HARBOR STAR
SHIPPING SERVICES, INC.

Integrated Annual and Sustainability Report
2024

Table of Contents

Company Profile

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 business interests ranging from towing to construction and energy.

In terms of 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 ISO 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.

Under a service contract, its tugs provide harbor assist and ship-to-ship transfer operations in Malacca, Malaysia. 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. ("HSEA").

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 TB 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. TB 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"), where 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 covered 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. Working in tandem with the company's Construction Segment, Harbor Star successfully completed numerous projects.

Projects included Jetty Steel Piles Refurbishment in Lanao del Norte, refurbishment and installation of fenders and pipeline services in Olongapo, and in 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 secured new bids and contracts as it sought to strengthen its market position and develop its other service lines.

Subsidiaries

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 deployed two vessels, M/T Lucida and M/T Zaniah, to service 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 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 a concrete jetty in Davao, and the construction of 150 core shelter units in BARMM, Maguindanao.

Additionally, in cooperation with Harbor Star Diving and Marine Maintenance Department, HSCC completed the refurbishment and installation of fenders as well as buoy and pipeline servicing in Mariveles, Bataan.

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

Harbor Star owns 100% of HSSC.

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 commenced commercial operations in February 2015, deploying its first vessel, TB Hamal, at Malaysia's North port. In the following months, Peak Flag expanded its fleet with the addition of TB Mirzam, which began operations 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 provided 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 TB Pollux.

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

In October 2022, Peak Flag Sdn Bhd, took delivery of TB 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% stake at Peak Flag.

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, 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 was located in Yangon, Myanmar. Currently, operations are suspended due to the current political unrest and the impact of the COVID-19 pandemic.

Harbor Star owns 99.99% of HSEA.

Kaibuok Star Shipyard Inc.

On 23 February 2019, the SEC issued the certificate of incorporation of Kaibuok Star Shipyard Inc. ("KSSI"), 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.

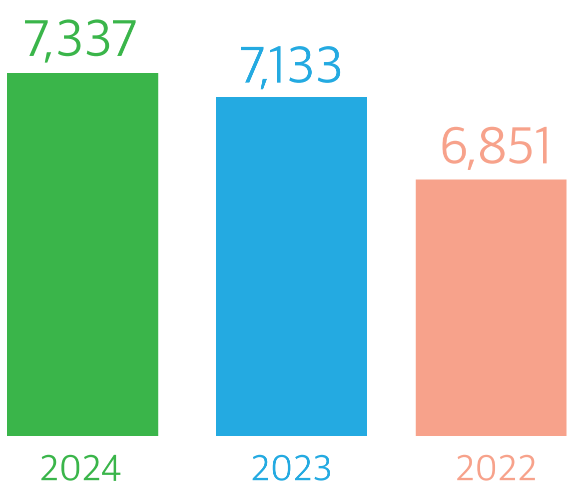
KSSI's primary purpose is to build, construct, fabricate, repair, own, manage, operate, maintain, buy, sell, or otherwise deal in with ships, vessels, boats, and marine structures of every kind and nature, graving docks, drydocks, floating docks, various land, and other structures and other conveniences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

Financial Highlights

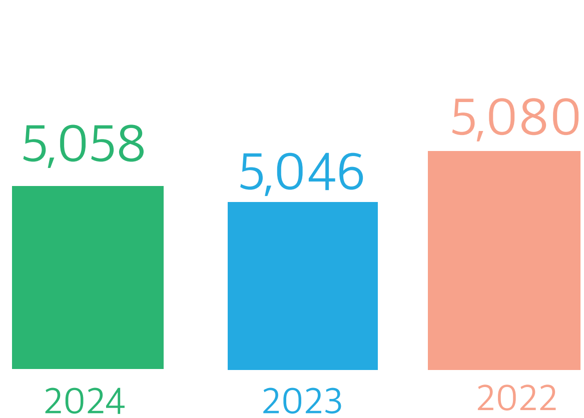
Net Revenue (In Million Pesos)

Total Expenses (In Million Pesos)

Total Assets (In Million Pesos)

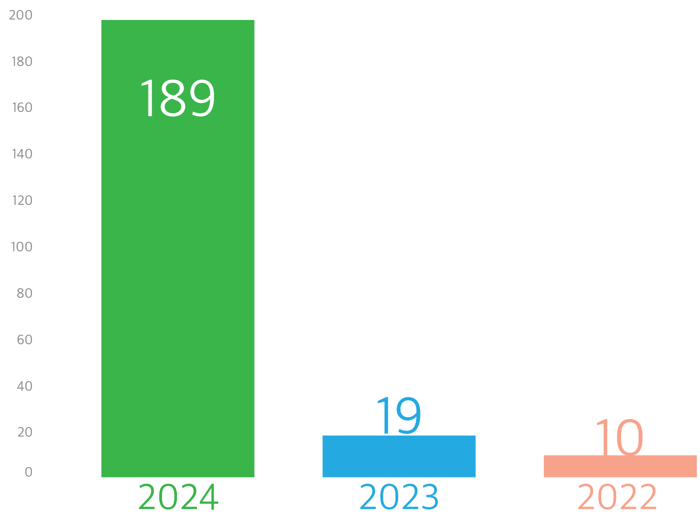


Total Liabilities (In Million Pesos)

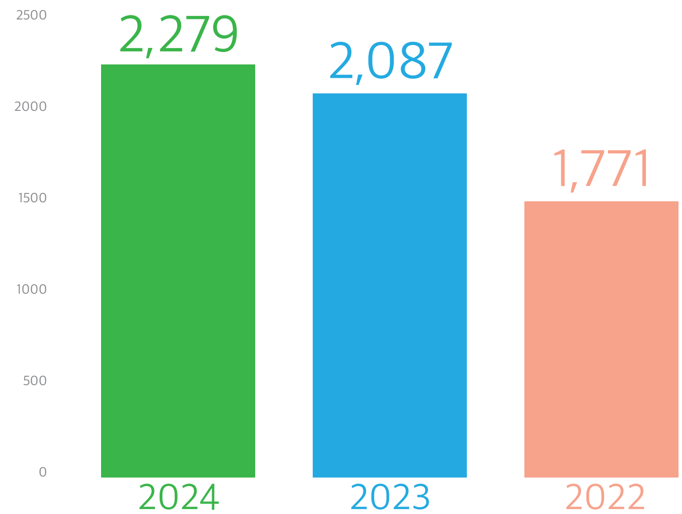


EBITDA (In Million Pesos)

Net Income (In Million Pesos)



Total Equity (In Million Pesos)



Earnings per Share (in Pesos)

Mission • Vision • Values

COMPANY VISION

To Provide Sustainable Solutions Across the Seas and Beyond.

Increase Revenue	Rationalize Expenses	Improve Return on Asset Ratio

Market Penetration	Product Development	Diversification	Joint Venture

MISSION

At Harbor Star, we make every effort to protect lives, assets and safeguard the environment for the well-being of our families and future generations.

We stay current by creating sustainable and diverse services that provide added value to our stakeholders, transcending geographical limitations.

Together, we serve our customers safely, efficiently and exceptionally, embodying the distinctive attributes of Filipinos.

VISION

- **I** INNOVATIVE > We challenge the status quo.
- **M** MALASAKIT > We genuinely care.
- **P** PROACTIVE > We think ahead.
- **R** RELIABLE > We are dependable to make things happen.
- **E** EXCELLENCE > We rise above the rest.
- **S** SERVICE-ORIENTED > We exceed customer expectations.
- **S** SUSTAINABLE > We are resilient and responsive to emerging trends.

Message to Our Stockholders

Fellow Shareholders,

I am pleased to share the operational and strategic highlights of Harbor Star Shipping Services, Inc. for 2024. Amid global challenges, from inflation and volatile fuel prices to geopolitical tensions and supply chain disruptions, Harbor Star remained resilient, adaptive, and committed to growth.

Our focus on operational efficiency, modernization, and service diversification delivered solid results. The number of ships we served increased to 8,401, up from 8,123 in 2023, driven by optimized vessel deployment in key domestic ports. Our ability to respond swiftly and effectively remains a key competitive advantage.

Revenue growth was fueled by our deliberate expansion into high-value service lines. The Construction segment grew by 190.1% to PHP210.6 million, while the Energy segment rose by 37.8% to PHP193.4 million, underscoring the success of our diversification strategy.

We invested PHP574 million in capital expenditures, including new tugboats, barges, diving and construction equipment, and fleet renewal efforts. Our transition to SAP has further streamlined operations and improved decision-making, while our proprietary Booking App, now active in high-traffic ports such as Batangas and Bataan, enhances real-time visibility and resource management.

Innovation and sustainability remain core to our operations. The use of simulators for crew training, fleet modernization, and ISO-certified processes have strengthened our safety, environmental, and operational standards. Our current fleet of 60 vessels reflects our ongoing fleet renewal, replacing older units with more capable, fuel-efficient tugboats aligned with international standards.

Our people remain central to our success. We continued to invest in leadership development, technical training, and wellness initiatives to build a resilient, high-performing workforce. Meanwhile, our environmental and community programs, including mangrove planting, reef projects, coastal cleanups, and educational outreach, reflect our commitment to responsible corporate citizenship.

A notable milestone in 2024 was the successful oil siphoning and containment from the capsized M/T Terra Nova in Bataan, reinforcing our technical expertise and crisis response capabilities.

Looking ahead, we will continue to strengthen our core harbor assistance services while expanding in marine construction, diving, and salvage. We remain open to strategic opportunities through partnerships, investments, and operational synergies to enhance capabilities and enter new markets.

We are equally committed to building strong stakeholder relationships through open communication, regulatory compliance, and transparent governance. With your continued trust, we will navigate the challenges and opportunities ahead with confidence, purpose, and responsibility.

Thank you for your unwavering support. Together, we will steer Harbor Star toward new milestones and sustainable growth.

Geronimo P. Bella, Jr.

Geronimo P. Bella, Jr.
Chairman of the Board and President

Operational Highlights

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 year-end 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.

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 measures to optimize resources while maintaining integrity and security of its fleet and manpower.

Our Services

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, Davao, Iloilo, and Zamboanga. 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 overs the use and maintenance of the vessel, crewing, insurance, and administrative support costs incurred during operations.

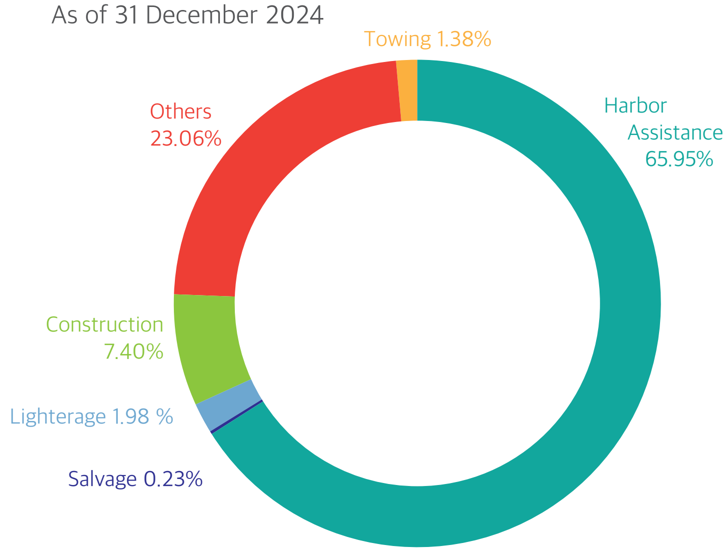
As of 31 December 2024, revenues from lighterage services amounted to PHP56 million, equivalent to 2% of total revenue.

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

Harbor Star Service Income

As of 31 December 2024



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.

Our Fleet

TUGBOATS

M/T ACHERNAR
M/T ADARA
M/T AGENA
M/T ALPHARD
M/T ALUDRA
M/T ALYA
M/T ARNEB
M/T ATRIA
M/T CANOPUS
M/T CAPELLA
M/T CAPH
M/T DABIH
M/T DENEB
M/T DUBHE
M/T ENIR
M/T GALINA
M/T GIEDI
M/T GREAT HAWK
M/T GREAT LARK
M/T HOMAM
M/T JABBAH
M/T KEID
M/T KRAZ
M/T LUCIDA
M/T MARKAB
M/T MERAK
M/T MERGA
M/T MIMOSA
M/T MINKAR
M/T MIRA
M/T MIZAR
M/T PROCYON
M/T PROPUS
M/T REGULUS
M/T RIGEL
M/T SAIPH
M/T SARGAS
M/T SARIN
M/T SHAULA
M/T SIRIUS
M/T SKAT
M/T SPICA
M/T TABIT
M/T TYL
M/T WEZEN
M/T ZANIAH

MALAYSIA TUGBOATS

TB HAMAL
TB IZAR
TB MIRZAM
TB POLLUX
TB SYRMA

BARGES

Barge AQUILA
Barge AURIGA
Barge CENTAURUS
Barge CORONA
Barge CORVUS
Barge HYDRUS
Barge KENRAM

OTHER VESSELS

LCT DRACO
Dredger HYDRA

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.

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.

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.

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.

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.

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").

Board of Directors Profiles

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"), and Harbor Star East Asia (Myanmar) Ltd ("HSEA"), 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. ("HTAP") and a Director in Harbor Star Subic Corp. ("HSSC"), and Peak Flag Sdn. Bhd ("Peak Flag"). 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), Harbor Star Subic Corp. ("HSSC") and Harbor Star Construction Company ("HSCC"). He is also the Director of Harbor Star East Asia (Myanmar) Ltd ("HSEA"). 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. ("HSSC"), Great Eastern Tug Corporation, and Bellridge Resources, Inc. He pursued undergraduate studies in Business Management at De La Salle University in 1985.

Ceasar Daniel T. Castro

50, Filipino, Director. Mr. Castro serves as a Director of Harbor Star Shipping Services, Inc. ("HSSSI"). 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 the 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., Member of the Philippine Military Academy Class of 1979 and served as the 23rd 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 organizations. 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. ("HSSSI"). 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. ("HSSSI") 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.

Board of Directors

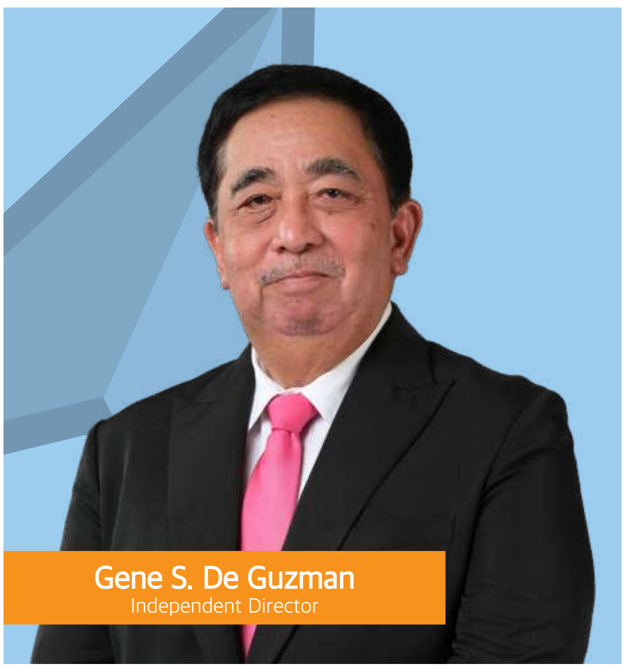
Geronimo P. Bella, Jr.
Chairman of the Board and President

Ricardo Rodrigo P. Bella
Director and Vice President

Ramon C. Liwag
Director

Ceasar Daniel T. Castro
Director

Ryota Nagata
Director



Gene S. De Guzman
Independent Director

Gemma V. Sadiua
Independent Director

Key Officers

Geronimo P. Bella, Jr.
Chairman of the Board and President

Ricardo Rodrigo P. Bella
Director and Vice President

Charlene O. Ang
Corporate Secretary

Dany Cleo B. Uson
Treasurer, CFO, and Compliance Officer

Lorenzo C. Caranzo
Operations Division Head

Management Team Profiles

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 Officer for Asia Pacific and the Investor Relations 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. 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 2nd Mate in 2013 and later on got promoted as Chief Mate. He officially became a full-fledged 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 (QHSE) Manager. Mr. Castillo is the QHSE 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 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 Asclepius Recruitment Inc., and Belleridge Resources Inc. Prior to her present positions, Ms. Bella also served as Director of Belleport 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 Masters Degree in Development Communication from the University of the Philippines Open University ("UPOU") Los Baños, 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 from the Polytechnic University of the Philippines, and passed the 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 the 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, ICT Manager. Mr. Orila is 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 AboJeb 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 to 2019 before becoming the Business Development Manager for Visayas & Mindanao of Harbor Star. He was involved in the Sales, Marketing, and Operations department of several companies prior to his position at Harbor Star, including Essen Pharma Inc., G&G Logistics 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 to 2019 and Sales & Marketing Officer-in-Charge from 2019 to 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 College) 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 the 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

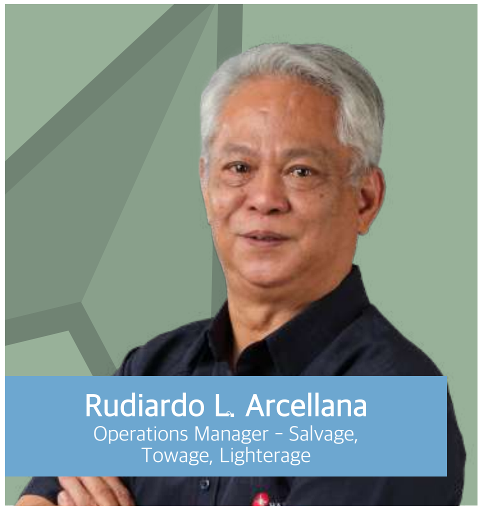
43, Filipino, Audit Manager. Mr. Dabu served as an Internal Auditor from 2009 to 2016, Senior Internal Auditor from 2016 to 2021, Audit Officer-in-Charge from 2021 to 2022 before becoming the Audit Manager. Prior to joining Harbor Star, he was the Auditor of Tri SM Professional Services before becoming 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.

Management Team

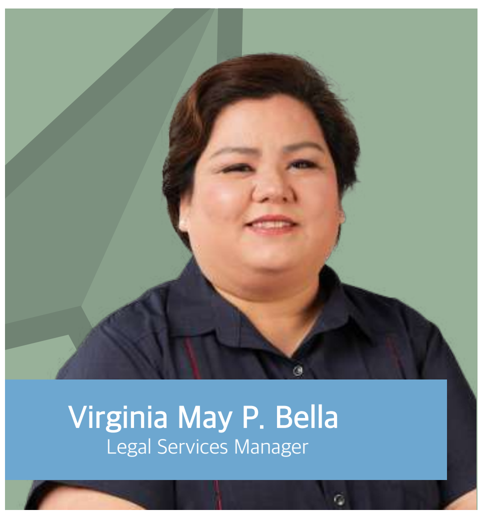
Emmanuel L. Falcunit
Operations Manager - Fleet Operations



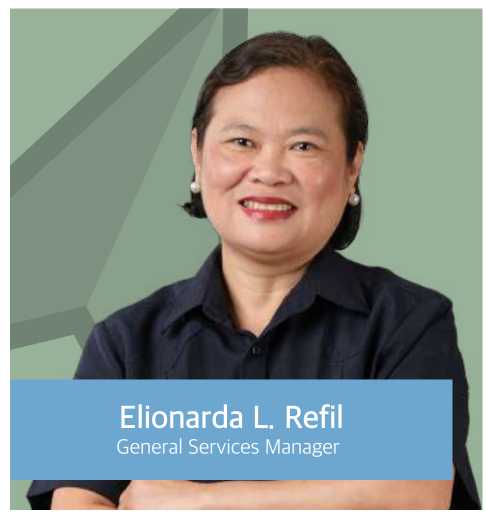
Rudiardo L. Arcellana
Operations Manager - Salvage, Towage, Lighterage

Jay-R L. Castillo
QHSE Manager

Edwin G. Amejana
Commercial Manager



Virginia May P. Bella
Legal Services Manager

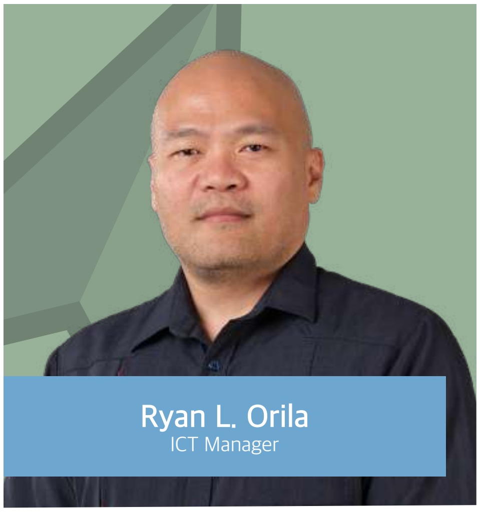


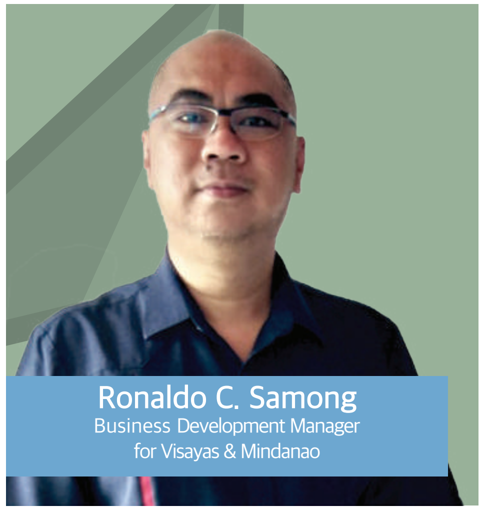
Elionarda L. Refil
General Services Manager

Mary Jane J. Logatoc
Accounting Manager

Effel T. Santillan
Human Resource Manager

Maria Elizabeth Jean E. Bella
Procurement Manager


Ryan L. Orila
ICT Manager


Ronaldo C. Samong
Business Development Manager
for Visayas & Mindanao


Marvin William F. Trinidad
Sales and Marketing Manager


Elisalde M. Fantillo
Technical Manager


Marlon D. Dabu
Audit Manager


Daisy A. Sta. Maria
Treasury and Budget Manager

Milestones

2024 Construction Projects

ITEM	PROJECTS	PROJECT STATUS
1	PERRC - CONSTRUCTION OF BUILDING 07 NAVOTAS FISH PORT	Ongoing
2	Construction of Core Shelter with Solar Powered Light and Water System Component for the province of Maguindanao, Special geographic Area, Sulu and Tawi-Tawi	Ongoing
3	Construction of Reefer Van Plug-In Outlet	Completed
4	PROCUREMENT OF PROPOSED TWO (2) STOREY DEPED REGIONAL OFFICE BUILDING (EXTENSION BUILDING - WITH ROOF DECK)	Ongoing
5	Construction of Integrated Corn Processing Facility	Ongoing
6	Roof Installation for 40-Foot and 20-Foot Storage Containers	Completed
7	2-Units of Guard Tower Repair in Liberty Core Farm	Completed
8	Construction of Concrete Jetty	Ongoing
	Refurbishment of Two (2) Units of STS Rubber Fender	Completed
9	Structure Integrity of PF # 4 & 5 Through Concrete Strength Test; SCHMIDT Hammer Testing	Completed
10	REPAIR OF THE FOREST MANAGEMENT BUREAU'S FRONT SIGNAGE AND ADJUSTMENT OF WAITING SHED	Ongoing
11	Supply and Installation of Aluminum Cladding Panel with Complete finish and Supports	Ongoing

2024 Diving Projects

ITEM	PROJECTS	PROJECT STATUS
1	Underwater Inspection	Completed
2	BMA23-0170 2024 SBM Turnaround Offshore and Onshore Activities	Completed
3	BMA23-0174 SBM BuoyancyTanks Sandblasting and Painting Works(2024 T/A)	Completed
4	BMA23-0144 Main Pier Pipeline External Protection Program (Group 3)	Ongoing
5	BMA24-0018 Cargo Housing Blasting and Painting 2024	Completed
6	BMA24-0020 Dredging of Sampaguita Basin	Completed
7	Supply and Refurbishmen of Jetty Piles	Completed
8	Unit 1 CWP C Chamber Underwater Diving, Inspection and Repair	Completed
9	PPA Requirements on Port Profile ZSPI	Completed
10	Underwater Cleaning	Completed
11	Hauling of SW Buoy by Sea	Completed
12	Servicing Under Water Inspection by Class Approved Service Provider	Completed
13	Underwater Seawater Outfall Line Inspection	Completed
14	Rehabilitation, Design And Installation Of Fenders	Completed
15	Underwater cleaning of stop gate slots	Completed
16	Replacement of New Footvalve	Completed
17	DIVING AND UNDERWATER WORKS SERVICES, ANNUAL SEAWATER INTAKE , PUMP INLET AND DISCHARGE CLEANING	Completed
18	Underwater Diving Inspection and Rigging	Completed
19	Replacement, Fabrication of SS Cage and Cleaning of Fire Pump Foot Valve	Completed
20	Foot Valve Installation	Completed
21	Underwater UTG at Jetty & Approach Trestle Piles	Completed

Milestones

2018

- 20th Anniversary
- Assisted 10,033 ships
- Acquired 40% of ASTRONERGY, making it a wholly-owned subsidiary
- Acquired 100% of ADF1 and ADF2, supporting the expansion of the 25 MW solar power plant in Gensan to 75 MW
- Acquired 31% of HEMSI
- Incorporated Harbor Star East Asia (Myanmar) Ltd.
- Awarded service contract by Cebu Link JV for the Cebu-Cordova Link Expressway
- Signed Service Contract with PASAR
- Conducted salvage operations for Teras Lyza
- Successfully refloated M/V Jimming Hao 16
- Cavite Gateway Terminal operations

2019

- Assisted 9,300 ships
- Inaugurated 25 MW Solar Power Plant in General Santos City
- ASTRONERGY delivered 12.96 million kWh to SOCOTECO II
- Acquired TB Pollux for Malaysia Operations
- Acquired M/T Jabbah for HS Subic Operations
- Acquired Dredger Hydra
- Acquired Barge Auriga
- Acquired M/T Caph
- 25,000 mangroves planted

2020

- Continued operations despite COVID-19 pandemic (implemented cost-saving measures and health protocols)
- Maintained ISO certifications
- Emergency Towage of Cement Carrier NACC Vega
- Oil Spill Response & Clean-up of Power Barge 102
- New contracts with GNPower, PASAR, MCC-Sealand, Pearl Energy, and CMA-CGM
- Assisted 6,589 ships (due to COVID-19 pandemic)
- ASTRONERGY delivered 35.57 million kWh to SOCOTECO II
- Completed first full year of commercial operations for the 25 MW solar power plant in General Santos City
- 50,000 mangrove trees planted

2021

- St. Nuriel wreck removal
- Super Shuttle Roro 3 salvage
- Ambition Journey salvage
- 2-year charter agreement with PASAR
- 2-year service agreement with Mariveles Grain Corporation
- ASTRONERGY delivered 83.6 million kWh to SOCOTECO II
- 50,000 mangrove trees planted

2022

- M/Y Infinity Salvage
- M/V Sunny Link Oil Spill Response
- Scorpio Honor refloating
- Yume and Wakaseto wreck removal
- Acquisition of TB Izar for Malaysia Operations (Peak Flag)
- ASTRONERGY delivered 121.3 million kWh to SOCOTECO II
- Peak Flag contributed PHP97.3 million in revenue
- 60,000 mangrove trees planted

2023

- 25th Year Anniversary
- 10th Year Listing Anniversary with the PSE
- M/V Princess Empress Oil Spill Response Shoreline Cleanup Operations
- Entry into shipbuilding via Kaibuok Star Shipyard Inc (JV)
- Assisted 8,123 ships
- Maintained triple ISO certification
- Implemented SAP, System Simulators, Online Booking Platform
- ASTRONERGY delivered 140.33 million kWh to SOCOTECO II/WESM
- 30,000 mangroves trees planted (but due to inclement weather, only 15,000 thrived)

2024

- M/T Terra Nova oil spill response
- M/V Viet Hai salvage project
- Construction and Marine Maintenance Achievements
- Assisted 8,401 ships
- New Tugboat M/T Saiph
- ASTRONERGY delivered 193.36 million kWh to WESM
- Added 1,000 mangroves

2024 Sustainability Report

Introduction to the Sustainability Report

Integral to HSSSI's operations are its Sustainability Programs focused primarily on the economic, environmental and social well-being of communities.

Through the years, the company has invested a significant amount of resources and manpower into activities that promote community development, sustainability and the conservation of marine life. It is HSSSI's conviction that, both in the short and long term, these efforts will safeguard the welfare particularly of people residing in the Philippines' coastal areas. Moving forward, HSSSI will continue to work towards inclusive and sustainable growth for all communities - which ultimately redounds to the country's overall progress and development.

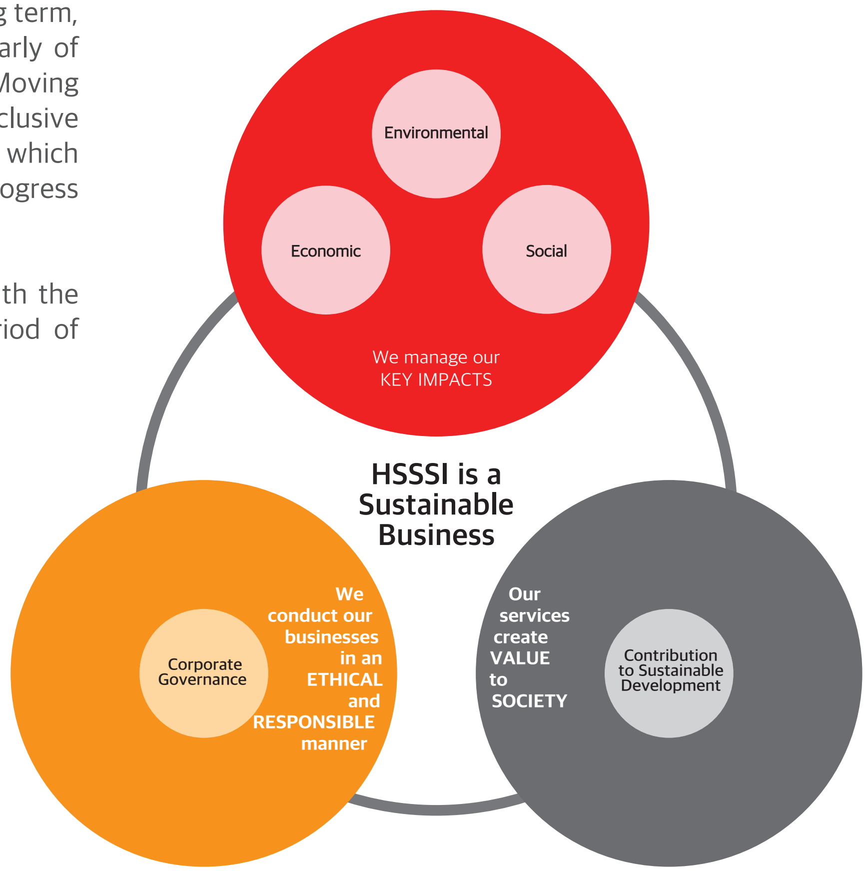
This report has been prepared in accordance with the GRI Standards: Core Option. It covers the period of January to December 2024.

(102-48, 102-49, 102-54)

Sustainability Framework

This sustainability framework is crafted for Publicly Listed Companies (PLCs) operating in the Philippines. It is a systematic approach that serves as a guideline to manage issues and improve business practices in achieving the Company's sustainability.

SUSTAINABILITY FRAMEWORK



Material Topics and Boundaries *(102-46, 102-47)*

In identifying the materiality of the topics to be included in the report, department heads were provided with a risk assessment form to identify 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.

	Business Economic Performance	Value for Customers	Employee Engagement
Metric	Direct economic value generated Direct economic value distributed	Market Share	Attrition Rate
Management Approach	Increase Revenue by means of business diversification, joint venture, market penetration, product development Rationalize expenses	Establish transparent and good relationship with the customers Continuous improvement of services based on the customer's feedback ISO 9001:2015 Certification	Employee Code of Conduct Established HR Policies Established salary structure per position Performance Evaluation Training Plan and Matrix Compliance with General Labor Law

After collating the contextual issues, top management conducted several dialogues to determine which topics were considered significant.
(102-46)

Employee Well-Being	Environment Protection	Workplace Safety and Health	Compliance to International Standard	Fleet Management
Attrition Rate	Compliance monitoring GHG footprint	Accident Frequency Rate Lost Time Injury Rate	IMS certification	Fleet Efficiency
Mental Health Policy and Programs Family Welfare Programs	Compliance to environmental laws and regulations ISO 14001: 2015 Certification Establish an Energy Conservation (ENERCON) Committee to identify, monitor and, implement environmental programs related to energy consumption. CSR: Mangrove Planting Implement Preventive Maintenance System (PMS)	Compliance with Occupational Health and Safety (OSH) Standard Developing interdependent culture of safety ISO 45001:2018 Certification Established and ensure compliance of employees to COVID-19 Pandemic Policy	Maintain the IMS Certification (ISO 9001, ISO 14001, and ISO 45001)	Preventive Maintenance System

Stakeholder Engagement

(102-40, 102-42, 102-43, 102-44)

1 Employees

ALL EMPLOYEES

Relevance to the Organization (102-42)

Workforce/manpower that helps the company meet its vision, mission, and strategic objectives.

Topics / Concerns Raised (102-44)

1. Benefits and compensation
2. Occupational Safety & Health
3. Training & Development
4. Employee Welfare
5. Performance Evaluation
6. Corporate Social Responsibility (CSR)
7. General Labor Law Compliance Obligation
8. Marine Environment Protection

Approach to Stakeholder Engagement (102-43)

100% compliance to Occupational Safety & Health Standard;

General Labor Standard; Environmental Laws

Provision of internal and external training based on the Training Needs Analysis (TNA)

Involvement of all employees in CSR activities.

Covid-19 Pandemic Policy

2 Clients or Customers

VESSEL OWNERS/ PORT OPERATORS

Relevance to the Organization (102-42)

Patrons of HSSSI operations

Topics / Concerns Raised (102-44)

1. Value for Customers

Approach to Stakeholder Engagement (102-43)

1. Client call
2. Customer feedback form
3. Continuous improvement of services

3 Investors

STOCKHOLDERS

Relevance to the Organization (102-42)

Contribute capital to the business

Topics / Concerns Raised (102-44)

1. Business economic performance
2. Business strategic plans
3. Sustainable value for stakeholders

Approach to Stakeholder Engagement (102-43)

1. Annual Stockholder's Meeting

4 Business Partners

SUPPLIERS / SERVICE PROVIDERS / CONTRACTORS

Relevance to the Organization (102-42)

Provide resources and services essentials to the operation

Topics / Concerns Raised (102-44)

1. Value for suppliers

Approach to Stakeholder Engagement (102-43)

1. Supplier accreditation and audit
2. Second Party Audit (Supplier's Audit)

MANNING AGENCIES

Relevance to the Organization (102-42)

Provide manpower for an international voyage

Approach to Stakeholder Engagement (102-43)

1. Contract with the manning agency

INSURANCE COMPANY

Relevance to the Organization (102-42)

Insured assets

Topics / Concerns Raised (102-44)

1. Incident/ Accident Reporting

Approach to Stakeholder Engagement (102-43)

1. Insurance claim process

ISO CERTIFYING BODY

Relevance to the Organization (102-42)

Continuous improvement of the management system performance;

Fulfillment of legal requirements and other requirements;

Achievement of objectives.

Topics / Concerns Raised (102-44)

Maintenance of ISO certification

Approach to Stakeholder Engagement (102-43)

1. Renewal of certification

5 Community

LOCAL COMMUNITY PARTNER IN CSR

Relevance to the Organization (102-42)

Helps the company and other stakeholders to be socially accountable

Topics / Concerns Raised (102-44)

Corporate Social Responsibility (CSR)

Approach to Stakeholder Engagement (102-43)

1. Quarterly visitation of the partner community

6 Government

LOCAL GOVERNMENT REGULATORY BODIES; NGOS

Relevance to the Organization (102-42)

Issuance of permit to operate

Topics / Concerns Raised (102-44)

Sustainable operation

Approach to Stakeholder Engagement (102-43)

1. ISO Certification to ensure compliance with legal requirements
2. Attend conferences

7 Trade Organization

INTERNATIONAL AND LOCAL TRADE UNIONS

Relevance to the Organization (102-42)

Compliance to international standards to get more clients

Topics / Concerns Raised (102-44)

Compliance with the requirements

Approach to Stakeholder Engagement (102-43)

1. Renewal of membership
2. Ensure compliance with the requirements

Business Economic Performance

Direct Economic Value Generated and Distributed, PHP (201-1)						
Disclosure	HSSSI	Peak Flag	HSSC	HSEC	ADGI	Consolidated
Direct Economic Value Generated (revenue)	2,442,789,272	171,941,552	229,745,185	-	193,362,467	3,037,838,476
Direct economic value distributed:						
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

Net Sales or Revenues by Countries or Regions that make up Five percent or more or the Total Revenue						
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

Cost by Countries or Regions that make up Five percent or more or the Total Cost						
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

Total Capitalization Broken Down in Terms of Debt and Equity						
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 Customers

Harbor Star's commitment to delivering quality service that aligns with customers' needs is 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 towards operational excellence.

As of 31 December 2024, Harbor Star services encompassed approximately one hundred seventy (170) ports within the Philippines, including eleven (11) are base or hub ports. These base ports are comprised of 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 to; 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:

a. Training and Development

Harbor Star's training and development initiatives showed significant improvement in 2024 compared to previous years. The HRDM department has focused on enhancing employee competencies to ensure effective operations and to build confidence among the company's most valuable assets—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.

b. 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 towards 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.

c. 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.

d. Promoting Sustainability Among Employees

Harbor Star is committed to fostering strong connections both within the workplace and among the wider community. During Maritime Week in September, the organization hosted informative webinars that educated employees on financial security and sustainable practices in 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

Employee Data (401-1)

631
Total Number of Employees

566
Total Number of Male Employees

65
Total Number of Female Employees

16.67%
Attrition Rate

Employee Benefits (401-2)

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 (availments)	
Housing assistance (aside from Pag- ibig)	N		
Retirement fund (aside from SSS)	Y	0%	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%

Employee Training and Development (401-1)		
Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	1,690	Hours
b. Male employees	8,670	Hours
Average training hours provided to employees		
a. Female employees	26	Hours/Employee
b. Male employees	15	Hours/Employee

Diversity and Equal Opportunity (405-1)		
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	

Relationship with Community

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 impact 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

Environmental responsibility remains a core value at Harbor Star, and is woven into every aspect of our operations. This year, the commitment to protecting our planet and addressing climate change continues to fuel meaningful action. Here is 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 have successfully reduced energy usage while creating brighter, more productive workspaces. It is 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 a journey and not just a destination.

Innovating for Impact: Low-Carbon Solutions

We continue to advance our environmental goals with innovative programs 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 is not just about reducing our footprint—it is 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

Energy Consumption within the Organization (302-1)

DIESEL 370,709 GJ

Electricity 350,851 kWh

Water Consumption within the Organization (303-3, 303-5)

Water Withdrawal
0 m^3

Water Consumption
38,225.57 m^3

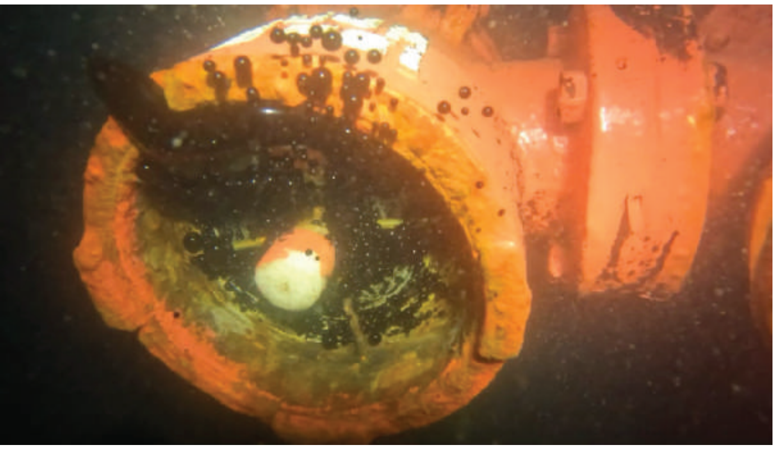
Recycled and Reused
0 m^3

Hazardous Waste (306-4)		
Disclosure	Quantity	Units
Total Weight of Hazardous Waste Generated	14,750	Kg
Total Weight of Hazardous Waste Transported	14,750	Kg

Air Emissions: GHG (305-1, 305-2, 305-6)		
Disclosure	Quantity	Units
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 25 July 2024, Harbor Star launched a critical emergency response when M/T 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. These 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

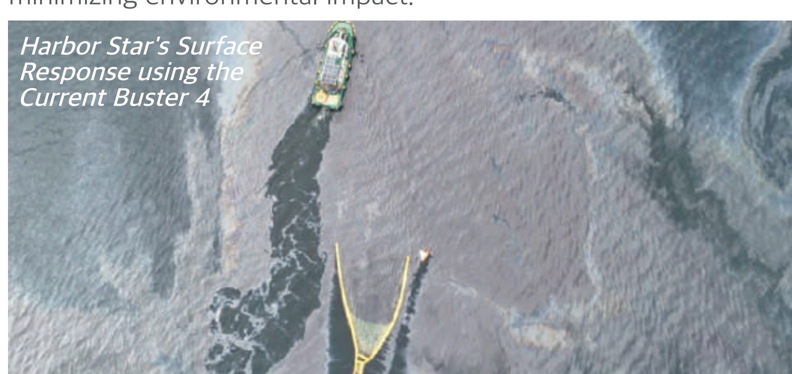
By 13 September 2024, Harbor Star had successfully extracted 1,404,182 liters of oil from the sunken vessel. An additional 17,139 liters were collected from the water surface, bringing the total recovered volume to 1,421,321 liters, or 97% of the vessel's declared cargo. The remaining 3%—approximately 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 12 September 2024, a final inspection was conducted with representatives from the Philippine Coast Guard, the vessel owner, and the 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 28 January 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 12 March 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.

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 the area 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 but the scale of the impact that we can prevent.

Prioritizing Safety, Health, and Well-Being in the Workplace

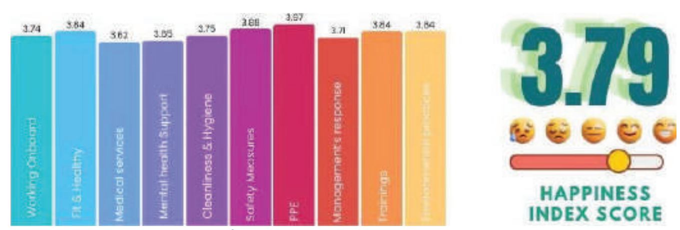
At Harbor Star, workplace safety and employee well-being form the foundation of our sustainability journey. Our people are at the heart of our operations, and we are committed to creating a safe, healthy, and empowering work environment—both at sea and onshore.

Building A Culture Of Safety and Readiness at Harbor Star

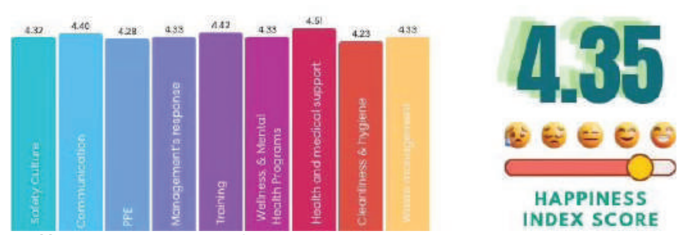
At Harbor Star, safety and preparedness are at the core of our values. To continuously improve and strengthen our safety culture, we have rolled out several key programs designed to ensure the well-being of our workforce, enhance operational readiness, and promote proactive risk management.

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.



Crew Happiness Index Score



Office Happiness Index Score

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 a one-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.

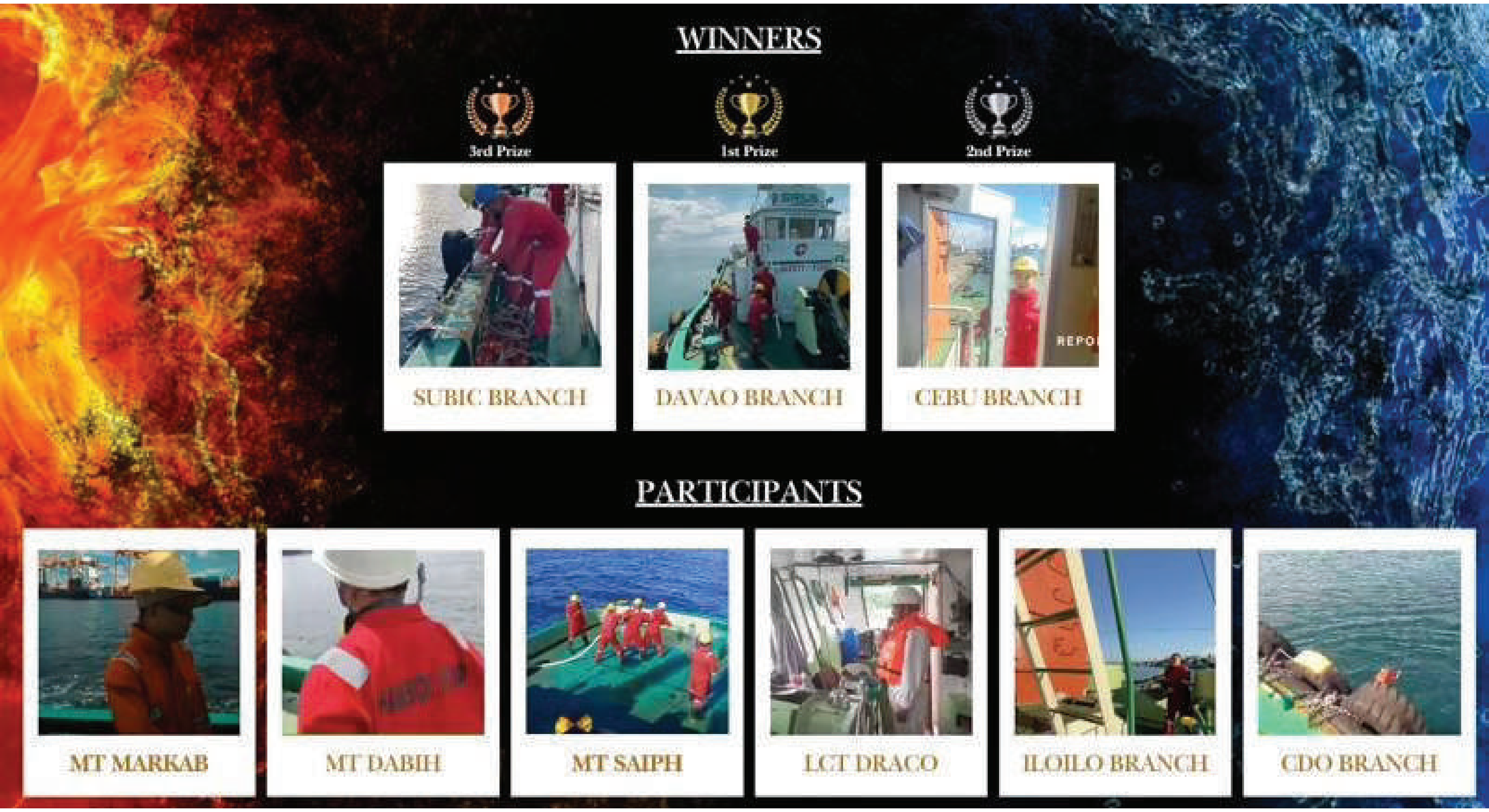
Basic Life Support Training (BLS)

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.



Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety (403-9)		
Disclosure	Quantity	Units
Safe Man-Hours	15,938,796	Man-Hours
Number of Work-Related Injuries	2	#
Number of Work-Related Fatalities	0	#
Number of Work-Related Ill-Health	0	#
Number of Safety Drills	1,989	#

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.

Sustaining Excellence Through Standards, Safety, and Stewardship

At Harbor Star, the commitment to excellence goes beyond meeting industry expectations—it is about setting the bar higher. Driven by a passion for quality service, operational safety, and environmental responsibility, the company continues to validate 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 is not just about protecting the environment—it is 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. It maintains the highest standards of quality, safety, and environmental responsibility, serving as a beacon of industry leadership and innovation.


DNV

MANAGEMENT SYSTEM CERTIFICATE

This is to certify that the management system of
Harbor Star Shipping Services, Inc.
2224 A. Bonifico St. corner Pres. Sergio Osmena Highway, Bangkal, 1233, Makati City, Philippines
and the sites as mentioned in the appendix accompanying this certificate

has been found to conform to the Quality Management System standard:
ISO 9001:2015

This certificate is valid for the following scope:
Provision for Tugboat Services, Lighterage, Oil and Chemical Spill Response, Salvage and Diving Services.

JAS-ANZ


DNV

MANAGEMENT SYSTEM CERTIFICATE

This is to certify that the management system of
Harbor Star Shipping Services, Inc.
2224 A. Bonifico St. corner Pres. Sergio Osmena Highway, Bangkal, 1233, Makati City, Philippines
and the sites as mentioned in the appendix accompanying this certificate

has been found to conform to the Quality Management System standard:
ISO 9001:2015

This certificate is valid for the following scope:
Provision for Tugboat Services, Lighterage, Oil and Chemical Spill Response, Salvage and Diving Services.

JAS-ANZ


DNV

MANAGEMENT SYSTEM CERTIFICATE

This is to certify that the management system of
Harbor Star Shipping Services, Inc.
2224 A. Bonifico St. corner Pres. Sergio Osmena Highway, Bangkal, 1233, Makati City, Philippines
and the sites as mentioned in the appendix accompanying this certificate

has been found to conform to the Occupational Health and Safety Management System standard:
ISO 45001:2018

This certificate is valid for the following scope:
Provision for Tugboat Services, Lighterage, Oil and Chemical Spill Response, Salvage and Diving Services.

JAS-ANZ

In 2024, Harbor Star embarked on an inspiring journey to build our relationship with the communities we serve through a diverse set of impactful Corporate Social Responsibility (CSR) initiatives. We truly believe that our business success is linked to the well-being of the community, leading us to prioritize meaningful engagement as a cornerstone of our mission.

Dedication to Environmental Stewardship

Harbor Star's dedication to sustainability is manifested through notable efforts in communities like 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 in various sites around the country. 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 Ligpo, 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 promotes a healthy marine ecosystem 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 06 April 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 that community members received vital health services. Harbor Star sponsored chicken meals for the participants and volunteers, reflecting its commitment to improving quality of life alongside its 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 enhanced their economic stability and instilled confidence and pride within the community.

The Brigada Eskwela program launched in Bangkal, Makati, shows Harbor Star's thrust in supporting and promoting education among Filipino youth. 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 help students 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 environmental sustainability efforts 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 31 December 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 towards a sustainable future, addressing challenges one action at a time.


BRIGADA ESKWELA


Dulangan
Bagong Tubig
Talon
Abiacao
Bonliw
Banoyo
San Isidro
Balite
Mahabang
Parang
Locloc
Banoyo-Locloc
1 km
1 mi


HARBOR STAR
Certificate of Appreciation
HARBOR STAR


ADOPT-A-MANGROVE
HARBOR STAR
Adopt a
MANGROVE
HARBOR STAR

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 102-49 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				
	Organizational Profile			
GRI 102: General Disclosures 2016	102-1	Name of the organization	Refer to Annual Report Page 1 : Company Profile	
	102-2	Activities, brands, products, and services	Refer to Annual Report Pages 9-10: Operational Highlights	
	102-3	Location of headquarters	Refer to Annual Report Inside Back Cover: Offices	
	102-4	Location of operations	Refer to Annual Report Pages 1-2 : Company Profile	
	102-5	Ownership and legal form	Refer to Annual Report Pages 1-2 : Company Profile	
	102-6	Markets served	Refer Annual Report Page 133 : HSSSI Base Ports	
	102-7	Scale of the organization	Refer to Page 37 : Employee Management	
	102-8	Information on employees and other workers	Refer to Page 37 t: Employee Management	
	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 Charges to the organization and its supply chain	Since the company is IMS certified, we are using the ISO standards when planning our processes and projects balancing the three pillars of sustainability.	None to report
	102-11	Precautionary Principle or approach	Refer to Pages 51-54 : U.N. SDGs	
	102-12	External initiative		
	102-13	Membership of associations	1. International Salvage Union (ISU) 2. Employer Confederation of the Philippines (ECOP) 3. Philippine Chamber of Commerce and Industry (PCCI) 4. People Management Association of the Philippines (PMAP) 5. Harbor Tugs Association of the Philippines (HTAP) 6. Philippine Inter-island Shipping Association (PISA)	

	Strategy			
	102-14	Statement from senior decision-maker	Refer to Annual Report Page 8 : Message to Our Stockholders	
	Ethics and Integrity			
	102-16	Values, principles, standards, and norms of behavior	Refer to Annual Report Page 7 : Mission, Vision, Corporate Values	
	Governance			
	102-18	Governance structure	Refer to Annual Report Pages 14-15 : Corporate Governance	
	Stakeholder Engagement			
	102-40	List of stakeholder groups	Refer to Pages 34-35	
	102-41	Collective bargaining agreements		None to report
	102-42	Identifying and selecting stakeholders	Refer to Pages 34-35	
	102-43	Approach to stakeholder engagement	Refer to Pages 34-35	
	102-44	Key topics and concerns raised	Refer to Pages 34-35	
	Reporting Practice			
	102-45	Entities included in the consolidated financial statements	Parent and Subsidiaries	
	102-46	Defining report content and topic boundaries	Refer to Pages 32-33	
	102-47	List of material topics	Refer to Pages 32-33	
	102-48	Restatements of information		None to report
	102-49	Changes in reporting		None to report
	102-50	Reporting period	Refer to Page 35	
	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	Refer to Page 31	
	102-55	GRI Content Index	Refer to Pages 55-58	
	102-56	External assurance		Not applicable
MATERIAL TOPICS				
Economic Performance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 32	
	103-2	The management approach and its components	Refer to Pages 32-33	
	103-3	Evaluation of the management approach	Refer to Page 36	
GRI 201: Economic Performance 2016	201-1	Direct Economic Value Generated and Distributed	Refer to Page 36	

Environmental Performance				
Energy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 32	
	103-2	The management approach and its components	Refer to Pages 32-33	
	103-3	Evaluation of the management approach	Refer to Page 43	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Refer to Page 43	
Water				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 32	
	103-2	The management approach and its components	Refer to Pages 32-33	
	103-3	Evaluation of the management approach	Refer to Page 43	
GRI 303: Water 2016	303-1	Water withdrawal	Refer to Page 43	
Emission				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 32	
	103-2	The management approach and its components	Refer to Pages 32-33	
	103-3	Evaluation of the management approach	Refer to Page 43	
GRI 305: Air Emissions 2016	305-1	Direct (Scope 1) GHG Emissions	Refer to Page 43	
	305-2	Energy indirect (Scope 2) GHG Emissions	Refer to Page 43	
Hazardous Wastes				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 32	
	103-2	The management approach and its components	Refer to Pages 32-33	
GRI 302: Waste 2016	103-3	Evaluation of the management approach	Refer to Page 43	
	306-4	Hazardous Waste	Refer to Page 43	

Social Performance				
Employment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 32	
	103-2	The management approach and its components	Refer to Pages 32-33	
	103-3	Evaluation of the management approach	Refer to Page 43	
GRI 401: Employment 2016	401-1	Employee Data	Refer to Page 40	
	401-2	Employee Benefits	Refer to Page 40	

Occupational Safety and Health				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 32	
	103-2	The management approach and its components	Refer to Pages 32-35, 50	
	103-3	Evaluation of the management approach	Refer to Page 46-49	
GRI 403: Occupational Safety and Health	403-9	Occupational Safety and Health	Refer to Page 50	
Training and Education				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 32	
	103-2	The management approach and its components	Refer to Pages 32-35, 50	
	103-3	Evaluation of the management approach	Refer to Page 37	
GRI 404 : Training and Education	404-1	Employee Training and Development	Refer to Pages 41	
Diversity and Equal Opportunity				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 32	
	103-2	The management approach and its components	Refer to Pages 32-35, 50	
	103-3	Evaluation of the management approach	Refer to Page 37-39	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity and Equal Opportunity	Refer to Page 41	
Local Communities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 32	
	103-2	The management approach and its components	Refer to Pages 32-35, 50	
	103-3	Evaluation of the management approach	Refer to Page 51-54	
GRI 413 : Local Communities 2016	413-1	Significant Impacts on Local Communities	Refer to Page 41	

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 or 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 tothe stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

(Original Signed)
MR. GERONIMO P. BELLA, JR.
PRESIDENT

(Original Signed)
MR. RICARDO RODRIGO P. BELLA
VICE PRESIDENT

(Original Signed)
MR. DANY CLEO B. USON
CHIEF FINANCE OFFICER

Signed this 14th day of May 2025.

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.

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:

Key audit matters	How our audit addressed the key audit matters
Revaluation of tugboats 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. 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.	We addressed the matter through the following procedures: • 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). • 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.

Key audit matters	How our audit addressed the key audit matters
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.	• Confirmed that appraised values were determined using market approach and cost approaches. Correspondingly, we have performed the following: 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. 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. • We checked the accuracy of adjustments made to property, plant and equipment, revaluation surplus and to impairment losses, as applicable.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Harbor Star Shipping Services, Inc. and Subsidiaries
Page 4

Key audit matters	How our audit addressed the key audit matters
Revenue recognition 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. 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. 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. For the year ended December 31, 2024, the total consolidated revenue recognized over time amounted to P2.84 billion.	We addressed the matter through the following procedures: • We obtained understanding of the Group's revenue recognition policies in accordance with PFRS 15, *Revenue from Contracts with Customers,* and the related business processes. • 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. • We performed revenue cut-off procedures over the risk period identified. • 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.

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.

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.

The engagement partner on the audit resulting in this independent auditor's report is Paul Chester U. See.

Isla Lipana & Co.

Paul Chester 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

pwc

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.

Paul Chester 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. 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.

Paul Chester 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

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
Assets			
Current assets			
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
Total current assets		2,220,476,451	1,990,449,587
Non-current assets			
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
Total non-current assets		5,116,497,375	5,142,952,611
Total assets		7,336,973,826	7,133,402,198
Liabilities and Equity			
Current liabilities			
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
Total current liabilities		2,223,703,247	1,303,770,482
Non-current liabilities			
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
Total non-current liabilities		2,834,341,136	3,742,187,941
Total liabilities		5,058,044,383	5,045,958,423
Equity			
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
Total equity		2,278,929,443	2,087,443,775
Total liabilities and equity		7,336,973,826	7,133,402,198

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)
Gross profit		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)
Operating profit		594,197,025	342,044,311	285,176,424
Finance cost				
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)
Income (loss) before income tax		271,068,387	68,998,802	(9,960,262)
Income tax (expense) benefit	22	(82,012,911)	(49,733,067)	20,458,990
Net income for the year		189,055,476	19,265,735	10,498,728
Other comprehensive (loss) income				
Items that will not be subsequently reclassified to profit or loss				
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)
Total other comprehensive (loss) income, net of tax		(6,674,205)	298,158,372	499,359,263
Total comprehensive income for the year		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
Earnings per share				
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)

		Equity attributable to owners of the Parent Company									
	Notes	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	Total	Non-controlling interest	Total equity
Balances at January 1, 2022		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
Comprehensive income (loss)											
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
Total comprehensive income for the year		-	-	-	515,682,323	-	-	(14,276,035)	501,406,288	8,451,703	509,857,991
Depreciation transfer of revaluation surplus	6	-	-	-	(36,569,647)	-	-	36,569,647	-	-	-
Translation adjustments	26.17	-	-	-	-	376,938	-	2,211,892	2,588,830	-	2,588,830
Balances at December 31, 2022		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
Comprehensive income (loss)											
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
Total comprehensive income for the year		-	-	-	300,773,629	-	-	27,090,212	327,863,841	(10,439,734)	317,424,107
Depreciation transfer of revaluation surplus	6	-	-	-	(33,457,239)	-	-	33,457,239	-		-
Translation adjustments	26.17	-	-	-	-	(331,569)	-	(588,052)	(919,621)	(427,192)	(1,346,813)
Balances at December 31, 2023		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
Comprehensive income (loss)											
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)
Total comprehensive income for the year		-	-	-	(10,552,189)	-	-	116,808,277	106,256,088	76,125,183	182,381,271
Depreciation transfer of revaluation surplus	6	-	-	-	(49,010,387)	-	-	49,010,387	-	-	-
Transfer of revaluation surplus through depreciation, net of tax		-	-	-	(26,418,919)	-	-	26,418,919	-	-	-
Translation adjustments	26.17	-	-	-	1,638,212	1,760,424	-	3,557,126	6,955,762	2,148,635	9,104,397
Balances at December 31, 2024		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
Cash flows from operating activities				
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
Cash flows from investing activities				
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)
Cash flows from financing activities				
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)
Net increase in cash and cash equivalents		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)
Cash and cash equivalents at December 31	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);
<u>Astronergy Development F1 Inc. (ADF1) and Astronergy Development F2 Inc. (ADF2)</u>

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. The 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 2024	2023	Registered place of business/ Country of incorporation	Main activity
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 2024	% of interest held 2023	Registered place of business/ Country of incorporation	Main activity
Astronergy Development F1 Inc. (ADF1)	Subsidiary (indirect)	100%	100%	Philippines	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. 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.
Astronergy Development F2 Inc. (ADF2)	Subsidiary (indirect)	100%	100%	Philippines	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. 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.
Harbor Star East Asia (Myanmar) Limited (HSEAM)	Subsidiary	100%	100%	Myanmar	During 2018, HSSSI acquired 97% ownership of HSEAM, an entity providing consultancy and support services including underwater, marine and maritime related business. 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.
Hi-Energy Marine Services, Inc. (HEMSI)	Associate	31%	31%	Philippines	During 2018, HSSSI acquired 31% ownership of HEMSI, an entity engaged in towage, mooring, maritime commerce and navigation. 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.
Great Eastern Tug Corporation (GETC)	Associate	20%	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.
Kaibuok Star Shipyard Inc. (KSSI)	Associate	30%	30%	Philippines	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. 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.

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
	480,205,306	375,986,874

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		1,150,401	962,646

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
At December 31, 2022										
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
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
January 1, 2023										
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
Closing 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
At December 31, 2023										
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
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
January 1, 2024										
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
Closing net carrying amount	2,680,908,292	39,556,011	232,261,916	1,480,163,658	13,778,062	58,199,370	1,122,313	25,491,579	65,564,096	4,597,045,297
At December 31, 2024										
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
Net carrying amount	2,680,908,292	39,556,011	232,261,916	1,480,163,658	13,778,062	58,199,370	1,122,313	25,491,579	65,564,096	4,597,045,297

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.

<u>Critical accounting judgment</u>

(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
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	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.

<u>Critical accounting estimate</u>

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
Current			
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
		1,224,417,978	1,013,592,635
Non-current			
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
Over time			
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
At a point in time			
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
Cost of services				
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
General and administrative expenses				
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
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 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		
	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 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 13th 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
Purchase of services				
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
Advances to related party, net of provision:				
Officers and shareholders	These are unsecured, non-interest bearing and are subject to liquidation.	3	19,363,715	68,506,112
Advances from related parties:				
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
Cost					
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
Accumulated amortization					
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
Net carrying amount					
December 31, 2023	992,686	-	52,170,963	41,203,183	94,366,832
Cost					
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
Accumulated amortization					
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
Net carrying amount					
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.

<u>Critical accounting estimates and judgment</u>

(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
Assets						
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
Liabilities						
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.

	2024			2023		
	Effect on income before tax					
Currency	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
December 31, 2024					
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
December 31, 2023					
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
2024				
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
2023				
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
December 31, 2024					
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
December 31, 2023					
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.

<u>Changes in accounting policies and disclosures</u>

(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.

<u>Financial assets</u>

(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 costumer and is only recognized to the extent that it is probably 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.

<u>Other income</u>

(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	-	-	-	-

Harbor Star Base Ports

Harbor Star Offices

Head Office

Makati

Harbor Star Shipping Services, Inc.
2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233, Philippines
Tel. Nos.: (+632) 8886-3703
Fax No.: (+632) 8887-2103
Email Add.: info@harborstar.com.ph

Regional Offices

Batangas

2F Batangas Business Center,
Barangay Calicanto, Batangas City
Batangas, 4200, Philippines
Tel.: (+6343) 784-4751
Mobile No.: (+63999) 221-8062
Email Add.: batangas@harborstar.com.ph

Cagayan de Oro

MJM Bldg., 81 Toribio Chavez St., Brgy. 3,
Cagayan de Oro City Misamis Oriental, 9000, Philippines
Telefax: (+6388) 856-1594
Mobile No.: (+63928) 504-9017
Email Add.: cdo@harborstar.com.ph

Cebu

Unit 1, Benley Building, J. De Veyra Street
North Reclamation Area, Brgy. Carreta
Cebu City, 6000, Philippines
Mobile No.: (+63946) 456-8646 , (+63915) 859-2821
Email Add.: cebu@harborstar.com.ph

Davao

G/F SJRDC Bldg., Insular Village, Lanang
Davao City, 8000, Philippines
Mobile No.: (+63908) 815-4324 • (+63917) 547-1246
Email Add.: davao@harborstar.com.ph

Iloilo

Sea Eagle Boulevard, Brgy. Libertad Lapuz,
Lapaz, Iloilo City, 5000, Philippines
Mobile No.: (+63960) 502-1290 • (+63999) 224-5869
(+63946) 565-8963
Fax No.: (+6333) 501-0516
Email Add.: iloilo@harborstar.com.ph

Subic

Unit 9 & 10, Alava Quay, Waterfront Road, Central Business District Area, Subic Bay Freeport Zone, 2222, Philippines
Tel. No.: (+6347) 250-3687
Mobile No.: (+63908) 864-0811 • (+63917) 881-9631
Email Add.: subic@harborstar.com.ph

Zamboanga

Unit 1, 2nd Floor Jasmin Tower Building,
Mayor Jaldon corner Gov. Alvarez Streets,
Zone 2, Zamboanga City, 7000, Philippines
Tel. No. :(+6362) 957-0034
Mobile No.:(+63998) 851-7954
Email Add.: zamboanga@harborstar.com.ph

Overseas Offices

Peak Flag Sdn Bhd

N6-04 The Gamuda Biz Suites, 12, Persiaran Anggerik
Vanilla, Kota Kemuning 40460 Shah Alam
Selangor, Malaysia
Tel. No.: (+603) 5879-9326
Mobile No.: (+6012) 2018-117
Email Add.: adev.pf@gmail.com • adev@peakflag.com

Harbor Star East Asia (Myanmar) Limited

No. M6, Upper Padetharpin Road, FMI City,
Hlaingtharyar Township, 11041-11042,
Yangon, Republic of the Union of Myanmar
Mobile No.: (+95) 979-3926113
Email Add.: tommythan.cta@gmail.com

HARBOR STAR
SHIPPING SERVICES, INC.

2224 A. Bonifacio Street corner
Pres. Sergio Osmeña Highway
Bangkal, Makati City, 1223, Philippines
www.harborstar.com.ph