,509,351)
Accumulated depreciation		784,866,973
Reclassification		-
		(327,777,083)
Depreciation	(159,409,985)	
Impairment loss	-	37,938,531
Closing net carrying amount	4,211,745,606	2,680,908,288
At March 31		
Revalued amount	21,741,171,512	20,050,924,209
Accumulated depreciation	(17,529,425,906)	(17,370,015,921)
Net carrying amount	4,211,745,606	2,680,908,288

### *Useful lives of property and equipment at revalued amounts*

The Group's management determines the estimated useful lives for its property and equipment at revalued amounts based on the period over which the assets are expected to be available for use. The Parent Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

An increase/decrease in the estimated useful life would impact the recorded net carrying amounts of property and equipment at revalued amounts with a corresponding increase/decrease in the profit for the year as a result of lower/higher depreciation expense charged through profit or loss.

### *Revaluation of tugboats*

The Group carries its tugboats at appraised value, with changes in fair value being recognized directly in equity under revaluation surplus. The Group reviews the fair value of its tugboats periodically every 3 to 5 years.

The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimates on recent market transactions on arm's length terms at the end of each reporting period. However, it is reasonably possible, based on existing knowledge, that changes in estimates would impact the recorded cost of services and property and equipment at revalued amount.

The Group engaged an independent valuation specialist in determining the fair value of some of its tugboats as at December 31, 2024. Management deems that the revalued amounts of tugboats not subjected to the independent appraisal in 2024 still approximate the fair value as at reporting dates with a significant number of tugboats only recently acquired at substantially comparable prices. The Group is considering revaluing the remaining of its tugboats in 2024.

## 9. Property, Plant and Equipment at Cost, Net

Details of property, plant and equipment are as follows:

	Tugboat	Land	Barges	Building and building improvements	Transportation equipment	Diving and oil spill equipment	Furniture, fixtures and leasehold improvements	Construction equipment	Construction-in-progress	Total
<b>At December 31, 2022</b>										
Cost	16,304,205,394	39,556,011	614,663,052	2,021,400,784	75,528,644	472,699,846	7,291,274	22,104,770	23,007,603	19,580,457,378
Accumulated depreciation	(14,119,652,735)	-	(402,604,699)	(372,690,868)	(62,581,324)	(251,248,938)	(6,863,977)	(13,469,579)	-	(15,229,112,120)
Cumulative translation adjustments	-	-	-	-	-	3,399,114	286,335	-	-	3,687,449
<b>Net carrying amount</b>	<b>2,184,552,659</b>	<b>39,556,011</b>	<b>212,058,353</b>	<b>1,648,709,916</b>	<b>12,947,320</b>	<b>224,850,022</b>	<b>715,632</b>	<b>8,635,191</b>	<b>23,007,603</b>	<b>4,355,032,707</b>
<b>January 1, 2023</b>										
Opening net carrying amount	2,184,552,659	39,556,011	212,058,353	1,648,709,916	12,947,320	224,850,022	715,632	8,635,191	23,007,603	4,355,032,707
Additions	177,316,267	-	45,601,596	47,121,481	3,998,026	80,408,779	519,280	112,497	250,047	355,327,973
Disposal	-	-	-	(30,102,560)	-	-	-	-	-	(30,102,560)
Cost	-	-	-	8,142,678	-	-	-	-	-	8,142,678
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	4,107,143	-	4,107,143
Cost	-	-	-	-	-	-	-	(4,107,143)	-	(4,107,143)
Accumulated Depreciation	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
Cost	4,819,840,608	-	-	-	-	-	-	-	-	4,819,840,608
Accumulated depreciation	(4,418,348,520)	-	-	-	-	-	-	-	-	(4,418,348,520)
Reversal of impairment	31,178,062	-	-	-	-	-	-	-	-	31,178,062
Impairment loss	(63,424,921)	-	-	-	-	-	-	-	-	(63,424,921)
Depreciation	(310,834,837)	-	(107,801,166)	(94,622,550)	(3,774,992)	(33,966,717)	(600,633)	(1,558,178)	-	(553,159,075)
Translation adjustments	-	-	-	-	-	2,774,137	64,692	-	-	2,838,829
<b>Closing net carrying amount</b>	<b>2,420,279,318</b>	<b>39,556,011</b>	<b>149,858,781</b>	<b>1,577,248,965</b>	<b>13,170,354</b>	<b>274,066,221</b>	<b>696,971</b>	<b>7,189,510</b>	<b>23,257,650</b>	<b>4,505,325,781</b>
<b>At December 31, 2023</b>										
Cost	21,901,362,260	39,556,011	660,264,648	2,038,419,705	79,526,670	553,108,625	7,810,554	26,324,410	23,257,650	24,729,630,542
Accumulated depreciation	(18,881,082,951)	-	(510,405,867)	(461,170,740)	(66,356,316)	(285,215,655)	(7,464,610)	(19,134,900)	-	(20,230,831,039)
Cumulative translation adjustments	-	-	-	-	-	6,173,251	353,027	-	-	6,526,278
<b>Net carrying amount</b>	<b>2,420,279,318</b>	<b>39,556,011</b>	<b>149,858,781</b>	<b>1,577,248,965</b>	<b>13,170,354</b>	<b>274,066,221</b>	<b>696,971</b>	<b>7,189,510</b>	<b>23,257,650</b>	<b>4,505,325,781</b>
<b>January 1, 2024</b>										
Opening net carrying amount	2,420,279,318	39,556,011	149,858,781	1,577,248,965	13,170,354	274,066,221	696,971	7,189,510	23,257,650	4,505,325,781
Additions	335,412,202	-	122,112,199	5,975,928	8,178,499	38,873,849	986,867	20,246,965	42,306,446	574,092,955
Transfer	274,520,352	-	-	-	-	(274,520,352)	-	-	-	-
Adjustment	-	-	-	-	-	46,660,072	4,133	-	-	46,664,205
Disposal	-	-	-	-	-	-	-	-	-	-
Cost	(826,509,351)	-	-	-	(2,066,958)	(5,884,694)	-	-	-	(834,461,003)
Accumulated depreciation	784,866,973	-	-	-	2,066,958	4,156,705	-	-	-	791,090,636
Reclassification	-	-	-	-	-	-	-	-	-	-
Cost	-	-	72,975,686	-	-	-	-	-	-	72,975,686
Accumulated depreciation	-	-	(22,562,480)	-	-	-	-	-	-	(22,562,480)
Revaluation	-	-	-	-	-	-	-	-	-	-
Cost	(1,033,861,262)	-	-	-	-	-	-	-	-	(1,033,861,262)
Accumulated depreciation	1,016,036,608	-	-	-	-	-	-	-	-	1,016,036,608
Impairment loss	(31,224,134)	-	-	-	-	-	-	-	-	(31,224,134)
Reversal of impairment	71,038,552	-	-	-	-	-	-	-	-	71,038,552
Depreciation	(327,777,081)	-	(90,102,270)	(103,061,235)	(7,570,793)	(35,658,722)	(568,164)	(1,944,896)	-	(566,683,161)
Translation adjustments	(1,875,885)	-	-	-	-	10,506,293	506	-	-	8,630,914
<b>Closing net carrying amount</b>	<b>2,680,906,292</b>	<b>39,556,011</b>	<b>232,261,916</b>	<b>1,480,163,658</b>	<b>13,778,062</b>	<b>58,199,370</b>	<b>1,122,313</b>	<b>25,491,579</b>	<b>65,564,096</b>	<b>4,597,045,297</b>
<b>At December 31, 2024</b>										
Cost	20,050,824,209	39,556,011	655,352,533	2,044,395,633	85,638,219	358,237,500	8,801,554	46,571,375	65,564,096	23,555,041,131
Accumulated depreciation	(17,368,140,033)	-	(623,090,617)	(564,231,975)	(71,860,157)	(316,717,672)	(8,032,775)	(21,079,796)	-	(18,973,153,025)
Cumulative translation adjustments	(1,875,885)	-	-	-	-	16,679,542	353,534	-	-	15,157,191
<b>Net carrying amount</b>	<b>2,680,906,292</b>	<b>39,556,011</b>	<b>232,261,916</b>	<b>1,480,163,658</b>	<b>13,778,062</b>	<b>58,199,370</b>	<b>1,122,313</b>	<b>25,491,579</b>	<b>65,564,096</b>	<b>4,597,045,297</b>

In 2019, the Group's pre-development cost from the ADGI acquisition amounting to P1.83 billion was reclassified to property, plant and equipment, upon start of ADGI's operations. Pre-development cost represents total expenditures incurred to date net of revenue from saleable material recognized during the pre-commercial production period, if any. Deduction is only appropriate if it can clearly be shown that the production of the saleable material is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

In 2019, it was assessed based on internal evaluations that they will be able to utilize the solar power plant for up to 20 years. In 2020 during its first full year of operations, ADGI management has reassessed the useful life of solar power plant. Based on internal evaluations, they will be able to utilize the solar power plant between 10 and 30 years which is also aligned with industry practice. As such, the management has approved the change in estimated useful life of solar power plant from 20 years to between 10 and 30 years. The change in estimated useful life is considered to be a change in accounting estimate accounted for prospectively by recognizing the effect of the change in the period change and future periods until the end of the useful life. The net effect of the change in useful life is a decrease in depreciation expense amounting to P3.1 million annually starting 2020.

In July 2019, ADGI started its commercial operations and recognized depreciation expense of P43.85 million in relation to the solar power plant capitalized.

In 2020, the ADGI reversed furniture and fixtures acquired in 2019 and its corresponding accounts payable amounting to P6,165 upon return of the furniture to the supplier.

Construction-in-progress as at March 31, 2025 and December 31, 2024 mainly comprise of additional office space being prepared for its intended use.

---

## 10. Computer Software, Net

The details of computer software, net are as follows:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Revalued amounts:		
Beginning balance	50,809,438	45,404,201
Additions	2,222,371	5,405,237
Ending balance	53,031,809	50,809,438
Accumulated amortization:		
Beginning balance	42,252,681	38,883,381
Amortization	528,387	3,369,300
Ending balance	42,781,068	42,252,681
<b>Net carrying amount</b>	<b>16,284,442</b>	<b>8,556,757</b>

Management assessed that there are no indicators that computer software is impaired as at March 31, 2025 and December 31, 2024.

---

## 11. Investment Properties

As at March 31, 2025, and December 31, 2024, the Group's investment properties consist of parcels of land in various locations, which are held for capital appreciation.

The movement in investment properties are as follows:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Beginning of period	69,983,207	69,983,207
Additions	3,284,453	-
<b>End of period</b>	<b>73,267,660</b>	<b>69,983,207</b>

---

## 12. Other Non-Current Assets, Net

Other non-current assets consist of:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Input VAT, net	332,608,519	332,777,710
Allowance for impairment of input VAT	(106,941,761)	(106,941,761)
Input VAT, net	225,666,758	225,835,949
Leasehold rights, net	16,179,241	16,179,241
Performance bond	829,091	829,091
Financial asset at fair value through other comprehensive income (FVOCI)	810,000	810,000
Refundable deposits	10,734,767	10,734,767
	<b>254,219,857</b>	<b>254,389,049</b>

Performance bond is a security required by the contracting party to ensure completion of performance of obligation if the performing party cannot fulfill its obligations, as set forth in the circular no DOE DC 2009-07-0011 Sec 16 Obligations of a Developer.

Allowance for impairment of input VAT is maintained at a level considered adequate to provide for potentially unrecoverable tax claims from excess input VAT. An evaluation of the recoverability of the excess input VAT, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to the evaluation of its future utilization based on long-term forecasts, in determining provision for impairment of input VAT. A change in the provision would impact the Group's recorded carrying value of input VAT and provision for impairment.

The movement in allowance for impairment of input VAT follows:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Beginning of period	106,941,761	91,370,425
Provision for impairment	–	15,571,336
<b>End of period</b>	<b>106,941,761</b>	<b>106,941,761</b>

### 13. Trade and Other Payables

Trade and other payables consist of:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Current		
Trade payables	890,791,861	612,184,906
Accrued expenses	202,472,097	535,844,679
Unearned income	–	–
Advance from officers and employees	22,213,239	46,957,021
Payable to government agencies	52,117,482	18,196,869
Provisions	–	–
Others	11,234,503	11,234,503
	<u>1,178,829,182</u>	<u>1,224,417,978</u>
Non-current		
<b>Trade payables</b>	<b>9,298,942</b>	<b>9,298,942</b>

Trade payables are generally noninterest-bearing and are settled in thirty (30) to ninety (90) days' term.

In 2019, the Group entered into a purchase agreement with a foreign supplier for the purchase of tugboat to be settled in twenty-four (24) monthly installment payments bearing an interest rate of 2.87%. In 2020, the terms of purchase agreement were modified by extending the monthly installments to thirty-six (36) months bearing an interest rate of 5.30%.

In 2021, the Group entered into another purchase agreement with a foreign supplier for the purchase of tugboat with an upfront payment of 50% and the remaining balance to be settled in 36 monthly installment payment bearing an interest rate of 5.25% per annum.

Accrued expenses are obligations based on normal credit terms and do not bear interest. These pertain to accruals made for regular monthly fees and other various accruals. Accruals are made based on prior month's billings and/or contracts and are normally settled within twelve (12) months from the end of the reporting period. Other accrued expenses are mainly composed of outstanding payable to insurance companies and unliquidated business expenses which are expected to be settled in the subsequent year.

Accrued construction costs pertain to unliquidated expenses of employees in relation to the construction projects of the Group.

Unearned income represents advance collections from customers, which will be recognized as revenue upon the performance of the contractually agreed tasks.

Payable to government agencies consist mainly of amounts due to Social Security System, Philippine Health Insurance Corporation and Home Development Mutual Fund, withholding taxes payable to BIR that are noninterest-bearing and are settled in ten (10) to fifteen (15) days' term.

Others pertain to output VAT.

#### 14. Short-Term Loans and Borrowings

The outstanding short-term loans, current, and noncurrent portion long-term borrowings, and finance lease liabilities are as follows:

	March 31, 2025	December 31, 2024
Development Bank of the Philippines	-	-
Current portion of long-term borrowings		
Rizal Commercial Banking Corporation	104,747,214	157,438,243
CTBC (Philippines) Corporation	50,435,952	46,369,581
Ambank	172,798	865,399
Orix Leasing	4,374,581	17,842,649
RHB Bank	11,239,336	-
Asia United Bank (AUB)	-	-
Philippine National Bank	-	-
Development Bank of the Philippines	39,946,764	22,944,555
Security Bank	-	328,363
	210,916,644	257,790,997
	March 31, 2025	December 31, 2024
Noncurrent portion of long-term borrowings		
Development Bank of the Philippines	2,203,447,422	2,199,697,422
CTBC (Philippines) Corporation	423,441,628	423,441,628
Rizal Commercial Banking Corporation	876,507,963	876,507,963
Ambank	3,242,114	3,400,929
Orix Leasing	5,987,770	6,281,080
	3,512,626,897	3,509,329,021

#### Parent Company

On September 13, 2021, the Parent Company entered into a loan agreement with one of its director and shareholder, for a principal of JPY 55,000,000 or P24,271,500 for use as downpayment for the purchase of a tugboat. The loan bears an interest rate of 8.50% per annum and is payable quarterly starting December 13, 2021. The principal amount of the loan is payable on June 13, 2022.

On October 4, 2021, the Parent Company availed of a short-term borrowing from a local financing company amounting to P70,000,000 with 12% interest per annum. The amount borrowed was paid and settled in December 2021.

As at December 31, 2021, the Parent Company's unsecured short-term loans from local banks and from shareholder which bear interest rates ranging from 5.25% to 8.50% (2020 - 4.80% to 6.70%) and have maturity of one (1) to six (6) months from reporting date.

As at December 31, 2021, the Parent Company's long-term borrowings bear annual interest rate ranging from 4.87% to 9.23% (2020 - 4.50% to 13.65%) are payable in various installments maturing on various dates from 2023 to 2030. These are secured by chattel mortgages to certain Parent Company-owned tugboats, transportation equipment and barges.

In 2020, the long-term borrowings agreements require compliance by the Parent Company to various covenants including, among others, the maintenance of financial ratios. As at December 31, 2020, the Parent Company was in the process of securing waivers for non-compliance with debt covenants. Hence, certain long-term borrowings amounting to P112,500,000 were presented as current liabilities in 2020. In 2021, the Parent Company is compliant with all its debt covenants in 2021. Consequently, borrowings were reclassified as non-current in 2021.

Both short-term loans and long-term borrowings were obtained specifically for working capital purposes and to finance capital expenditures that are non-qualifying assets.

Due to the impact of the COVID-19 pandemic and community quarantine, the Parent Company has entered into loan restructuring agreement with Rizal Commercial Banking Corporation (RCBC) and Asia United Bank (AUB) in 2020 and with Chinatrust Philippines Commercial Bank Corporation (CTBC) in 2021.

On October 16, 2020, the Parent Company availed of the Credit Assistance and Recovery (CARE) Program of RCBC. The Parent Company entered into a loan conversion agreement whereby its outstanding promissory notes amounting to P1.14 billion and term loan amounted to P146.3 million with a maturity date ranging from October 2019 to November 2020 and from March to July 2019, respectively, was converted into 57 monthly term loan of P1.291 billion with the principal amount payable in 48 monthly installments of P11.125 million starting July 15, 2021 and a balloon payment of P757 million on the 57th month on July 14, 2025. Under the loan conversion agreement, compliance with debt covenants will be effective starting 2021 upon the start of repayment. Gain on loan restructuring was not recognized as it is deemed immaterial.

On July 13, 2020, the Parent Company received the Notice of Approval of Amendments to its outstanding borrowings with AUB amounting to P142.1 million. The amendments to the borrowings include the extension of nine (9) months from original maturity date of September 27, 2022, principal amount to be repaid in 11 quarterly amortizations commencing nine (9) months from December 23, 2020 and a revised fixed interest rate of 7.5% per annum from 6.25%.

On October 7, 2021, the Parent Company entered into a loan restructuring agreement with CTBC whereby outstanding promissory notes were consolidated into one (1) promissory note with the principal amount of P477.3 million. The interest rate previously ranging from 4.88% to 7.00% was revised to three (3) month BVAL plus 3.5% per annum or a minimum of 5.25% per annum subject to quarterly repricing. The principal amount of the long-term borrowing amounting to P477.3 million is to be settled in 20 quarterly payment starting January 2022 with a final balloon payment amounting to 45.53% of the principal to be settled in December 2026. A gain on debt restructuring amounting to P3,928,685 was recognized in 2021. This is considered a non-cash transaction in the statement of cash flow.

#### ADGI

On January 19, 2018, ADGI secured an Omnibus Loan Agreement with Development Bank of the Philippines (DBP) for a principal amount of P1.59 billion available in the form of advance term loan or Import Letter of Credit payable in 12 years, inclusive of a one (1) year and six (6) months-grace period, with the principal payable in 42 quarterly amortizations with 35% balloon payment due at maturity to commence at the end of seventh (7th) quarter from date of initial drawdown until fully paid. The loan is covered by various securities which include among others 100% ownership shares pledged, continuing deed of assignment of receivables from customers, continuing deed of assignment of rights arising from engineering, procurement, and construction contracts with the DOE. The purpose of the borrowing is to finance the construction of the 26.88-megawatt solar power plant in General Santos City.

On February 12, 2020, ADGI entered into an Amendment to the Omnibus Loan Agreement with DBP and agreed on a change in repayment terms. ADGI shall repay the loan in 12 years, inclusive of two (2) years grace period, the principal payable in 40 quarterly amortizations with thirty-five percent (35%) balloon payment due at maturity to commence at the end of the ninth (9th) quarter from the date of initial drawdown until fully paid. All principal payment affected shall be re-amortized.

Due to the impact of the COVID-19 pandemic and community quarantine, ADGI has subsequently entered into a loan restructuring agreement with Development Bank of the Philippines in 2021.

In 2019, ADGI has paid a principal amount of the loan amounting to P8,794,736. In 2020, DBP has reversed the payment of principal and applied it as payment of outstanding interest. This is considered a non-cash activity.

The long-term borrowing agreement requires compliance by the Parent Company to certain various covenants including, among others, the maintenance of financial ratios after a year of commercial operations. The Parent Company shall always maintain a debt-to-equity ratio (DER) of not exceeding 2:1 and current ratio and debt service coverage ratio of less than one (1) as defined in the Term Loan Facility Agreement. As at December 31, 2019, the debt covenants are not yet applicable as commercial operations only started in July 2019. As at December 31, 2020, the Parent Company has substantially complied with most of the covenants except for financial ratios hence the entire balance of loan is reclassified as current in 2020.

On April 16, 2021, ADGI has entered into a loan restructuring agreement with DBP whereby its outstanding term loan with a principal amount of P1,584,900,000 payable in 40 quarterly amortizations starting in July 2020 with thirty-five percent (35%) balloon payment due in April 2030, was extended with an additional two (2) year grace period payable in 43 quarterly amortizations to commence on October 19, 2022, with a final maturity on April 19, 2033. Interest on the restructured loan is at a fixed rate for five (5) years based on the lender's prevailing rate at effective date renewable at the end of every five (5) years based on the then prevailing rate. In addition, the interest and other charges related to the term loan amounting to P90.20 million as at January 19, 2021 was capitalized and restructured into a five (5) year term loan with a fixed interest rate based on the lender's prevailing rate at effective date, payable quarterly to commence on October 19, 2022, with a final maturity on October 19, 2025. Under the loan restructured agreement, debt covenants exclude compliance with financial ratios. ADGI is compliant with all its debt covenants as at December 31, 2021. In 2021, a loss on debt restructuring amounting to P48,975,828 was recognized in 2021. This is considered a non-cash transaction in the statement of cash flows.

#### HSSC

On April 23, 2019, HSSC entered three (3) year loan agreement with a local bank for a principal amount of P741,071, to finance the purchase of a vehicle. The amount was drawn with a fixed interest rate of 9.22% per annum. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing April 23, 2019 until maturity of the loan. The vehicle was pledged as collateral for the loan.

#### Peak Flag

On April 15, 2021, Peak Flag entered a three (3) year loan agreement with a local financial institution for a principal amount of P48,645,600 or MYR 4,000,000 for working capital purposes. The amount was drawn with a fixed interest rate of 8.25% per annum. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing May 15, 2021 until maturity of the loan. A tugboat was pledged as collateral for the loan.

On March 28, 2023, Peak Flag borrowed funds from RHB Bank amounting to MYR1,000,000 (PHP12,314,200) term loan with interest at 5.50%, interest and principal amortization payable monthly from initial drawdown, matures in April 2030.

---

## 15. Equity

As at March 31, 2025 and December 31, 2024, the Parent Company's authorized share capital amounting to P2 billion is composed of 2 billion shares with par value of P1 per share.

Movements and details of share capital are as follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
At March 31, 2025 and December 31, 2024	894,586,870	907,857,870	121,632,762	(37,614,990)

On October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the IPO of the Parent Company's shares were issued with an issue/offer price of P1.88 per share. Total shares registered and subscribed was 181.6 million shares resulting in share capital of P181.6 million and additional paid-in capital of P121.6 million net of transaction costs amounting to P24.6 million. There are no other share offering after the IPO in 2013.

On March 6, 2017, the BOD and shareholders approved to amend the Parent Company's articles of incorporation to increase its authorized capital stock from P1.5 billion to P2 billion.

#### *Treasury shares*

On September 24, 2018, the Parent Company's BOD approved the share buyback program which was implemented in various dates in 2018 and 2019. The Parent Company acquired a total of 13,271,000 treasury shares for a total amount of P37,614,990.

No shares were repurchased for the periods ended March 31 2025 and December 31, 2022.

#### *Earnings (Loss) per share*

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury stocks, if any.

Total issued ordinary shares for the period has been adjusted for impact of stock split and stock dividends, if any.

Earnings (loss) per share is calculated as follows:

	<b>Three Month Ended March,</b>	
	<b>2025</b>	<b>2024</b>
Net income (loss) attributable to the Parent Company	23,684,242	(21,880,621)
Weighted average number of common shares	894,586,870	894,586,870
<b>Basic and diluted earnings per common share</b>	<b>0.03</b>	<b>0.02</b>

The basic and diluted earnings per share are the same each for the year presented as there are no potential dilutive common shares

## **16. Service Income, Net**

The components of net service incomes are:

	<b>Three Month Ended March,</b>	
	<b>2025</b>	<b>2024</b>
Harbor assistance, net of discounts and rebates	412,506,750	392,846,648
Salvage income	-	-
Revenue on generation of solar power	27,116,340	42,270,450
Towing services	22,064,858	10,084,195
Construction revenue	18,955,268	46,031,376
Lighterage service	6,185,714	9,328,492
Oil spill response	64,783,023	19,993,913
Underwater services	13,303,973	724,122
Other marine services	26,699,504	18,524,579
Others	42,471,779	8,943,923
	<b>634,087,210</b>	<b>548,738,698</b>

Harbor assistance pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port.

Others consist of income generated from diving and other underwater services, among others. The Group revenue are divided into two business segments - harbor assistance and renewable energy.

---

## 17. Cost of Services

The components of cost of services are:

	<b>Three Month Ended March,</b>	
	<b>2025</b>	<b>2024</b>
Fuel and lubricants	108,601,714	68,981,106
Depreciation and amortization	151,977,312	93,344,604
Personnel costs	57,001,418	76,145,032
Outside services	14,283,203	15,346,796
Insurance	17,620,192	1,360,061
Supplies	18,248,422	33,842,925
Charter hire/rental	34,127,049	33,388,447
Representation and entertainment	5,099,297	6,240,178
Port expense	5,139,752	24,227,847
Repairs and maintenance	7,796,747	5,404,696
Transportation and travel	2,425,377	319,858
Taxes and licenses	771,288	4,438,777
Freshwater	1,378,216	5,203,400
Communication, light and water	223,946	907,704
Professional fees	1,628,814	28,394
Membership and registration	3,392,350	2,043,886
Direct materials and supplies	7,308,647	18,472,182
Direct labor	11,050,124	19,037,603
Others	3,363,124	1,953,321
	451,436,990	410,686,818

Others mainly pertain to commission, marketing expenses, donation and contribution, post, courier and handling and charges.

---

## 18. General and Administrative Expenses

The components of general and administrative expenses are:

	<b>Three Month Ended, March,</b>	
	<b>2025</b>	<b>2024</b>
Personnel costs	41,089,010	36,589,514
Provision of impairment loss	6,339	250,500
Taxes and licenses	9,459,115	6,312,015
Representation and entertainment	5,844,119	5,452,017
Repairs and maintenance	7,025,136	6,923,692
Depreciation and amortization	7,432,673	7,866,324
Outside services	2,195,280	2,428,678
Transportation and travel	5,408,059	6,890,405
Insurance	1,875,728	1,418,166
Communication, light and water	3,075,883	2,198,273
Rent	1,212,646	1,254,321
Supplies	4,100,449	3,442,415
Professional	2,493,991	4,483,278
Commissson	203,763	
Membership and dues	545,768	1,580,183
Advertising and promotions	754,143	439,949
Others	2,778,780	4,997,417
	95,500,881	92,527,146

Others mainly pertain to post, courier and handling expenses and charges.

---

## 19. Retirement Costs

The Parent Company has an unfunded, non-contributory, and actuarially computed retirement benefit plan which provides a retirement benefit in accordance with the local conditions and practices in the Philippines. Under the Plan, the normal retirement age is 60 with a minimum of five years of service.

The retirement benefit obligation is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement benefit is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation report of the Company prepared by the independent actuary is for the year ended December 31, 2024.

---

## 20. Related Party Transactions and Balances

Transactions with related parties consist of noninterest-bearing advances that have no fixed repayment terms and are due and demandable. The Group's related party transactions are as follows:

	Terms and conditions	March 31, 2025	December 31, 2024
<i>Purchase of services</i>			
Associate	Services rendered to the Parent Company are billed based on agreed prices. These are unsecured, non-interest bearing and are payable in cash within 30 days after invoice date.	22,208,750	32,983,169

The table below summarizes the outstanding balances with related parties:

	Terms and conditions	March 31, 2025	December 31, 2024
<i>Advances to a related party, net of provision:</i>			
Entity under common control	These are unsecured, non-interest bearing, due on demand and are to be collected in cash.	54,260,076	19,363,715
Officers	These are unsecured, non-interest bearing and are subject to liquidation.	86,236,258	(30,592,380)
<i>Advances from related parties:</i>			
Entity under common control	These are unsecured, non-interest bearing, due on demand and are to be paid in cash.	-	-
Officers	These are unsecured, non-interest bearing, due on demand and are to be paid in cash.	(7,796,910)	17,725,458

The Group has not provided share-based payments, termination benefits or other long-term benefits other than retirement benefits to its key management personnel for the periods ended March 31, 2025 and December 31, 2024.

## 21. Income Tax Expense

All the companies in the Group are subject to normal corporate income tax rate at 25% in 2022 except for HSSC and ADGI. HSSC is registered under Republic Act No. 7227, otherwise known as Bases Conversion and Development Act of 1992, that enables it to be under Gross Income Taxation (GIT) of 5%. ADGI is registered under the Renewable Act 9531, an Act Promoting the Development, Utilization, and Commercialization of Renewable Energy Resources and For Other Purposes, that provides for fiscal incentives including income tax holiday.

### Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

- RCIT rate of 20% (from 30%) shall be applicable to domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) from July 1, 2020;
- RCIT rate of 25% (from 30%) shall be applicable to all other domestic and foreign corporations from July 1, 2020; and
- For the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

PAS 12, Income Taxes, requires current and deferred taxes to be measured with reference to the tax rates and laws, as enacted or substantively enacted by the end of the reporting period.

As at December 31, 2020, the CREATE bill was still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Company has assessed that the proposed tax law is not enacted or substantively enacted as at December 31, 2020. For financial reporting purposes, the enactment of CREATE after December 31, 2020 is deemed a non-adjusting subsequent event.

PAS 10, Events After Reporting Period, indicated the change in tax rates as one of the non-adjusting subsequent events and therefore any impact of the new tax rates if enacted on or prior to financial statement release will only be disclosed in the 2020 financial statements as a subsequent event item.

The movements in the Group's net DIT assets (liabilities) for the periods are as follows:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Beginning of the year	(236,833,784)	(243,382,220)
DIT credited to profit or loss	–	1,928,036
DIT credited (charged) to comprehensive income	–	5,977,803
		(1,357,403)
End of period	(236,833,784)	(236,833,784)

Income tax expense as at March 31 2025 and December 31, 2024 are as follows:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Current	1,219,209	83,940,947
Deferred	–	(1,928,036)
	1,219,209	82,012,911

---

## 22. Financial Instruments, Financial Risk Management, Objective and Policies

### Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the amount of fair value of each class of financial instrument for which it is practicable to estimate such value:

The Group has determined that the carrying amounts of financial assets such as cash, trade receivable, gross of allowance for impairment losses, construction receivables, gross of allowance for loss, deposit bond, advances to related parties, refundable deposits and financial assets at fair value through other comprehensive income and financial liabilities such as trade and other payables (excluding payable to government agencies, unliquidated expenses and unearned income), short-term loans and borrowings, finance lease liabilities and lease liabilities based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature.

### Financial Risk Management Objectives and Policies

The Parent Company's BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the use of financial instruments are market risk, credit risk and liquidity risk. The Parent Company's BOD reviews and approves the policies for managing each of these risks.

### Components of financial assets and liabilities

#### *Financial assets*

Group's financial assets are as follows:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Cash	289,588,607	383,033,395
Trade and other receivables, gross*	1,554,470,694	1,642,267,830
Refundable deposit	11,734,767	16,879,615
Financial assets at fair value through other comprehensive income (FVOCI)	810,000	810,000
	<b>1,856,604,068</b>	<b>2,024,990,840</b>

*\*excluding advances to officers, employees and others subject to liquidation*

#### *Financial liabilities*

Group's financial liabilities are as follows:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Trade and other payables	1,178,829,182	1,192,544,048
Short-term loans	3,269,619,346	3,309,546,411
Lease liabilities	45,090,233	46,219,908
	<b>4,493,538,761</b>	<b>4,548,310,367</b>

## Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates and interest rates.

### *Foreign Currency Risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most transactions are carried out in Philippine Peso, which is the Parent Company's functional currency. Exposures to currency exchange rates arise from the Group's overseas transactions, which are primarily denominated in United States Dollar (USD), Japanese Yen (JPY) and Malaysian Ringgit (MYR). The Parent Company also maintains

US Dollar-denominated bank accounts. Further, the Group has JPY payables from foreign suppliers, which have been used for the purchase of certain tugboats and maintains MYR bank accounts and receivables. To mitigate the Group's exposure to foreign currency risk, non-Philippine Peso cash flows are monitored on a regular basis

The fluctuation of exchange rates may result to foreign exchange gains or losses.

### *Price Risk*

The Group is exposed to equity securities price risk because of the Group's proprietary shares in golf and country club classified as financial assets at fair value through other comprehensive income in the consolidated statement of financial position.

As at March 31, 2025 and December 31, 2024, the Group's exposure to price risk is not considered significant.

### *Cash flow and fair value interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial assets and liabilities will fluctuate because of changes in market interest rates.

The Group's financial liabilities are subject to fixed rates and are measured at amortized cost, hence not subject to repricing and independent of changes in market interest rates.

## Credit Risk

Credit risk arises from cash deposited in banks and financial institutions, as well as credit exposures on amounts receivable from customers, related parties and other parties. The Group provides services only to recognized, creditworthy third parties. Individual risk limits are set based on internal ratings in accordance with limits set by the Parent Company's BOD. The utilization of credit limits is regularly monitored. In addition, the Group's receivables are monitored on an ongoing basis and stringent collection policy enforced resulting in an insignificant exposure to bad debt.

### *Credit Quality of Financial Instruments*

The credit quality of the financial statements is classified into three: high grade, which includes instruments with insignificant risk of default based on historical experience; standard grade, which includes quoted and unquoted equity investments that can be readily sold to a third party; and substandard grade, which includes accounts with pending payment negotiations.

## Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Group's credit standing.

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

---

## **23. Capital Management**

The primary objective of the Group's capital management is to safeguard the Group's ability to continue its operations on a going concern basis in order to provide adequate return to its shareholders and maintain optimal capital structure to reduce cost of capital and lessen the need to obtain long-term borrowings and maximize shareholder value.

The Group manages its capital structure and makes the adjustments to it, considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes as at March 31 2025 and December 31, 2022.

The Group monitors capital based on the carrying amount of equity as presented in the face of the consolidated statements of financial position. The Group's goal is to manage a debt-to-equity ratio not exceeding 2:1.

As at March 31 2025 and December 31, 2024, the Group's debt-to-equity is calculated as follows:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Total debt	5,058,044,383	4,591,672,377
Total equity	2,335,231,489	2,247,403,235
<b>Debt-to-equity ratio</b>	<b>2.17:1</b>	<b>2.04:1</b>

As at December 31,, the Parent Company has not complied with certain financial ratios including debt to equity and debt service cover ratio that resulted in the reclass of a portion of loans to current.

The Group computes its total debt as follows:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Trade and other payables	1,178,829,182	1,224,417,978
Borrowings	3,278,918,288	3,325,131,065
Lease liabilities	45,090,233	46,219,908
	<b>4,502,837,703</b>	<b>4,595,768,951</b>

The Group computes its total equity as follows:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Share capital	907,857,870	907,857,870
Additional paid-in capital	121,632,762	121,632,762
Retained earnings (deficit) attributable to the owners of Parent Company	369,232,427	248,064,613
Financial asset at fair value through other comprehensive income	(160,000)	(160,000)
Treasury shares	(37,614,990)	(37,614,990)
Revaluation surplus, net of tax	923,852,743	923,852,743
	<b>2,284,800,812</b>	<b>2,163,632,998</b>

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE has required listed entities to maintain a minimum of fifteen percent (15%) of their listed issued and outstanding shares to be held by public. The Group is compliant with respect to this requirement as at March 31 2025 and December 31, 2024.

---

## **24. Contingencies**

The Group is currently involved in various pending claims and lawsuits which could be decided in favor or against the Group. The information pertaining to such matters is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the litigation. The Group currently does not believe that these proceedings will have a material effect on its financial position.

**SCHEDULE A**

**Harbor Star Shipping Services, Inc. and Subsidiaries**

Financial Assets  
March 31, 2025

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotations at end of reporting period	Income received and accrued
<b>Financial assets at amortized cost</b>				
Cash on hand and in banks	-	194,091,853	-	-
Trade receivables	-	1,554,470,694	-	-
Refundable deposits	-	10,734,767	-	-
	-	1,759,297,314	-	-
<b>Financial asset at fair value through other comprehensive income</b>				
Investment in Short Term Fund - BDO	-	-	-	-
Investment in golf shares- Rancho Palos Verdes Golf and Country Club	-	810,000	-	-
<b>Total</b>	-	<b>1,760,107,314</b>	-	-

**SCHEDULE B****Harbor Star Shipping Services, Inc. and Subsidiaries**

Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders  
(Other than Related Parties)  
March 31 2025  
(All amounts in Philippine Pesos)

Name of designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Balance at end of the period
Bella, Geronimo Dela Paz (President)	16,277,871	1,283,238	-	-	17,561,109	17,561,109
Bella, Ricardo Rodrigo Dela Paz (Vice President)	1,366,964	-	-	-	1,366,964	1,366,964
Bella, Virginia May Dela Paz (Corporate Secretary)	104,559	-	-	-	104,559	104,559
Caranzo, Lorenzo Cabanlit (Director)	2,095,151	-	-	-	2,095,151	2,095,151
Refil, Elionarda Liu (Director)	19,170	-	(19,170)	-	-	-
Rodriguez, Ignatius Alafriz (Corporate Secretary)	-	-	-	-	-	-
	19,363,715	1,283,238	(19,170)	-	21,127,783	21,127,783

**SCHEDULE C**

**Harbor Star Shipping Services, Inc. and Subsidiaries**

Amounts Receivable from Related Parties which are eliminated  
during consolidation of financial statements

March 31, 2025

(All amounts in Philippine Pesos)

Name of designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Balance at end of the period
Advances to related parties						
Peak Flag SDN BHD	220,914,393	1,160,297	(43,439,986)	-	178,634,704	178,634,704
Astronergy Development Gensan Inc.	419,343,214	29,744,170	(37,009,666)	-	412,077,718	412,077,718
Astronergy Development F1, Inc.	509,170	85,766	-	-	594,936	594,936
Astronergy Development F2, Inc.	513,749	85,764	-	-	599,513	599,513
Harbor Star Subic Corp.	615,800,712	73,215,752	(137,007,975)	-	552,008,488	552,008,488
Harbor Star Energy Corporation	277,138,540	3,460,387	(2,009,666)	-	278,589,261	278,589,261
Harbor Star Construction Corporation	1,780,198	1,455,371	-	-	3,235,569	3,235,569
Harbor Star East Asia (Myanmar) Ltd.	2,271,930	-	-	-	2,271,930	2,271,930
	<b>1,538,271,906</b>	<b>109,207,507</b>	<b>(219,467,293)</b>	<b>-</b>	<b>1,428,012,119</b>	<b>1,428,012,119</b>

**SCHEDULE D**

**Harbor Star Shipping Services, Inc. and Subsidiaries**

Long-term Debt  
March 31, 2025

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in related statement of financial position	Notes
Bank borrowings	1,675,102,784	43,328,006	1,605,168,380	<i>DBP restructured cash loan and its capitalized accrued interest, interest at 6.50% per annum, interest and principal amortization payable quarterly starting October 2023, matures on April 19, 2033.</i>
Bank borrowings	481,600,000	39,354,550	438,372,610	<i>DBP restructured cash loan and its capitalized accrued interest, interest at 6.50% per annum, interest and principal amortization payable quarterly starting March 2023, matures on December 29, 2028.</i>
Bank borrowings	2,160,800	1,055,510	769,637	<i>PNB cash loans, interest at 8% per annum, various maturities in 2023</i>
Bank borrowings	477,335,005	91,843,300	254,343,240	<i>CTBC restructured cash loans, interest at 5.25% per annum subject to quarterly repricing, interest and principal amortization payable quarterly starting January 2022, matures on December 30, 2026.</i>
Bank borrowings	6,080,700	1,075,908	2,502,470	<i>Ambank cash loan, MYR500,000 (or PHP6,080,700) term loan with interest at 6.70% interest and principal amortization payable monthly from initial drawdown, matures in September 2027</i>

Bank borrowings and Borrowing from financial institution	45,455,200	14,311,325	26,629,000	<i>Orix cash loan, MYR5,000,000 (or PHP48,645,600) term loan with interest at 8.25%, interest and principal amortization payable monthly from initial drawdown, matures in April 15, 2024</i>
Bank borrowings	28,960,080	2,085,535	9,229,910	<i>RHB Bank cash loan, MYR1,000,000 (or PHP12,314,200) term loan with interest at 5.50%, interest and principal amortization payable monthly from initial drawdown, matures in April 2030</i>
Bank borrowings	1,291,000,000	737,750,000	-	<i>RCBC cash loan, interest at 7.50% per annum, interest and principal amortization payable quarterly, matures on July 14, 2025</i>
Bank borrowings	11,717,900	1,727,030	-	<i>RCBC car loan, interest rates ranging from 8.12% to 8.97% per annum, interest and principal amortization payable monthly, various maturities from 2024 to 2025</i>
Lease Liability	40,000,000	5,807,703	34,192,297	<i>DBP Leasing, interest at 6% per annum, for 10 years, matures on September 15, 2024.</i>
	<b>5,346,619,716</b>	<b>109,756,409</b>	<b>3,539,931,279</b>	

**SCHEDULE E**

**Harbor Star Shipping Services, Inc. and Subsidiaries**

Indebtedness to Related Parties  
(Long-term Loans from Related Companies)  
March 31, 2025

Name of related party	Balance at beginning of period	Balance at end of period
NONE		

**SCHEDULE F**

**Harbor Star Shipping Services, Inc. and Subsidiaries**

Guarantees of Securities of Other Issuers  
March 31, 2025

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Amount owned by person for which statement is filed	Nature of guarantee
NONE			

**SCHEDULE G**

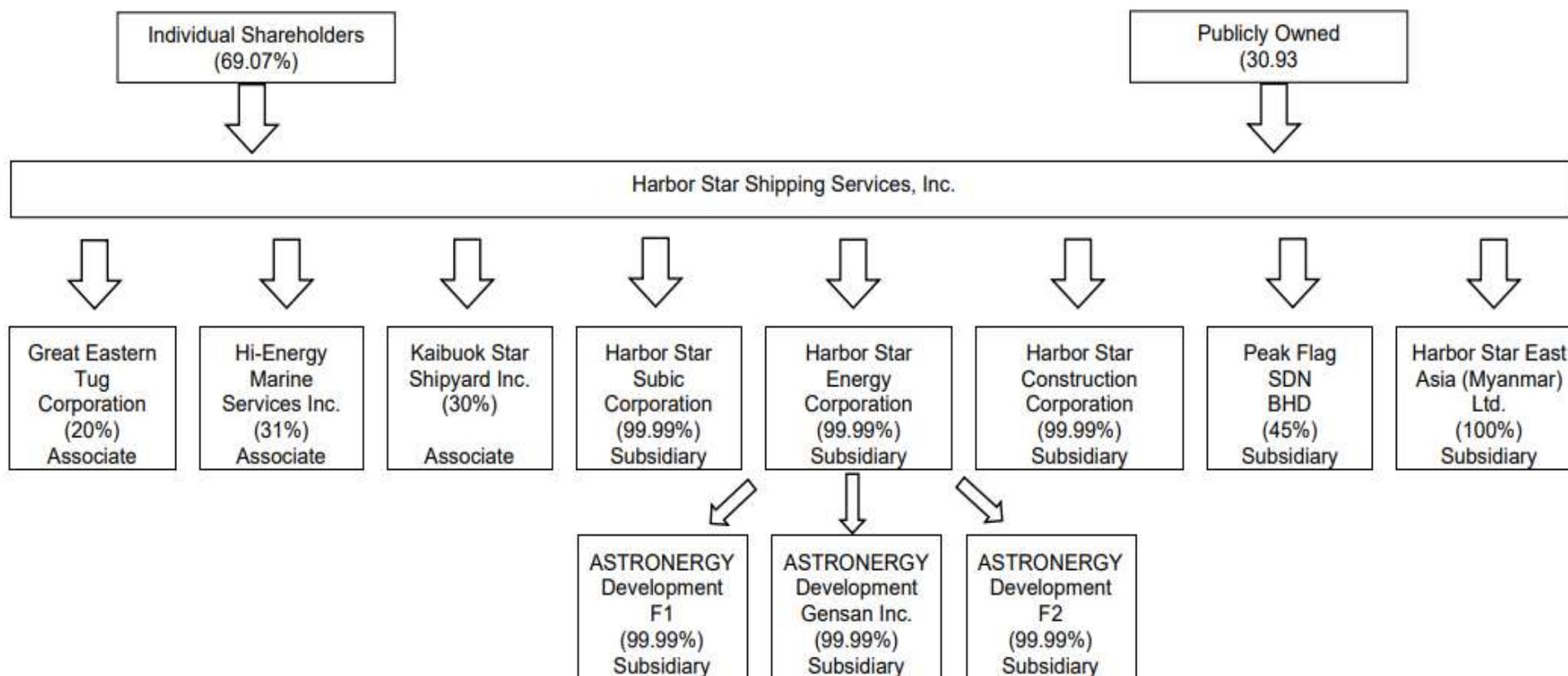
**Harbor Star Shipping Services, Inc. and Subsidiaries**

Share Capital  
March 31, 2025

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - P1 par value	2,000,000,000	894,586,870	-	-	616,665,227	277,921,643

**Harbor Star Shipping Services, Inc. and Subsidiaries**  
 2224 A. Bonifacio St., and Pres. Sergio Osmeña  
 Bangkal, Makati City

A Map Showing the Relationships between and among the Parent Company and its Subsidiaries and Associate  
 March 31, 2025



Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration  
For the period ended March 31, 2025  
(All amounts in Philippine Peso)

<b>Unappropriated retained earnings, January 1, 2025</b>	471,027,037
<b>Net income based on the face of the unaudited financial statements</b>	24,779,219
<b>Less: Non-actual/unrealized income net of tax</b>	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to cash)	-
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains (losses) or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
<b>Add: Non-actual losses</b>	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP – loss	-
Loss on fair value adjustment of available-for sale financial assets (after tax)	-
<b>Profit actually earned/realized during the year</b>	495,806,256
<b>Add: Release of retained earnings appropriation</b>	-
<b>Less: Treasury shares</b>	-
Stock dividends declared during the year	-
Cash dividends declared during the year	-
<b>Unappropriated retained earnings, March 31, 2025</b>	<b>495,806,256</b>

**Harbor Star Shipping Services, Inc. and Subsidiaries**

Aging of Trade and Other Receivables, net  
March 31, 2025

	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		1-30 days	31-60 days	61-90 days	Over 90 days		
Trade	62,461,889	148,099,686	114,624,461	56,366,788	1,172,917,870	(412,592,644)	1,141,878,050
Officers & Employees	216,897	6,127,335	2,700,318	2,986,175	74,308,540	-	86,339,265
Others	-	-	-	-	14,867,386	-	14,867,386
Unbilled Revenue					40,142,500		40,142,500
	62,678,786	154,227,021	117,324,779	59,352,963	1,302,236,296	(412,592,644)	1,283,227,202