COVER SHEET

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HARBOR STAR
SHIPPING SERVICES, INC.

SPECIAL STOCKHOLDER'S MEETING
OF
HARBORSTAR SHIPPING SERVICES, INC.

AGENDA

25 November 2026 at 2:00 p.m.

TO ALL STOCKHOLDERS:

1. Call to Order

2. Certificate of Notice and Quorum

3. Approval of the Minutes of the Annual Stockholders' Meeting held on 8 July 2026

4. Management Report

5. Dispose and/or sell all of the Corporation's shareholdings in its wholly-owned subsidiaries, Harbor Star Energy Corporation ("HSEC"), including HSEC's subsidiaries ASTRONERGY Development Gensan, Inc. ("ADGI"), ASTRONERGY Development F1, Inc. ("ADF1"), and ASTRONERGY Development F2, Inc. ("ADF2"), and Harbor Star Construction Corporation ("HSCC") (collectively, the Non-Core Assets")

    5.1.1 Authorize the Corporation to appoint Asian Appraisal Company, Inc., or any independent third-party appraiser, to value the Non-Core Assets to establish fair consideration for the transaction;

    5.1.2 Delegate to the Board of Directors and Management the determination of the terms and conditions of the sale of the Non-Core Assets; and

    5.1.3 Authorize the Board of Directors and Management to negotiate, conclude and execute the Definitive Agreements for the sale of the Non-Core Assets, subject to compliance with contractual obligations and applicable regulatory requirements.

6. Other Matters

7. Adjournment

HARBOR STAR
SHIPPING SERVICES, INC.

NOTICE OF SPECIAL STOCKHOLDERS' MEETING

A **Special Meeting of the Stockholders of Harbor Star Shipping Services, inc. ("HSSSI")** will be held and conducted virtually via the Zoom online meeting platform on **Wednesday, 25 November 2026, at 2:00 pm** for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 8 July 2026
4. Management Report
5. Dispose and/or sell all of the Corporation's shareholdings in its wholly-owned subsidiaries, Harbor Star Energy Corporation ("HSEC"), including HSEC's subsidiaries ASTRONERGY Development Gensan, Inc. ("ADGI"), ASTRONERGY Development F1, Inc. ("ADF1"), and ASTRONERGY Development F2, Inc. ("ADF2"), and Harbor Star Construction Corporation ("HSCC") (collectively, the Non-Core Assets")
   - 5.1 Authorize the Corporation to appoint Asian Appraisal Company, Inc., or any independent third-party appraiser, to value the Non-Core Assets to establish fair consideration for the transaction;
   - 5.2 Delegate to the Board of Directors and Management the determination of the terms and conditions of the sale of the Non-Core Assets; and
   - 5.3 Authorize the Board of Directors and Management to negotiate, conclude and execute the Definitive Agreements for the sale of the Non-Core Assets, subject to compliance with contractual obligations and applicable regulatory requirements.
6. Other Matters
7. Adjournment

The Board of Directors has fixed 30 October 2026 as the record date for the determination of stockholders entitled to be notified, participate, and vote at the Special Stockholders' Meeting ("Stockholders of Record").

Stockholders of Record may only attend/participate via proxy, remote communication or vote in absentia, subject to validation procedures.[1] Only validated stockholders will be provided access to the Zoom meeting platform and can cast their votes in absentia on or before 20 November 2026 via the Corporation's secure online voting facility.

Stockholders who wish to participate in the meeting via the Zoom online meeting platform and to vote in absentia should notify the Office of the Corporate Secretary through a Letter of Intent to be sent via e-mail to ssm-2026@harborstar.com.ph or fill up the registration form at www.harborstar.com.ph/ssm2026registrationform on or before 16 November 2026.

HSSSI is not soliciting proxies. Stockholders who are unable to join the meeting but wish to vote on items in the agenda by proxy must submit their duly accomplished proxy forms via email to ssm-2026@harborstar.com.ph on or before 16 November 2026.

Stockholders may send their queries and comments to the Management Report and other items in the Agenda to ssm-2026@harborstar.com.ph on or before 20 November 2026.

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

Very truly yours,

CHARLENE O. ANG
Corporate Secretary

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

EXPLANATION AND RATIONAL OF EACH ITEM IN THE AGENDA

1. Call to order

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

2. Certification of notice and quorum

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

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

3. Approval of the Minutes of the Annual Stockholders Meeting held on 8 July 2026
   The minutes are available at the Corporation website, http://www.harborstar.com.ph/.

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

   "RESOLVED, that the Minutes of the Annual Stockholders' meeting held on 8 July 2026 as appearing in the Minutes Book of the Corporation be approved."

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

4. The Management Report

   The President, Mr. Geronimo P. Bella, Jr., shall render the Management Report, which provides the highlights of the performance of the Corporation for the first two (2) quarters of 2026 and the outlook of the Corporation for the remaining months of 2026.

   The President shall also report on the significant operational and financial performance as well as the milestones and achievements of the Corporation for the first two (2) quarters of 2026.

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

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

   "RESOLVED, that that the Management Report for the first two (2) quarters of 2026 be noted and approved."

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

5. Approval to dispose and/or sell all of the Corporation's shareholdings in its wholly-owned subsidiaries, Harbor Star Energy Corporation ("HSEC"), including HSEC's subsidiaries ASTRONERGY Development Gensan, Inc. ("ADGI"), ASTRONERGY Development F1, Inc. ("ADF1"), and ASTRONERGY Development F2, Inc. ("ADF2"), and Harbor Star Construction Corporation ("HSCC") (collectively, the Non-Core Assets")

   5.1 Authorize the Corporation to appoint Asian Appraisal Company, Inc., or any independent third-party appraiser, to value the Non-Core Assets to establish fair consideration for the transaction;

   5.2 Delegate to the Board of Directors and Management the determination of the terms and conditions of the sale of the Non-Core Assets; and

5.3 Authorize Board of Directors and Management to negotiate, conclude and execute the Definitive Agreements for the sale of the Non-Core Assets, subject to compliance with contractual obligations and applicable regulatory requirements.

A resolution approving the disposal and/or sale of all of the Corporation's shareholdings in the Non-Core Assets to enable the authorized Corporate Officers and/or Management to pursue negotiations with any interested parties and to implement disposition of the said assets, subject to compliance with applicable regulatory requirements will be presented to the stockholders, who will be given the opportunity to ask questions on the matter.

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

> *"RESOLVED, that the Corporation be, as it is hereby, authorized to dispose and/or sell all of its shareholdings in its wholly-owned subsidiaries, Harbor Star Energy Corporation (HSEC), including HSEC's subsidiaries, ASTRONERGY Development Gensan, Inc., ASTRONERGY Development F1, Inc. and ASTRONERGY Development F2, Inc., and Harbor Star Construction Corporation (collectively, the Non-Core Assets");*
>
> *"RESOLVED FURTHER, that the Corporation be, as it is hereby, authorized to appoint Asian Appraisal Company, Inc., or any independent third-party appraiser, to value the Non-Core Assets to establish fair consideration for the transaction;*
>
> *"RESOLVED FURTHER, that the Board of Directors and Management be, as they are hereby, authorized to determine the terms and conditions of the sale of the Non-Core Assets;*
>
> *"RESOLVED FURTHER, that the Board of Directors and Management be, as they are hereby, authorized to negotiate, conclude and execute the Definitive Agreements for the sale of the Non-Core Assets, subject to compliance with contractual obligations and applicable regulatory requirements."*

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

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

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

7. Adjournment

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

HARBOR STAR SHIPPING SERVICES, INC.
SPECIAL STOCKHOLDERS' MEETING
25 November 2026 at 2:00 PM via remote communication

Guidelines for Participating via Remote Communication and Voting in Absentia and through Proxy

A. Attendance by Remote Communication and Voting in Absentia

1. Stockholders intending to participate by remote communication and/or voting in absentia should notify the Office of the Corporate Secretary through a Letter of Intent (LOI) to be sent via e-mail to ssm-2026@harborstar.com.ph or fill up the registration form at www.harborstar.com.ph/ssm2026registrationform on or before 16 November 2026, complete with the following requirements for validation purposes:

   1.1 Indicate the following required information:

   1.1.1 Complete Registered Name
   1.1.2 Complete Registered Residential/Mailing Address
   1.1.3 Active e-Mail Address
   1.1.4 Active Mobile No.
   1.1.5 Active Landline No.

   1.2 Attach the following documents (e-copy/scanned copy):

   1.2.1 Valid government-issued ID with photo and signature (scanned front and back)
   1.2.2 Proof of Ownership, such as, but not limited to, the following:

   a) Stockholder's certificate (for certificated shares); or
   b) Broker's certification (for scripless or uncertificated shares); or
   c) Secretary's certificate for authorized representative (for corporate)

   1.2.3 Other supporting document, as applicable

2. The Office of the Corporate Secretary shall forward the email containing the LOI and its attachments to the Company's stock transfer agent, Rizal Commercial Banking Corporation. The validation process will be completed by the stock transfer agent no later than three (3) business days from its receipt of the LOI. The Company's stock transfer agent reserves the right to request for additional information and documents, as needed/necessary. Moreover, electronic signature for the required documents shall be allowed while notarization requirement shall not be considered for the meantime, as applicable, given the current situation.

3. Once validated/verified, a stockholder shall be provided a confirmation correspondence with secure links for virtual meeting registration and voting in absentia. For security purposes, the confirmation correspondence which includes access credentials, links and instructions for participation through remote communication and voting in absentia shall only be sent to the stockholder's email address, and if necessary, notification shall be sent to the stockholder's mobile number provided.

3.1 A verified stockholder shall have to access the corresponding link in order to be able to join the virtual meeting on the SSM day.

3.2 A verified stockholder may cast his vote on each of the agenda items as contained in the link included in the confirmation correspondence. Deadline to vote in absentia through its corresponding link is on 20 November 2026. Beyond this date, stockholders may no longer avail of the option to vote in absentia. The Office of the Corporate Secretary shall then tabulate all votes, including those casts in absentia and by proxy, to be assisted by the Company's stock transfer agent, Rizal Commercial Banking Corporation. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 19. Voting Procedures" of the Information Statement.

B. Attendance by Proxy

1. In case a stockholder cannot attend the virtual meeting and wishes to be represented, said stockholder shall designate an authorized representative ("Proxy") by submitting a duly-accomplished proxy instrument which may be downloaded at http://www.harborstar.com.ph/ssm2026proxyform on or before 16 November 2026 via email to ssm-2026@harborstar.com.ph, complete with the following requirements for validation purposes:

   1.1 For the stockholder, attach the following documents (e-copy):

      1.1.1 Valid government-issued ID (with photo)
      1.1.2 Proof of Ownership, such as, but not limited to, the following:
         a) Stockholder's certificate (for certificated shares); or
         b) Broker's certification (for scripless or uncertificated shares); or
         c) Secretary's certificate for authorized representative (for corporate)
      1.1.3 Other supporting document, as applicable

   1.2 For the Proxy, attach the following document (e-copy):

      1.2.1 Valid government-issued ID (with photo)

   1.3 A stockholder may designate the Chairman of the Meeting as Proxy. Likewise, if no name is indicated, the Chairman of the Meeting will act as the Proxy.

2. The Office of the Corporate Secretary shall forward the email containing the duly-accomplished proxy instrument and its attachments to the Company's stock transfer agent, Rizal Commercial Banking Corporation. The validation process will be completed by the stock transfer agent no later than three (3) business days from its receipt of the duly-accomplished proxy instrument. The Company's stock transfer agent reserves the right to request for additional information and documents, as needed/necessary. Moreover, electronic signature for the required documents shall be allowed while notarization requirement shall not be considered for the meantime, as applicable, given the current situation.

3. Once validated/verified, a stockholder shall be provided with a confirmation correspondence with secure links for virtual meeting registration. For security purposes, the confirmation correspondence which includes links and instructions for participation through remote communication shall only be sent to the stockholder's email address,

and if necessary, notification shall be sent to the stockholder's mobile number provided. It is the duty of the stockholder to securely provide the information on access credentials and instructions to the Proxy.

C. Participation and Determination of Quorum and Votes

1. Only those shareholders who have notified the Company of their intention to participate in the Meeting by remote communication, together with the stockholders who voted in absentia and by proxy, will be included in the determination of quorum at the meeting. By participating remotely and by proxy, a stockholder shall be deemed present for purposes of quorum.

2. Due to logistical limitations of the meeting conducted virtually, voting and open forum/discussion will not be possible during the virtual meeting. However, a stockholder, once verified/ registered, will be given an opportunity to raise any relevant questions or express an appropriate comment limited to the agenda items by sending an email to ssm-2026@harborstar.com.ph not later than 20 November 2026 to be properly noted and addressed accordingly. Any relevant questions or comments received by the Office of the Secretary via email within the prescribed period given by registered stockholders shall be properly acknowledged, noted and addressed accordingly. Questions and comments not taken up during the meeting shall be addressed directly via email by the Company.

3. The Office of the Corporate Secretary shall take down minutes of the meeting accordingly and shall note all comments and other relevant matters discussed covering the agenda of the meeting. The meeting proceedings shall be recorded in audio and video format to be safekept by the Office of the Corporate Secretary and shall be made available in a secured manner to stockholders upon request by sending an email to ssm-2026@harborstar.com.ph.

4. The Office of the Corporate Secretary shall ensure confidentiality of all votes for tabulation, including those casts in absentia and by proxy, with assistance from the Company's stock transfer agent, Rizal Commercial Banking Corporation. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 19. Voting Procedures" of this Information Statement.

For SSM-related matters, please go to http://www.harborstar.com.ph/investors/pse_disclosures. For SSM-related queries, please send an email to ssm-2026@harborstar.com.ph. For account updating/validation concerns, please get in touch with the Company's Stock Transfer Agent, Rizal Commercial Banking Corporation (Attention: Antonio B. Madrid, Jr. or Trixie Ann Nepomuceno), via email to abmadrid@rcbc.com or tcnepomuceno@rcbc.com.

PROXY

The undersigned stockholder of **HARBOR STAR SHIPPING SERVICES, INC.** (the "Company") hereby appoints _____ or in his absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in its/his/her name as proxy of the undersigned stockholder, at the **Special Stockholders' Meeting** of the Company to be held via remote communication through Zoom on **Wednesday, 25 November 2026, at 2:00 pm,** and at any of the adjournments thereof for the purpose of acting on the following matters:

		Votes Taken		
		For	Against	Abstain
1.	Approval of Minutes of Annual Stockholders' Meeting held on 8 July 2026			
2.	Approval of the Management Report			
3.	Approval to dispose and/or sell all of the Corporation's shareholdings in its wholly-owned subsidiaries, Harbor Star Energy Corporation ("HSEC"), including HSEC's subsidiaries ASTRONERGY Development Gensan, Inc. ("ADGI"), ASTRONERGY Development F1, Inc. ("ADF1"), and ASTRONERGY Development F2, Inc. ("ADF2"), and Harbor Star Construction Corporation ("HSCC") (collectively, the Non-Core Assets") a. Approval to authorize the Corporation to appoint Asian Appraisal Company, Inc., or any independent third-party appraiser, to value the Non-Core Assets to establish fair consideration for the transaction;			
	b. Delegate to the Board of Directors and Management the determination of the terms and conditions of the sale of the Non-Core Assets; and			
	c. Authorize the Board of Directors and Management to negotiate, conclude and execute the Definitive Agreements for the sale of the Non-Core Assets, subject to compliance with contractual obligations and applicable regulatory requirements			

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

_____ _____

Date **Printed Name of Stockholder**

_____

Signature of Stockholder/Authorized Signatory

This proxy should be received by the Corporate Secretary **on or before 16 November 2026**, the deadline for submission of proxies.

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

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

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

CERTIFICATION

I, **CHARLENE O. ANG,** of legal age, Filipino, with office address at 2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati, Philippines, after having been duly sworn according to law, hereby depose and state that:

1. I am the duly elected and incumbent Corporate Secretary of **HARBOR STAR SHIPPING SERVICES, INC.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with office address at 2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati, Philippines.

2. No changes or revisions have been made in the Definitive Information Statement, including its attachments, except to update relevant information as of latest practicable date and to comply with the findings or comments of the Securities and Exchange Commission - Markets and Securities Regulation Department after its review of the Preliminary Information Statement.

3. The information set forth in the Definitive Information Statement, including other related documents, are true, complete, and correct.

IN WITNESS WHEREOF, I have hereunto affixed my signature on this OCT 14 2026 day of October 2026 at Makati City.

CHARLENE O. ANG
Corporate Secretary

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

SUBSCRIBED AND SWORN to, before me, on this OCT 14 2026 day of October 2026, Affiant exhibiting to me her Driver's License No. N01-90-103508 expiring on 12 March 2032 issued by the Land Transportation Office.

Doc. No. 81;
Page No. 18;
Book No. II;
Series of 2026.

BUWIS BAYAD RENTAS INTERNAS DST2025 13397933 30 PISO DOKUMENTARYO 30 PISO

MATHEDEO P. SEPE
Notary Public for Makati City
Appointment No. M-299
Until 31 December 2027
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 98448
Admitted to the Bar in 2026
PTR No. 10817229 / Makati / 25 February 2026
IBP No. 533857 / Manila IV / 13 February 2026

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

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [X] Definitive Information Statement

2. Name of Registrant as specified in its charter: **Harbor Star Shipping Services, Inc.**

3. **Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: **152897**

5. BIR Tax Identification Code: **201-128-653-000**

6. **2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(+632) 8886-3703**

8. **To be conducted virtually on 25 November 2026 via the Zoom online meeting platform**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **29 October 2026**

10. In case of Proxy Solicitations: **Not Applicable**
    Name of Person Filing the Statement/Solicitor:
    Address and Telephone No.:

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding As of 30 September 2026
Common	**894,586,870**
Treasury	**13,271,000**

12. Are any or all of registrant's securities listed in a Stock Exchange?
    Yes X No ___

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange	**Common Stock**

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

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date of Meeting:	25 November 2026
Time of Meeting:	02:00 PM
Place of Meeting:	To be conducted virtually via the Zoom[1] online meeting platform from Makati City which is the city where the principal office of the Company is located
Registrant's Mailing Address:	2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Barangay Bangkal, Makati City, 1233
Approximate Date on Which the Information Statement is First Sent or Given to Security Holders:	29 October 2026

Item 2. Dissenters' Right of Appraisal

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

(a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;

(c) In case of merger or consolidation; and

(d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

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

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

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

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

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

No director or officer of the Company since the beginning of the last calendar year, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon.

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

Market Information

The Company's share was listed in the Philippine Stock Exchange on 30 October 2013. The Company's common stock is traded in the PSE under the stock symbol "TUGS". As of the latest practicable trading date, 30 September 2026, the share prices of the Company were:

	Price/Common Share *(in Philippine Peso)*
Opening :	1.34
High :	1.42
Low :	1.29
Closing :	1.33

The high and low share prices for 2023, 2024, 2025 and first and second quarters of 2026 are indicated below:

	Price/Common Share *(in Philippine Peso)*	
Calendar Period	**High**	**Low**
2026		
2nd Quarter	1.03	0.47
1st Quarter	0.67	0.45
2025		
4th Quarter	0.61	0.47
3rd Quarter	0.74	0.55
2nd Quarter	0.66	0.56
1st Quarter	0.71	0.56
2024		
4th Quarter	0.82	0.59
3rd Quarter	0.78	0.55
2nd Quarter	0.69	0.51
1st Quarter	0.89	0.65
2023		
4th Quarter	0.90	0.71
3rd Quarter	0.95	0.75
2nd Quarter	1.06	0.88
1st Quarter	1.13	0.89

As of 30 September 2026, Harbor Star's public float is 30.20%.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Voting securities entitled to be voted at the meeting as of 30 September 2026:

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

As of 30 September 2026, the Company's shareholders consist of the following:

Shares Owned by Filipinos	831,543,300
Shares Owned by Non-Filipinos	63,043,570
Total	**894,586,870**

(b) Record date

Only stockholders of record in the books of the Company at the end of trading hours at the Philippine Stock Exchange on 30 October 2026 shall be entitled to notice of and to vote at the Special Stockholders' Meeting.

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

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

(1) Security Ownership of Certain Record/Beneficial Owners as of 30 September 2026

The record and/or beneficial owners of more than 5% of the outstanding common shares of the Company as of 30 September 2026 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation* 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226 Philippines Stockholder	PCD participants acting for themselves or for their clients	Filipino	747,651,812	83.58%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation* 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226 Philippines Stockholder	PCD participants acting for themselves or for their clients	Non-Filipino	63,042,070	7.05%

The owners under the PCD account holding more than 5% of the outstanding capital stock of the Company as of 30 September 2026 are as follows:

Title of Class	**Name and Relationship with Issuer**	**Name of Beneficial Owner and Relationship with Record Owner**	**No. of Shares Held**	**Percent**
Common	Unicapital Securities Inc. Stockholder	Unicapital Securities Inc. acting for itself or for its clients	208,190,100	23.27%
Common	Abacus Securities Corporation Stockholder	Abacus Securities Corporation acting for itself or for its clients	193,636,684	21.65%
Common	RCBC Securities, Inc. Stockholder	RCBC Securities, Inc. acting for itself or for its clients	158,354,872	17.70%
Common	AB Capital Securities, Inc. Stockholder	AB Capital Securities, Inc. acting for itself or for its clients	48,033,258	5.37%

Note: *PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Depository & Trust Corp. (PDTC), and is the registered owner of the shares in the book of the Company's transfer agent. The participants of the PDTC (with respect to securities in the principal accounts) or the clients of such participants (with respect to securities in the participants' client accounts) are, as far as the PDTC and PCD Nominee Corporation are concerned, the presumed beneficial owners of such lodged shares. PCD Nominee Corporation merely holds legal title (and not beneficial title) to the Company's lodged shares to facilitate the book-entry trading and settlement of the Company's shares. Except for Abacus Securities Corporation, RCBC Securities, Inc., AB Capital Securities, Inc., and COL Financial Group, Inc., no natural person or juridical entity whose shares are lodged in the name of PCD Nominee Corporation is known to the Company to be directly or indirectly the record or beneficial owner of more than five percent (5%) of the Company's voting securities. The identity of the person(s) who will vote on the shares lodged in the name of the PCD Nominee Corporation shall be verified only upon submission of the proxies with the Office of the Corporate Secretary of the Company which shall be no later than 30 June 2026.

The following table sets forth the top twenty (20) shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 30 September 2026:

NAME		NUMBER OF SHARES HELD	% OF TOTAL
1	PCD Nominee Corporation (Filipino)	747,651,812	83.575%
2	PCD Nominee Corporation (Non-Filipino)	63,042,070	7.047%
3	Bella Jr., Geronimo P.	42,000,000	4.694%
4	Bella, Ricardo Rodrigo P.	41,553,487	4.644%
5	Bella, Maria Elizabeth Jean E.	225,000	Less than 1.0%
6	Galicia, Filomena G.	30,000	Less than 1.0%
7	Villanueva, Myra P.	20,000	Less than 1.0%
8	Villanueva, Milagros P.	19,000	Less than 1.0%
9	De Guzman, Gene S.	10,000	Less than 1.0%
10	Villanueva, Myrna P.	9,000	Less than 1.0%
11	Cabreza, Marietta V.	9,000	Less than 1.0%
12	Cabreza, Juan Carlos V.	9,000	Less than 1.0%
13	Tacub, Felicitas F.	3,000	Less than 1.0%
14	Soliven, Stephen G.	2,500	Less than 1.0%
15	Reiterer, Alfred	1,500	Less than 1.0%
16	Valencia, Jesus San Luis	1,500	Less than 1.0%
17	Bautista, Joselito T.	1	Less than 1.0%

The number of stockholders of record as of the latest practicable date on 30 September 2026 was seventeen (17). Common shares outstanding as of the same date were Eight Hundred Ninety-Four Million Five Hundred Eighty-Six Thousand Eight Hundred Seventy (894,586,870).

(2) Security Ownership of Management as of 30 September 2026

The aggregate shareholdings in the Company of the Company's directors and executive officers and the percentage of their shareholdings as of 30 September 2026 were as follows:

NAME	CITIZENSHIP	NUMBER OF COMMON SHARES		PERCENTAGE OWNERSHIP
Geronimo P. Bella, Jr.	Filipino	Direct	366,012,998	40.9142%
		Indirect	1,485,000	0.1660%
Ricardo Rodrigo P. Bella	Filipino	Direct	241,553,487	27.0017%
		Indirect	6,152,000	0.6877%
Ryota Nagata	Japanese	Direct	6,089,645	0.6807%
		Indirect	0	0.0000%
Ramon C. Liwag	Filipino	Direct	15,000	0.0017%
		Indirect	0	0.0000%
Ceasar Daniel T. Castro	Filipino	Direct	10,000	0.0011%
		Indirect	0	0.0000%
Gene S. De Guzman	Filipino	Direct	10,000	0.0011%
		Indirect	0	0.0000%
Gemma V. Sadiua	Filipino	Direct	10,000	0.0011%
		Indirect	0	0.0000%
Dany Cleo B. Uson	Filipino	Direct	3,000,000	0.3354%
		Indirect	0	0.0000%

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

(3) Voting Trust Holders of 5% or More

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

(4) Changes in Control

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

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

(5) Dividends

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

No dividends were declared in 2025.

Item 5. Directors and Executive Officers

There is no action to be taken with respect to the election of directors.

Item 6. Compensation of Directors and Executive Officers

There is no action to be taken with respect to any of the following:

(a) the election of directors;
(b) any bonus, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the registrant will participate;
(c) any pension or retirement plan in which any such person will participate; or
(d) the granting or extension to any such person of any option/s, warrant/s or right/s to purchase any securities, other than warrants or rights issued to security holders as such, on a pro rata basis. However, if the solicitation is made on behalf of persons other than the registrant, the information required need be furnished only the nominees of the persons making the solicitation and associates of such nominees.

Item 7. Independent Public Accountants

There is no action to be taken with respect to the election of the Company's independent auditor.

Item 8. Compensation Plans

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

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

C. ISSUANCES AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification of Exchange of Securities

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

Item 11. Financial and Other Information

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

Item 12. Mergers, Consolidation, Acquisition and Similar Matters

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

Item 13. Acquisition or Disposition of Property

In a meeting held on 15 September 2026, the Board of Directors of the Company approved the disposition of the Company's shareholdings in its non-core subsidiaries, Harbor Star Energy Corporation ("HSEC"), including HSEC's subsidiaries ASTRONERGY Development Gensan, Inc. ("ADGI"), ASTRONERGY Development F1, Inc. ("ADF1"), and ASTRONERGY Development F2, Inc. ("ADF2"), and Harbor Star Construction Corporation ("HSCC") (collectively, the "Non-Core Assets") to streamline its operations and focus on its core business of providing maritime services which has continuously yielded the highest growth and strongest financial results.

The carrying cost of the Non-Core Assets in the Company's Audited Financial Statements are as follows:

Non-Core Asset	Cost (PHP)	Carrying Amount (PHP)
HSEC	46,875,000.00	46,875,000.00
ADGI	0.00	0.00
ADF1	0.00	0.00
ADF2	0.00	0.00
HSCC	30,624,997.00	30,624,997.00

The Company is evaluating opportunities to monetize its non-core assets as part of its broader capital and liquidity management initiatives to improve overall financial stability and reduce revenue volatility in consideration of the current geopolitical tensions.

Pursuant thereto, the stockholders shall be requested to vote on whether they approve the disposal and/or sale of all of the Corporation's shareholdings in the Non-Core Assets and in relation thereto:

(i) Authorize the Corporation to appoint Asian Appraisal Company, Inc., or any independent third-party appraiser, to value the Non-Core Assets to establish fair consideration for the transaction;
(ii) Delegate to the Board of Directors and Management the determination of the terms and conditions of the sale of the Non-Core Assets; and

(iii) Authorize the Board of Directors and Management to negotiate, conclude and execute the Definitive Agreements for the sale of the Non-Core Assets, subject to compliance with contractual obligations and applicable regulatory requirements.

The valuation report to be issued by Asian Appraisal Company, Inc., or any independent third-party appraiser, shall not be subject to approval of the stockholders.

The approval of the stockholders is being requested in preparation for discussions with prospective interested parties and to enable the Company to demonstrate, when requested, that the Company, through its duly authorized representative(s), has been authorized to offer, discuss, negotiate and, when appropriate, document a potential disposition of the relevant Non-Core Assets. Consequently, the purchaser, its/his/her relationship with the Company, nature of payment and amount to be paid by the Company for the sale of the Non-Core Assets have yet to be determined and shall be subject to approval of the Board of Directors of the Company.

The Company shall inform the Securities and Exchange Commission and the Philippine Stock Exchange in the event that definitive agreement(s) have been executed regarding the disposition of the above-mentioned subsidiaries and non-core assets.

The Non-Core Assets for disposition are as follows:

(a) HSEC

On 11 May 2017, the Securities and Exchange Commission approved the incorporation of 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.

HSEC has an authorized capital stock of Seven Hundred Fifty Million Pesos (PHP 750,000,000.00) divided into Seven Hundred Fifty Million (750,00,000,000) common shares, with a par value of One Peso (PHP 1.00) per share, of which One Hundred Eighty Seven Million Five Hundred Thousand (187,500,000) common shares have been subscribed and Forty Six Million Eight Hundred Seventy Five Thousand (46,875,000) shares have been paid up.

In 2018, HSEC acquired 100% shareholdings of ADGI, and 100% of ADGI's subsidiaries, ADF1 and ADF2. The said acquisitions allowed Harbor Star, through HSEC, to own and control a 25 MW solar power plant project, with option to expand to 75 MW, in General Santos City.

The Audited Financial Statements of HSEC as of 31 December 2025 indicates that HSEC has incurred a capital deficiency in the amount of One Hundred Twenty Six Million Five Thousand Two Hundred Fifty Four Pesos (PHP 126,005,254.00).

(b) HSCC

On 23 April 2021, the SEC approved the incorporation of HSCC with an authorized capital stock of Ninety Million Pesos (Php90,000,000.00) divided into Ninety Million (90,00,000,000) common shares, with a par value of One Peso (Php1.00) per share, of which Thirty Million (30,000,000) shares were subscribed and fully paid. 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.

HSCC is accredited with the Philippine Construction Accreditation Board.

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

The Audited Financial Statements of HSCC as of 31 December 2025, indicates that HSCC has a total equity in the amount of Thirty Million Six Hundred Six Thousand Three Hundred Eighteen Pesos (Php30,603,318.00).

On 18 February 2026, the SEC approved the increase of HSCC's authorized capital stock from Ninety Million Pesos (Php90,000,000.00) divided into Ninety Million (90,00,000,000) common shares, with a par value of One Peso (Php1.00) per share to One Hundred Million Pesos (Php100,000,000.00) divided into One Hundred Million (100,00,000,000) common shares, with a par value of One Peso (Php1.00) per share. As of 08 July 2026, Thirty Two Million Five Hundred Thousand (32,500,000) shares of HSCC have been subscribed and fully paid.

Item 14. Restatement of Accounts

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

D. <u>OTHER MATTERS</u>

Item 15. Action with Respect to Reports

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

(1) Minutes of the Annual Stockholders' Meeting held on 08 July 2026 (the "ASM")

The Minutes of the Annual Stockholders' Meeting held on 08 July 2026 contain the following items:

(i) Call to Order
(ii) Certificate of Notice and Quorum
(iii) Approval of the Minutes of the Annual Stockholders' Meeting held on 30 July 2025
(iv) Management Report
(v) Approval of Audited Consolidated Financial Statements of HSSSI and its subsidiaries as of 31 December 2025
(vi) Ratification of all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business since the 30 July 2025 Annual Stockholders' Meeting up to 8 July 2026
(vii) Election of Directors
(viii) Appointment of External Auditor
(ix) Other Matters
(x) Adjournment

The Minutes of the ASM also contains the following information:

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

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

Voting and vote tabulation procedures used in the previous meeting. For the election of Directors, each stockholder was entitled to one (1) vote per share multiplied by the number of board seats provided in the Articles of Incorporation (i.e., eleven (11)). Cumulative voting was allowed for the election of members of the Board of Directors. Each stockholder was allowed to vote the number of shares of stock outstanding in his or her own name as of the record date of the meeting for as many persons as there are

directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of Directors to be elected multiplied by the number of his shares as he shall see fit; provided that the total number of votes cast by him or her shall not exceed the number of shares owned by him or her as shown in the books of the Company multiplied by the whole number of Directors to be elected and provided, however, that no delinquent stock shall be voted.

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

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

Item 16. Matters Not Required to be Submitted

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

No action shall be taken with respect to any matter which is not required to be submitted to a vote of the Company's stockholders.

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

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

Item 18. Other Proposed Action

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

Item 19. Voting Procedures

- Each share of the Common Stock outstanding on the record date will be entitled to one (1) vote on all matters. Voting shall be done by ballots or by proxy.

- For all matters subject to a vote of the stockholders, the Corporate Secretary and the stock transfer agent shall tabulate all votes received which shall be validated by the independent auditor. The Corporate Secretary shall report the results on the voting of each matter during the meeting.

- The following shall require the affirmative vote of stockholders holding at least a majority of the Company's issued and outstanding capital stock present or represented and entitled to vote at the Special Stockholders' Meeting:

  (1) Approval to dispose and/or sell all of the Corporation's shareholdings in its wholly-owned subsidiaries, Harbor Star Energy Corporation ("HSEC"), including HSEC's subsidiaries ASTRONERGY Development Gensan, Inc. ("ADGI"), ASTRONERGY Development F1, Inc. ("ADF1"), and ASTRONERGY Development F2, Inc. ("ADF2"), and Harbor Star Construction Corporation ("HSCC") (collectively, the Non-Core Assets")

(2) Authorize the Corporation to appoint Asian Appraisal Company, Inc., or any independent third-party appraiser, to value the Non-Core Assets to establish fair consideration for the transaction

(3) Delegate to the Board of Directors and Management the determination of the terms and conditions of the sale of the Non-Core Assets; and

(4) Authorize the Board of Directors and Management to negotiate, conclude and execute the Definitive Agreements for the sale of the Non-Core Assets, subject to compliance with contractual obligations and applicable regulatory requirements.

Compliance with Section 49 of the Revised Corporation Code

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

See discussion in Item 15.

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

See discussion in Item 15.

(c) The matters discussed and resolutions reached

See discussion in Item 15.

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

See discussion in Item 15.

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

See discussion in Item 15.

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

See discussion in Item 4.

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

See discussion under Corporate Governance.

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

In 2025, none of the Company's directors have entered into self-dealing and related party transactions involving the Company.

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

See discussion in Item 6 (b).

Corporate Governance

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

(i) The Company completed and submitted its Integrated Annual Corporate Governance Report (I-ACGR) to the Philippine Stock Exchange on 26 May 2026. Said I-ACGR is considered by the Company as a tool to evaluate the level of compliance of the Board of Directors and top-level management with its Manual on Corporate Governance (the "Manual").

(ii) The Compliance Officer is responsible for determining violation/s and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

(iii) The Company has a Corporate Governance Committee tasked to undertake an annual performance assessment of the Board, its committees and the individual directors, through a Performance Assessment Guideline and Scorecard.

(iv) The Company ensures that it has at least two (2) independent directors, or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is higher, but in no case less than two (2). The Company, through its Corporate Governance Committee, likewise makes certain that its independent directors are independent from management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out their respective responsibilities as director.

(v) The Company, through its Corporate Governance Committee, ensures that all the nominees to the Board possess all the qualifications and none of the disqualifications provided for in the Company's By-Laws and Manual, the Revised Corporation Code, Securities Regulation Code and other relevant laws, rules and regulations.

(vi) The Company also has an Audit Committee, which is tasked to review the Audited Financial Statements of the Company. The Chairman of the Audit Committee is an independent director, and each member thereof has at least an adequate understanding or competence of most of the Company's financial management systems and environment.

(b) Measures being undertaken by the Company to fully comply with the adopted leading practices on good corporate governance

(i) The Company elects two (2) Independent Directors.

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

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

indirectly the beneficial owner of more than ten percent (10%) of any class of the Company's equity security.

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

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

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

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

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

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

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

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

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

---- NOTHING FOLLOWS ----

UNDERTAKING TO PROVIDE INTERIM AND ANNUAL REPORT

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SECURITY HOLDERS WITHOUT CHARGE, AND UPON THEIR WRITTEN REQUEST, COPIES OF THE COMPANY'S INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 30 JUNE 2026 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR ANNUAL REPORT (SEC FORM 17-A). COPIES OF OTHER EXHIBITS MAY BE PROVIDED UPON WRITTEN REQUEST AND UPON THE PAYMENT OF NOMINAL CHARGES TO DEFRAY ADMINISTRATIVE COSTS AND EXPENSES SUBJECT TO CONDITIONS AS THE BOARD OF DIRECTORS MAY PROMULGATE.

SUCH WRITTEN REQUEST FOR A COPY OF SEC FORM 17-Q AS OF 30 JUNE 2026 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR SEC FROM 17-A SHALL BE DIRECTED TO: MR. DANY CLEO B. USON, CORPORATE INFORMATION OFFICER, 2224 A. BONIFACIO ST., CORNER PRES. SERGIO OSMEÑA HIGHWAY, BRGY. BANGKAL, MAKATI CITY, 1233, PHILIPPINES.

ALL STOCKHOLDERS OF RECORD AND THOSE ACTING AS FIDUCIARIES, NOMINEES, TRUSTEES OR SIMILAR CAPACITIES IN BEHALF OF BENEFICIAL OWNERS WHO ARE NOT OF RECORD, MAY ALSO REQUEST IN WRITING TO THE PERSON AND AT THE ADDRESS PROVIDED ABOVE, AS MANY COPIES OF THIS INFORMATION STATEMENT, SEC FORM 17-Q AS OF 30 JUNE 2026 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR SEC FORM 17-A FOR DISTRIBUTION TO SUCH BENEFICIAL OWNERS, AND UPON RECEIPT OF SUCH WRITTEN REQUEST, THE COMPANY UNDERTAKES TO SUPPLY THE REQUESTED MATERIAL IN A TIMELY MANNER.

PART II

INFORMATION REQUIRED IN A PROXY FORM

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

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 14th day of October 2026.

HARBOR STAR SHIPPING SERVICES, INC.
By:



CHARLENE O. ANG
Corporate Secretary

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

Held on 08 July 2026
Conducted virtually via remote communication

PRESENT:	**NO. OF SHARES**
Total No. of Shares Represented In Person and By Proxy	**624,041,628**
Total Outstanding Shares	**894,586,870**
Attendance Percentage to Total Outstanding Shares	**69.76%**

I. CALL TO ORDER

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

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

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that:

(a) In accordance with the Securities and Exchange Commission's Notice dated 11 March 2026 and the provisions of the Securities Regulation Code, notice for this meeting was published in the business section of two (2) newspapers of general circulation, namely: Manila Times and The Manila Standard, in print and online format, for two (2) consecutive days at least twenty-one (21) days prior to the date of this meeting. The Affidavits of Publication dated 17 June 2026 and 18 June 2026 executed by Ms. Eden F. Del Rosario and Mr. Mario R. Policarpio, respectively, were submitted to the Corporate Secretary. Copies of the Affidavits of Publication are attached hereto as Annexes "A" and "B", respectively;

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

(c) Accordingly, stockholders of record as of 08 June 2026 were notified of this meeting. The stockholders were also notified of the internal guidelines of the Corporation for participation in this meeting through remote communication in accordance with applicable rules; and

(d) Present in person and by proxy are Six Hundred Twenty Four Million Forty One Thousand Six Hundred Twenty Eight (624,041,628) shares out of the total outstanding Eight Hundred Ninety Four Million Five Hundred Eighty Six Thousand Eight Hundred Seventy (894,586,870) shares, or 69.76%, of the Corporation's total outstanding capital stock, and that a quorum existed for the valid transaction of business.

III. RULES OF CONDUCT AND VOTING PROCEDURES

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

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

1. Only stockholders whose Letter(s) of Intent or proxy forms have been validated or verified were allowed to cast their votes for this meeting through the voting portal.

2. Resolutions proposed to be approved by the stockholders under the Agenda will be shown on the screen as it is being taken up.

3. Votes cast as of 30 June 2026 for each proposed resolution have been tabulated and results will be announced during the meeting.

4. A detailed result of the tabulation of the votes cast indicating the affirmative votes, negative votes and abstentions will be reflected in the Minutes of this meeting.

5. Relevant questions which have been submitted on or before 03 July 2026 will be addressed accordingly under the Other Matters item in the Agenda.

Questions and comments not taken up during the meeting shall be addressed by the Corporation directly to the stockholder via email.

IV. APPROVAL OF PREVIOUS MINUTES

The Chairman stated that electronic copies of the Minutes of the Annual Stockholders' Meeting held on 30 July 2025 were made available for inspection on the Corporation's website.

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

> "***RESOLVED**, that the Minutes of the Annual Stockholders' Meeting held on 30 July 2025 as appearing in the Minutes Book of the Corporation be approved."*

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

	For	Against	Abstain
Number of Voted Shares	620,796,128	0	3,245,500
% of Shares of Shareholders Present	99.48%	0%	0.52%

V. MANAGEMENT REPORT

The Chairman of the Board and President, Mr. Geronimo P. Bella, Jr., rendered the Management Report for the period ending 31 December 2025. The Treasurer, Mr. Dany Cleo B. Uson, also presented the 1st quarter updates for the year 2026. Copies of the Management Report and 1st quarter updates for the year 2026 are attached as Annexes "C" and "D".

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

> "***RESOLVED**, that the Management Report for 2025 be noted and approved."*

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

	For	Against	Abstain
Number of Voted Shares	620,796,128	0	3,245,500
% of Shares of Shareholders Present	99.48%	0%	0.52%

VI. APPROVAL OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2025

The Chairman presented for approval the Audited Consolidated Financial Statements for the period ending 31 December 2025 as discussed in the Management Report.

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

> "***RESOLVED**, that the Audited Consolidated Financial Statements of the Corporation and its subsidiaries as of 31 December 2025 be noted and approved."*

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

	For	Against	Abstain
Number of Voted Shares	620,796,128	0	3,245,500
% of Shares of Shareholders Present	99.48%	0%	0.52%

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

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

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

> "***RESOLVED**, that all legal acts, proceedings and resolutions of the Board of Directors and of the Management of the Corporation since the Annual Stockholders' Meeting held on 30*

July 2025 up to 8 July 2026, be, as they are hereby, approved, confirmed and ratified."

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

	For	Against	Abstain
Number of Voted Shares	620,796,128	0	3,245,500
% of Shares of Shareholders Present	99.48%	0%	0.52%

VIII. ELECTION OF DIRECTORS

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

Under the Corporation's By-Laws and Manual on Corporate Governance, the nomination of the Corporation's directors shall be conducted by the Corporate Governance Committee prior to the annual stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate Governance Committee and the Corporate Secretary at least forty-five (45) days before the date of the actual meeting.

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

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

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

For Independent Directors:

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

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

Nominee	***Votes***
Geronimo P. Bella, Jr.	*620,796,128*
Ricardo Rodrigo P. Bella	*620,796,128*
Ceasar Daniel T. Castro	*620,796,128*
Ryota Nagata	*620,796,128*
Ramon C. Liwag	*620,796,128*
Gene S. De Guzman (Independent Director)	*620,796,128*
Gemma V. Sadiua (Independent Director)	*620,796,128*

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

X. APPOINTMENT OF EXTERNAL AUDITOR

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

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

> *"**RESOLVED**, That the auditing firm of Isla Lipana & Co. (PwC) be, as it is hereby appointed to be the Corporation's external auditor for the calendar year 2026."*

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

	For	Against	Abstain
Number of Voted Shares	620,796,128	0	3,245,500
% of Shares of Shareholders Present	99.48%	0%	0.52%

XI. OTHER MATTERS

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

The first question read by the Host was from Mr. Eduardo Jose Trapaga, to wit:

"Considering the current geopolitical tensions, particularly the war situation in the Middle East, along with ongoing supply chain disruptions and rate volatility, what does management see as the company's most significant risks for this year, and what measures are being implemented to mitigate these risks?"

In reply to the first question, the Chairman, Mr. Geronimo P. Bella, Jr., explained that Management has identified three primary risks for this year 2026.

First is fuel price volatility, as global conflicts can disrupt oil supply and drive bunker prices higher, directly impacting operating costs. Second is potential supply chain disruptions, which may affect vessel maintenance, spare parts availability, and fleet readiness. Third is market demand and rate fluctuations, particularly if global trade slows or uncertainty affects vessel movements and port activity.

To mitigate these risks, Mr. Bella explained that Harbor Star is implementing several measures, such as but not limited to (i) actively managing fuel costs through operational efficiencies and pricing adjustments where possible; (ii) strengthening supplier relationships and inventory planning to ensure continuity in maintenance and operations; and (iii) active communication with the key ports and existing clients to maintain relationships, contracts, and revenue stability despite the market fluctuations. Mr. Bella assured that Management remains proactive and adaptable, ensuring that Harbor Star is well-positioned to navigate current uncertainties while sustaining operational reliability and financial discipline.

The second question read by the Host was from Mr. Gopal Daswani, who asked "What is the latest update on the Company's fleet modernization efforts?"

In reply to the second question, the Treasurer, Mr. Dany Cleo B. Uson, explained that a new 80-ton ASD tugboat is currently under acquisition and is expected to be delivered within 2026. Mr. Uson elaborated that this addition will position the Company to better support and participate in the growing

energy sector in the Philippines, which requires higher powered and more capable vessels.

In addition, Mr. Uson informed the Stockholders that the Company is actively implementing a re-fleeting program, which involves the systematic divestment of non-performing and aging vessels, particularly those 50 years or older and with lower brake horsepower (BHP). This initiative enables the Company to optimize its fleet mix, improve operational efficiency, and reduce maintenance and operating costs. Overall, these efforts reflect the Company's commitment to maintaining a modern, reliable, and cost-efficient fleet, ensuring that the Company remains competitive and well aligned with current and future market requirements.

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

XII. ADJOURNMENT

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

CHARLENE O. ANG
Corporate Secretary

Confirmed and Approved:

GERONIMO P. BELLA, JR.
Chairman of the Meeting

DRAFT

"ANNEX A"

The Manila Times®

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

AFFIDAVIT OF PUBLICATION

HARBOR STAR
SHIPPING SERVICES, INC.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

The **2026 Annual Meeting of the Stockholders of Harbor Star Shipping Services, Inc. ("HSSSI")** will be held and conducted virtually[1] via the Zoom online meeting platform on **Wednesday, 8 July 2026, at 9:30 A.M.** for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 30 July 2025
4. Management Report
5. Approval of Audited Consolidated Financial Statements of HSSSI and its subsidiaries as of 31 December 2025
6. Ratification of all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business since the 30 July 2025 Annual Stockholders' Meeting up to 8 July 2026
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

The Board of Directors has fixed 8 June 2026 as the record date for the determination of stockholders entitled to be notified, participate, and vote at the Annual Stockholders' Meeting ("Stockholders of Record").

Stockholders of Record may only attend/participate via proxy, remote communication or vote in absentia, subject to validation procedures.[2] Only validated stockholders will be provided access to the Zoom meeting platform and can cast their votes in absentia on or before 30 June 2026 via the Corporation's secure online voting facility.

Stockholders who wish to participate in the meeting via the Zoom online meeting platform and to vote in absentia should notify the Office of the Corporate Secretary through a Letter of Intent to be sent via e-mail to asm-2026@harborstar.com.ph or fill up the registration form at www.harborstar.com.ph/asm2026registrationform on or before 25 June 2026.

HSSSI is not soliciting proxies. Stockholders who are unable to join the meeting but wish to vote on items in the agenda by proxy must submit their duly accomplished proxy forms via email to asm-2026@harborstar.com.ph on or before 30 June 2026.

Stockholders may send their queries and comments to the Management Report and other items in the Agenda to asm-2026@harborstar.com.ph on or before 3 July 2026.

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

Very truly yours,

(SGD) CHARLENE O. ANG
Corporate Secretary

[1] During the meeting, the presiding officer will be at HSSSI's principal office located at 2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233.
[2] For the detailed registration and voting procedures, please visit http://www.harborstar.com.ph/ and refer to the "Guidelines for Participation via Remote Communication and Voting in Absentia and through Proxy".

MT - June 16 & 17, 2026

F. Del Rosario, of legal age, married, Filipino sident of #22 21st Aveñue, Cubao, Quezon e Philippines, after having been duly sworn g to law, do hereby depose and state:

m the Credit and Collection Head of **The Times**, a newspaper which is published nd Printed in English and Edited in Metro nd circulated nationwide daily from Monday ıy with postal address at 2/F Sitio Grande, oriano Avenue, Intramuros, Manila

ıe attached **NOTICE OF ANNUAL OLDERS' MEETING / THE 2026 ANNUAL G OF THE STOCKHOLDERS OF HARBOR HIPPING SERVICES, INC. ("HSSSI") WILL O AND CONDUCTED VIRTUALLY VIA THE ONLINE MEETING PLATFORM ON DAY, 8 JULY 2026, AT 9:30 A.M. FOR LLOWING PURPOSES**

ished in **The Manila Times** newspaper in s of **JUNE 16 & 17, 2026**

s whereof, I signed this Affidavit in Manila, es, this 17 JUN 2026 day of _____, 2026

[redacted]

EDEN F. DEL ROSARIO
Affiant

17 JUN 2026

e and sworn to before me this _____day of _, 2026 in Manila, Philippines, affiant g to me her [redacted]

Doc. No. 905 AT [redacted]
Page No 181
Book No. 11
Series of 2026

"ANNEX B"

Manila Standard

PHILIPPINE MANILA STANDARD PUBLISHING, INC.

AFFIDAVIT OF PUBLICATION

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

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

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

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

Manila Standard published on

JUNE 16 & 17, 2026

a Notice:

HARBOR STAR SHIPPING SERVICES, INC.
(HSSSI)

RE: NOTICE OF ANNUAL STOCKHOLDERS' MEETING

IN WITNESS WHEREOF, I hereby affix my signature this 18TH day of JUNE 2026 in Makati City.

[redacted]

MARIO R. POLICARPIO JR.
Authorized Signatory

SUBSCRIBED AND SWORN to before me this 18TH day of JUNE, 2026 in Makati City, affiant exhibiting to me his [redacted]

Doc. No.: 340 ;
Page No.: 69 ;
Book No.: 74 ;
Series of 2026.

[redacted]

IB
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2026

HARBOR STAR
SHIPPING SERVICES, INC.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

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Stockholders may send their queries and comments to the Management Report and other items in the Agenda to asm-2026@harborstar.com.ph on or before 3 July 2026.

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

Very truly yours,

(SGD)
CHARLENE O. ANG
Corporate Secretary

[1] During the meeting, the presiding officer will be at HSSSI's principal office located at 2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233.
[2] For the detailed registration and voting procedures, please visit http://www.harborstar.com.ph/ and refer to the "Guidelines for Participation via Remote Communication and Voting in Absentia and through Proxy".

MESSAGE TO OUR STOCKHOLDERS

Annual Stockholders' Meeting 2026

Dear Fellow Shareholders,

Good morning!

I am honored to present Harbor Star Shipping Services, Inc.'s Management Report for the fiscal year 2025.

The past year was marked by continued global uncertainties such as geopolitical tensions, fuel price volatility, and currency pressures. Yet through disciplined execution and strategic focus, Harbor Star remained resilient while continuing to strengthen its foundation for long-term growth.

Harbor Star continues to position itself as a fully integrated maritime solutions provider.

Our services span across harbor assistance, lighterage, towing, salvage, oil spill response, diving, dredging, solar energy, construction, and other specialized marine services.

This diversified portfolio allows us to respond to evolving market demands while building multiple revenue streams beyond our core business.

In 2025, we achieved a record-high assisted vessel volume of 8,686, reflecting strong demand across both domestic and foreign vessel segments and reinforcing our position as the most widely deployed marine services provider in the Philippines.

However, total group net revenue declined by 8% or approximately PHP 247 million, primarily due to external pressures such as rising financing costs, fuel price volatility, and foreign exchange losses.

Despite this, our harbor assistance segment remained stable, contributing 62% of total revenues, demonstrating the strength and reliability of our core operations.

These results reflect both the resilience of our operations and the importance of continuing to strengthen earnings quality moving forward.

While overall revenues softened, our diversification strategy continued to deliver results through strong growth in higher-value services.

- **Salvage services** recorded PHP 124.65 million, marking a remarkable 1,782% increase, driven by complex recovery operations.
- **Lighterage services** grew to PHP 131.01 million, up 133%, reflecting increased demand for cargo transfer solutions.
- **Towing services** reached PHP 48.44 million, increasing 24% year-on-year.

- **Other services** contributed PHP 118.26 million, up 37%, further expanding our revenue base.

These gains highlight our ability to unlock value from specialized services and reinforce our long-term strategy of diversification.

We continued to invest in our operational capabilities and long-term competitiveness.

We are progressing with the construction of a new 80-ton bollard pull Azimuth Stern Drive (ASD) tugboat, scheduled for delivery in August 2026. This asset will support LNG-related operations and position Harbor Star to capture opportunities in the growing energy sector.

At the same time, we maintained our triple ISO certifications for quality, environmental management, and occupational health and safety, ensuring that we operate at globally recognized standards.

Our continuous transition to SAP systems has further enhanced operational integration and efficiency across the organization.

We also strengthened our oil spill response and emergency services capabilities, reinforcing Harbor Star's role as a reliable partner in critical maritime incidents.

Our people remain at the core of our success.

We continued to invest in workforce development, strengthen our organizational culture, and prioritize employee engagement across all levels.

In terms of safety, we achieved over 11.2 million safe man-hours with zero work-related fatalities, underscoring our unwavering commitment to operational excellence and safety standards.

On sustainability, we advanced our environmental initiatives, including our solar energy operations, which generated approximately 36.7 million kWh of clean energy, supporting the country's transition to renewable energy.

We also maintained our commitment to social responsibility through livelihood programs, coastal protection initiatives, and community engagement efforts.

As we move forward into 2026, our strategy remains clear and focused:

- Strengthen our core harbor assistance business;
- Expand higher-value and specialized services;
- Implement our re-fleeting program; and
- Maintain strict cost discipline

The delivery of our new ASD tugboat and continued investments in energy-related services will open new growth opportunities, particularly in LNG and infrastructure support.

At the same time, we remain committed to strengthening financial resilience and delivering sustainable value to our shareholders.

In closing, I extend my sincere gratitude to our shareholders, clients, partners, and employees for your continued trust and support.

Your confidence drives us to navigate challenges, seize opportunities, and deliver excellence in every harbor we serve.

Together, we will continue to steer Harbor Star toward sustainable growth and long-term success.

Thank you.

HARBOR STAR
SHIPPING SERVICES, INC.

2026 1st Quarter Updates

Annual Stockholders' Meeting 2026

Good morning, ladies and gentlemen.

The first quarter of 2026 reflects both the resilience and evolving dynamics of the maritime and logistics industries. While market conditions remain complex, characterized by shifting demand patterns, operational adjustments, and financial discipline, Harbor Star continues to respond with agility and strategic focus.

Our performance this quarter demonstrates not only our ability to adapt, but also our commitment to sustaining growth across core and emerging service lines, while strengthening profitability and financial position.

For the first quarter of 2026, Harbor Star recorded total net service income of PHP 610.7 million, a 4% decline compared to the same period last year.

Despite the overall decrease, several key segments delivered strong growth:

- **Harbor Assistance** remained our primary revenue driver at PHP 436 million, increasing by 6% year-on-year, reflecting continued port activity and client demand.
- **Lighterage Services** posted a remarkable recovery, rising to PHP 34.6 million, or 459% growth, highlighting renewed operational activity.
- **Underwater Services** surged to PHP 69 million, a 419% increase, indicating strong demand for specialized marine solutions.
- **Solar Power operations** also improved, reaching PHP 39 million, up 45%, as performance stabilizes.

However, these gains were offset by declines in other segments:

- **Oil Spill Response** decreased significantly to PHP 9.7 million, following reduced incident-related activities compared to last year's elevated levels.
- **Towing Services** declined by 51% to PHP 10.8 million.
- **Construction and other revenues** also contracted due to project timing and normalization of prior year one-off revenues.

Overall, the quarter reflects a transition from extraordinary, event-driven revenues to more normalized and sustainable operating levels.

Despite the slight decline in revenues, Harbor Star delivered a strong improvement in profitability.

- **Net income before tax** increased to PHP 46 million, up 77% year-on-year.
- **Profit after tax** reached PHP 39.9 million, representing a 61% increase compared to last year.

This performance was driven by disciplined cost management and operational efficiency:

- **Cost of services** decreased by 6%, reflecting improved fuel management, optimized deployment, and cost controls.
- **Other charges** declined significantly by 60%, easing pressure on overall margins.

Meanwhile, **general and administrative expenses** increased by 20%, as we continue to invest in organizational capability, systems, and support functions for long-term growth.

These results highlight our ability to translate operational discipline into stronger profitability, even in a lower revenue environment.

As of March 31, 2026, Harbor Star maintains a stable and strengthening financial position.

- **Total assets** stood at PHP 7.17 billion, slightly lower by 0.96%, reflecting asset optimization.
- **Total liabilities** decreased by 2%, indicating continued debt management and obligations control.
- **Retained earnings** rose significantly by 33% to PHP 471 million, supported by improved profitability.
- **Total equity** increased by 2%, reinforcing our capital base.

These figures demonstrate that Harbor Star continues to build financial strength while maintaining disciplined capital allocation.

Our key financial ratios further reflect both improvement in profitability and prudent capital management, with some short-term liquidity considerations:

- **Net profit margin** improved to 6.54%, compared to 3.91% last year.
- **Gross profit margin** increased to 30.23%, signaling stronger operational efficiency.
- **Debt-to-equity ratio** improved to 1.73, reflecting reduced leverage and better balance sheet structure.
- **Interest coverage ratio** strengthened to 1.93, indicating enhanced capacity to service financial obligations.

However:

- **Current ratio** decreased to 0.67, and
- **Quick ratio** declined to 0.51

reflecting tighter working capital conditions, which we continue to actively manage through collection improvements and cash flow optimization.

The Company remains financially sound, with improving profitability and disciplined leverage, while closely monitoring liquidity.

In closing, the first quarter of 2026 highlights a strategic shift toward sustainable and efficiency-driven growth. While revenues normalized following last year's exceptional gains, we successfully delivered stronger profitability, improved margins, and a more resilient financial position. Thank you for your continued trust and support.

Good day, and let us continue steering Harbor Star toward sustained growth and operational excellence.

Thank you.

HARBOR STAR SHIPPING SERVICES, INC.
MANAGEMENT REPORT

1. GENERAL NATURE AND SCOPE OF THE BUSINESS

1.1 Business Development

Parent Company

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

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

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

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

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

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

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

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

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

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

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

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

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

In February 2022, Harbor Star was hired by the owners of 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 Sdn. Bhd. ("Peak Flag"), a subsidiary of Harbor Star, 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"), with Harbor Star bought 30% of KSSI's capital stock, while Malaysian company Kaibuok Shipyard (M) Sdn. Bhd. subscribed and paid for 70% equity.

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

On 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.

On 15 August 2025, M/V Sakizaya Ace ran aground on the Queen of the Sea Bank in the Sulu Sea near Dumuran Island, Palawan, while carrying a cargo of industrial salt. Harbor Star was subsequently engaged to undertake salvage operations for the vessel. The Company deployed salvage assets and technical personnel to stabilize and refloat the grounded vessel, with operations carried out over a six (6) day period. The successful completion of the salvage operation ensured the safety of navigation and mitigated potential marine and environmental risks, highlighting Harbor Star's expertise in complex grounding response and marine salvage services.

In 2025, fleet expansion initiatives continued to support the increasing requirements of large-scale energy infrastructure projects. During the year, construction commenced on a new high-powered tugboat in China intended for deployment in an LNG project in Batangas. This development reflects a continued focus on providing specialized marine support services to the country's energy sector. The new tugboat is expected to be delivered in 2026.

In December 2025, Harbor Star continued its market dominance rendering its core competence of harbor assist by assisting 5,266 foreign vessels and 3,420 domestic vessels during the year. The Company also won biddings and contracts as it sought to strengthen its market position and develop its other service lines.

Heightened Uncertainty and Market Volatility

In 2025, the domestic and global operating environment for the shipping and port services industry remained highly complex. Heightened public scrutiny on infrastructure spending and governance following the flood control controversy in the Philippines contributed to a more cautious regulatory and commercial atmosphere, particularly for companies engaged in port-related and marine services. This environment underscored the importance of transparency, compliance, and operational reliability across the sector.

Globally, rising geopolitical tensions and growing trade restrictions disrupted established trade flows and shipping patterns. The imposition of higher tariffs by major economies, alongside continuing trade restrictions, contributed to volatility in cargo demand and intensified competition among shipping and logistics providers. These developments resulted in pressure on pricing, including increased competition for contracted services and tighter margins as industry participants sought to secure and retain revenue.

At the same time, fluctuations in crude oil prices and continued supply-chain disruptions drove higher operating and fuel-related costs, further affecting vessel deployment decisions and operational planning. Exchange-rate volatility also posed additional challenges, as the further depreciation of the Philippine peso against foreign currencies impacted cost structures, revenues, and overall profitability for shipping-related operations with foreign currency exposure.

In response to these conditions, Harbor Star focused on maintaining operational stability and strict adherence to safety and regulatory requirements. The Company continued to manage risks arising from market volatility, pricing pressures, and foreign-exchange movements while sustaining reliable service delivery amid a challenging global and domestic business environment.

Subsidiaries

Peak Flag Sdn. Bhd.

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

Peak Flag's commercial operations commenced in February 2015 with TB Hamal operating at Malaysia's North port. Months after Peak Flag brought in an additional vessel, TB Mirzam, which operated at Kuantan Port.

In 2019, Peak Flag was awarded a contract to provide harbor tug services to Westports Malaysia Sdn. Bhd. in Port Klang, Malaysia ("Westports Malaysia"). Peak Flag will provide a 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 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, 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.

In September 2025, Peak Flag secured a direct five (5) years contract with Westports Malaysia under which TB Pollux was assigned to continue providing harbor assistance services. In October 2025, Peak

Flag was awarded a contract to provide marine services to Hengyuan Refining Company ("HRC") Berhad's refinery operations, with TB Hamal assigned to the project. This contract carries an initial term of two (2) years with an option for extension for a further two (2) years.

Harbor Star owns a 45.0% stake at Peak Flag.

Harbor Star Subic Corp.

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

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

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

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

Harbor Star owns 99.9% of HSSC.

Harbor Star Energy Corporation

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

HSEC has an authorized capital stock of Seven Hundred Fifty Million Pesos (PHP 750,000,000.00) divided into Seven Hundred Fifty Million (750,00,000,000) common shares, with a par value of One Peso (PHP 1.00) per share, of which One Hundred Eighty Seven Million Five Hundred Thousand (187,500,000) common shares have been subscribed and Forty Six Million Eight Hundred Seventy Five Thousand (46,875,000) shares have been issued and outstanding.

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.

ADGI has delivered 36,658,293KWh of electricity to Wholesale Electricity Spot Market ("WESM").

As of 31 December 2025, HSEC has incurred a capital deficiency in the amount of One Hundred Twenty Six Million Five Thousand Two Hundred Fifty Four Pesos (PHP 126,005,254.00).

Harbor Star owns 99.9% of HSEC.

Harbor Star East Asia (Myanmar) Ltd.

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

As of 18 May 2021, the registered office of HSEAM is located in Yangon, Myanmar. Due to the ongoing political situation in Myanmar, the lingering effects of the COVID-19 pandemic, and the impacts of a significant earthquake in 2025, HSEAM has no active operations as of 31 December 2025.

Harbor Star owns 99.99% of HSEA.

Harbor Star Construction Corporation

On 23 April 2021, the SEC approved the incorporation of HSCC with an authorized capital stock of Ninety Million Pesos (Php90,000,000.00) divided into Ninety Million (90,00,000,000) common shares, with a par value of One Peso (Php1.00) per share, of which Thirty Million (30,000,000) shares were subscribed and fully paid.[. 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.

HSCC is accredited with the Philippine Construction Accreditation Board.

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

The Audited Financial Statements of HSCC as of 31 December 2025, indicates that HSCC has a total equity in the amount of Thirty Million Six Hundred Six Thousand Three Hundred Eighteen Pesos (Php30,603,318.00).

On 18 February 2026, the SEC approved the increase of HSCC's authorized capital stock from Ninety Million Pesos (Php90,000,000.00) divided into Ninety Million (90,00,000,000) common shares, with a par value of One Peso (Php1.00) per share to One Hundred Million Pesos (Php100,000,000.00) divided into One Hundred Million (100,00,000,000) common shares, with a par value of One Peso (Php1.00) per share. As of 08 July 2026, Thirty Two Million Five Hundred Thousand (32,500,000) shares of HSCC have been subscribed and fully paid.

Harbor Star owns 100% of HSCC.

Kaibuok Star Shipyard Inc.

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

As of 31 December 2025, KSSI has not commenced commercial operations.

1.2 Business of the Issuer

1.2.1 Overview

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

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

As of 31 December 2025, 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 (8,686) ships as of year-end 2025. The major ports that the Company services include: the Manila International Container Terminal ("MICT"), Manila South Harbor, Bataan, Batangas, Cagayan de Oro ("CDO"), Cebu, Davao, and Iloilo.

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

1.2.2 Marine Services

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

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

As of 31 December 2025, revenues from harbor assistance amounted to PHP 1,726 million, equivalent to 66% of total revenue.

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

As of 31 December 2025, revenues from lighterage services amounted to PHP 131 million, equivalent to 5% of total revenue.

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

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

As of 31 December 2025, revenues from salvage operations amounted to PHP 124 million, equivalent to 5% 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 2025, revenues from towing services amounted to PHP 48 million, equivalent to 2% of total revenue.

Oil Spill Response. Harbor Star provides specialized oil and chemical spill response services to address maritime pollution incidents and mitigate environmental and safety risks. The Company supports clients across the full spill response cycle, from initial emergency assessment to containment and recovery operations. Harbor Star offers comprehensive oil spill response services, including rapid deployment of containment equipment, recovery of spilled substances, and coordination with relevant government agencies and stakeholders.

The Company maintains trained response teams and dedicated equipment that can be mobilized alongside its marine assets to respond efficiently to oil and chemical spill incidents. Regular drills and coordination with regulatory bodies ensure operational readiness and compliance with industry standards.

As of 31 December 2025, revenues from oil spill response services amounted to PHP 189 million, equivalent to 7% of total revenue.

Dredging and Underwater Services. Harbor Star provides dredging and underwater services to support port development, maintenance, and marine infrastructure requirements. These services encompass a range of activities from seabed clearing and excavation to specialized underwater inspection, repair, and maintenance works necessary for safe and efficient maritime operations.

The Company deploys trained personnel, certified divers, and specialized equipment to perform underwater tasks that support vessel operations, port authorities, and offshore facilities. Dredging activities are carried out to maintain navigational depths, improve port accessibility, and support construction projects, while underwater services address technical requirements such as inspections, hull cleaning, and minor subsea repairs.

As of 31 December 2025, revenues from dredging and underwater services amounted to PHP 131 million, equivalent to 5% of total revenue.

Ferrying. Harbor Star provides ferrying services to transport personnel and equipment between ports and operational locations. These services support various marine and logistics requirements, including vessel repositioning, crew transfers, and movement of materials necessary for maritime and offshore operations.

The Company utilizes its fleet and experienced crew to ensure safe, timely, and efficient ferrying operations, often in coordination with its towing, salvage, and other marine support services to meet client requirements.

As of 31 December 2025, revenues from ferrying services amounted to PHP 31 million, equivalent to 1% of total revenue.

Construction. 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 2025, revenues from other construction, repair and maintenance work amounted to PHP 123 million, equivalent to 5% of total revenue.

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

a. Ship repairs
b. Buoy construction deployment and maintenance
c. Ship and crew management
d. Firefighting
e. Offshore tug services

As of 31 December 2025, revenues from other marine services amounted to PHP 118 million, equivalent to 5% of total revenue.

1.3 Legal Proceedings

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

2. Management's Discussion and Analysis and Plan of Operations

The following discussion and analysis relate to the consolidated financial condition and results of operations of Harbor Star Shipping Services, Inc. and its subsidiary (the "Group") and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of and for the interim period ended 30 June 2026 and the year ended 31 December 2025. References to "Harbor Star" and "the Company" pertain to Harbor Star Shipping Services, Inc., Parent Company, while references to "the Group" pertain to Harbor Star Shipping Services, Inc. and its subsidiaries.

Results of Operation

A. For the interim period ended 30 June 2026

Results of Operations

	For the Quarter Ended June 30,		
	2026 (Unaudited)	**2025** (Unaudited)	**% Change**
Service income, net	764,943,863	632,788,716	20.88%
Cost of Services	576,087,188	465,623,506	23.72%
General and Admin. Expenses	102,985,448	113,052,229	(8.90%)
Other Income (Charges), net	39,892,392	65,588,261	(39.18%)
Net Income (Loss) Before Income Tax	45,978,835	(11,475,280)	500.68%

Service income, Net

The Group recorded total net service income of PHP 764.94 million for the three-month period ended June 30, 2026, representing an increase of 20.88% from PHP 632.79 million reported net income for the same period in 2025 (Note 16).

Cost of Services

The Group's total cost of services for the three-month period ended June 30, 2026 increased by 23.72% or PHP 110.46 million from PHP 465.62 million in 2025 to PHP 576.09 million in 2026. The increase was mainly attributable to higher supplies, fuel and lubricant costs resulting from the increase in oil prices. (Note 17).

General and Administrative Expenses

The Group's general and administrative expenses for the three-month period ended June 30, 2026 decreased by 8.90% or PHP 10.07 million from PHP 113.05 million as of June 30, 2025, to PHP 102.99 million as of June 30, 2026 mainly due to higher taxes and license, depreciation, professional fees, membership and others (Note 18).

Other Charges, Net

The other charges, net decrease by 39.18% or PHP 25.70 million from PHP 65.59 million as of June 30, 2025 to PHP 39.89 million as of June 30, 2026 which is mainly due to the interest expense on borrowings and loans.

Net Income (Loss) Before Tax

The Group reported a pre-tax net income of PHP 45.98 million for the three-month period ended June 30, 2026, compared to a pre-tax net loss of PHP 11.48 million for the same period in 2025. This translates to an improvement of PHP 57.45 million, primarily driven by higher revenues from salvage services. Consequently, the Group's pre-tax results improved by 500.68% year-on-year.

Financial Condition

	As of June 30, 2026 (Unaudited)	**As of December 31, 2025** (Audited)
Total Assets	7,063,326,932	7,242,550,075
Total Liabilities	4,566,940,492	4,828,898,916
Total Equity	2,496,386,440	2,413,651,159

Cash and Cash Equivalent

The account has decreased by 29.21% or PHP 101.98 million from PHP 349.15 million as of December 31, 2025 to PHP 247.17 million as of June 30, 2026. The decrease was mainly due to payments made to the supplier from recurring activities and settlements of short-term borrowings used to finance working capital requirements (Note 4).

Trade and Other Receivables, Net

The account has increased by 8% or PHP 102.21 million from PHP 1.28 billion as of December 31, 2025 to PHP 1.38 billion as of June 30, 2026 mainly due to higher trade receivables arising from operating activities (Note 5).

Prepayments and Other Current Assets

The account has decreased by 13.07% or PHP 55.33 million from PHP 423.44 million as of December 31, 2025 to PHP 368.11 million as of June 30, 2026 mainly due lower refundable deposits, increase in input tax and utilization of certain prepaid expenses. (Note 6).

Property and Equipment at Cost, Net

The account has decreased by 3.28% or PHP 150.27 million from PHP 4.59 billion as of December 31, 2025 to PHP 4.44 billion as of June 30, 2026 mainly due to depreciation recognized during the period (Note 9).

Trade and Other Payables

The account has decreased by 18.07% or PHP 161.47 million from PHP 893.53 million as of December 31, 2025 to PHP 732.06 million as of June 30, 2026. The decrease was mainly due to settlement of trade payables related to operations, advances from employees and payable to government agencies and others (Note 13).

Borrowings, Current Portion

The account has decreased by 5.16% or PHP 117.59 million from PHP 2.28 billion as of December 31, 2025 to PHP 2.16 billion as of June 30, 2026 due to loan repayments and additional loan availments for the period (Note 14).

Borrowings, net of current portion

The account has increased by 1.44% or PHP 16.06 million from PHP 1.12 billion as of December 31, 2025 to PHP 1.13 billion as of June 30, 2026 due to availment of additional loan for the period (Note 14).

Retained earnings (Deficit)

The account has a surplus of PHP 97.08 million, from PHP 353.20 million as of December 31, 2025 to PHP 450.28 million as of June 30, 2026. The increase was mainly attributable to the net income generated by the Group during the six-month period ended June 30, 2026.

Discussion and Analysis of Material Events and Uncertainties

As at and for the periods ended June 30, 2026, and December 31, 2025:

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

Comparative Key Performance Indicators

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

Financial Soundness Indicator	June 30 2026 (Unaudited)	June 30 2025 (Unaudited)	December 31 2025 (Audited)	December 31 2024 (Audited)
Current Ratio	0.68:1	1.00:1	0.64:1	0.99:1
Quick Ratio	0.55:1	0.75:1	0.51:1	0.78:1
Debt-to-Equity Ratio	1.69:1	2.18:1	2.00:1	2.22:1
Asset-to-Equity Ratio	2.83:1	3.18:1	3.00:1	3.22:1
Interest Coverage Ratio	1.98:1	0.87:1	1.44:1	2.26:1
Net Profit Margin Ratio	5.56%	(2.85%)	1.70%	6.20%
Gross Profit Margin Ratio	24.69%	26.42%	25.10%	29.20%

Financial Risk Management Objectives and Policies

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

B. For the year ended 31 December 2025, 2024, and 2023

The table shows a summary of the consolidated results of operations for the years ended 31 December 2025, 2024, and 2023 as derived from the accompanying audited financial statements.

Table 5: Condensed Statements of Total Comprehensive Income

In PHP thousands	December 2025	December 2024	December 2023	% Change *2025 vs 2024*	% Change *2024 vs 2023*
Service income, net of discounts	2,790,900	3,037,838	2,663,062	(8.13%)	14.07%
Cost of service	(2,091,256)	(2,152,268)	(1,806,331)	(2.83%)	19.15%
General and administrative expenses	(534,788)	(558,820)	(454,559)	(4.30%)	22.94%
Net impairment losses on financial assets	(42,126)	(12,212)	(47,103)	244.96%	(74.07%)
Impairment loss on goodwill	21,423	39,814	(56,207)	(46.19%)	(170.84%)
Other income (loss), net	151,442	239,844	43,183	(36.86%)	455.41%
Finance cost	(211,349)	(265,160)	(278,752)	(20.29%)	(4.88%)
Share in profit of associates	8,361	(57,968)	5,707	(114.42%)	(1,115.74%)
Income tax benefit (expense)	(45,143)	(82,013)	(49,733)	(44.96%)	64.91%
Profit (loss) after tax	47,463	189,055	19,266	(74.89%)	881.29%
EBITDA (1)	917,895	1,115,205	922,786	(17.69%)	20.85%
EBIT (2)	294,115	533,458	342,044	(44.87%)	55.96%
Remeasurements on retirement benefits, net of tax	(1,822)	3,877	(2,615)	(147.00%)	(248.26%)
Share in other comprehensive income (loss) of associates	-	-	-	-	-
Basic and diluted earnings (loss) per share	0.068	0.126	0.033	(46.03%)	281.82%

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

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

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

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

Comparison of Operating Results for The Year Ended 31 DECEMBER 2025 VS. 31 DECEMBER 2024

Service Income

The breakdown of service income is presented as follows:

Table 6: Service Income Breakdown December 2025 vs. December 2024

In PHP thousands	December 2025	December 2024	% Increase (Decrease)	December 2025 % Contribution	December 2024 % Contribution
Harbor assistance*	1,726,612	1,875,997	(8.0%)	61.87%	61.8%
Oil spill response	189,775	370,968	(48.8%)	6.80%	12.2%
Revenue on generation of solar power	166,654	193,362	(13.8%)	5.97%	6.4%
Dredging and underwater services	131,303	157,615	(16.7%)	4.70%	5.2%
Salvage income	124,648	6,623	1,782.1%	4.47%	0.2%
Lighterage services	131,014	56,209	133.1%	4.69%	1.9%
Construction revenue	123,150	220,072	(44.0%)	4.41%	7.2%
Towing services	48,435	39,217	23.5%	1.74%	1.3%
Ferrying services	31,047	31,446	(1.3%)	1.11%	1.0%
Others	118,261	86,329	37.0%	4.24%	2.8%
Service Income	**2,790,900**	**3,037,838**	**(8.10%)**	**100%**	**100%**

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

The Group's consolidated service decreased by 8.10% from PHP 3,037.8 million to PHP 2,790.9 million on 31 December 2024 and 2025, respectively.

Major contributor to this decline was the construction revenue which decrease from PHP 220.07 million on 31 December 2024 to PHP 123.15 million on 31 December 2025 due to the limited number of projects during the year. Harbor assistance also declined, from PHP 1,875 million on 31 December 2024 to PHP 1,726 million on 31 December 2025 primarily due to the loss of client in Mauban, Quezon and Amlan. Despite the decline in revenue from other segments, Salvage income increased significantly, from PHP 0.06 million on 31 December 2024 to PHP 124 million on 31 December 2025 due to the wreck removal activities related to M/T Terranova.

Below presents the breakdown of the cost of services:

Table 7: Cost of Services Breakdown December 2025 vs. December 2024

In PHP thousands	December 2025	December 2024	% Increase (Decrease)	December 2025 % Contribution	December 2024 % Contribution
Depreciation and amortization	583,237	536,421	8.7%	27.89%	24.9%
Fuel and lubricants	496,658	454,911	9.2%	23.75%	21.1%
Personnel costs	282,822	389,153	(27.3%)	13.52%	18.1%
Outside services	141,963	140,425	1.1%	6.79%	6.5%
Supplies and construction supplies	134,730	212,615	(36.6%)	6.44%	9.9%
Rent	53,404	58,312	(8.4%)	2.55%	2.7%
Insurance	87,746	75,740	15.9%	4.20%	3.5%
Charter hire	148,430	99,987	48.4%	7.10%	4.6%
Port expense	28,996	28,420	2.0%	1.39%	1.3%
Repairs and maintenance	47,176	50,772	(7.1%)	2.26%	2.4%
Professional fees	9,297	14,157	(34.3%)	0.44%	0.7%
Transportation and travel	20,148	24,600	(19.1%)	0.96%	1.2%
Amortization right-of-use asset	3,265	2,235	46.1%	0.16%	0.1%
Communication, light and water	2,840	3,643	(22.1%)	0.14%	0.2%
Taxes and licenses	10,782	21,934	(50.8%)	0.52%	1.0%
Others	39,762	38,641	2.9%	1.90%	1.8%
Cost of Services	**2,091,256**	**2,152,268**	**(2.8%)**	**100%**	**100%**

Cost of services

Cost of services decreased by 2.8% amounting to PHP 61 million from PHP 2,152 million on 31 December 2024 to PHP 2,091 million on 31 December 2025. This decrease is mainly due to the reduction in personnel cost, supplies and other costs directly related to construction attributable to minimal work or

projects for the period. There is also significant increase in charter hire costs due to the rental of equipment for the salvage project of M/V Sakizaya Ace.

Gross profit and gross profit margin

The Group's gross profit is lower by 21% amounting to PHP 185.9 million from PHP 885 million on 31 December 2024 to PHP 699 million on 31 December 2025, primarily due to decrease in revenue. The Group's gross profit margin ratio has decreased to 25.1% in 2025 from 29.2% in 2024 due to the decrease in Construction revenue.

Below presents the breakdown of the general and administrative expenses:

Table 8: General and Administrative Expenses Breakdown
December 2025 vs. December 2024

In PHP thousands	**December 2025**	**December 2024**	**% Increase (Decrease)**	**December 2025 % Contribution**	**December 2024 % Contribution**
Personnel costs	201,546	185,175	8.8%	37.69%	33.1%
Taxes and licenses	64,679	80,592	(19.7%)	12.09%	14.4%
Representation and entertainment	28,374	52,648	(45.40%)	5.37%	9.4%
Repairs and maintenance	30,030	29,192	2.9%	5.62%	5.2%
Depreciation and amortization	23,115	30,262	(23.6%)	4.32%	5.4%
Transportation and travel	29,925	31,233	(4.2%)	5.6%	5.6%
Provision for assessment	-	-	-		0.0%
Professional fees	13,553	17,342	(21.8%)	2.53%	3.1%
Outsourced services	12,200	10,368	17.7%	2.28%	1.9%
Provision for impairment of input VAT	50,508	15,759	220.5%	9.44%	2.8%
Amortization of computer software	6,158	3,369	82.8%	1.15%	0.6%
Insurance	11,647	7,414	57.1%	2.18%	1.3%
Communications	4,252	3,852	10.4%	0.80%	0.7%
Supplies and construction supplies	14,965	36,572	(59.1%)	2.80%	6.5%
Utilities	8,843	6,580	34.4%	1.65%	1.2%
Rent	4,953	7,574	(34.6%)	0.93%	1.4%
Amortization of right-of-use assets	7,154	8,608	(16.9%)	1.34%	1.5%
Registration and membership fees	1,633	2,741	(40.4%)	0.31%	0.5%
Amortization of leasehold rights	852	852	(0.1%)	0.16%	0.2%
Advertising and promotions	2,078	640	224.7%	0.39%	0.1%
Fuel and lubricants	-	-	-	-	0.0%
Write-off of receivable	833	5,307	(84.3%)	0.16%	0.9%
Others	17,129	22,740	(24.7%)	3.20%	4.2%
Gen. and Admin. Expenses	**534,788**	**558,820**	**(4.3%)**	**100%**	**100%**

General and administrative expenses

The Group's general and administrative expenses decreased by 4.3% amounting to PHP 24 million from PHP 558 million on 31 December 2024 to PHP 534 million on 31 December 2025. This is mainly due to lower costs of taxes and licenses, representation and entertainment, professional fees, rent, registration and membership, and office supplies.

Other income (loss), net

Other income (loss), net consists of foreign exchange gain and loss, interest income, loss on debt restructuring, gain (loss) on sale of property and equipment, insurance claims, gain on reversal of finance lease liability, provision on construction receivables, cost recharges and non-routine special projects. This

account decreased by 36.86% amounting to PHP 88.40 million from PHP 239.84 million other income on 31 December 2024 to PHP 151.44 million other income on 31 December 2025. This is mainly due to the recognized insurance claims in 2024.

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

The Group's operating profit has decreased (50.25%) amounting to PHP 298 million from PHP 594 million on 31 December 2024 to PHP 295 million operating profit on 31 December 2025. This is mainly due to insurance claims. The Operating profit (loss) margin ratio has likewise decrease from 20% in 2024 to 10% in 2025.

Finance Cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange gain on borrowings. It decreased by PHP 53 million from PHP 265 million posted in 2024 to PHP 211 million in 2025.

EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) is lower by 17.69% from PHP 1,115 million on 31 December 2024 to PHP 917 million on 31 December 2025.

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

The Group's net profit has decreased by 74.89% to PHP 47 million net income in 2025 from PHP 189 million in 2024. The ratio of consolidated net income likewise decreased to +1.7% in 2025 from +6.2% in 2024.

Material Changes to the Statements of Financial Position as of 31 December 2025 Compared to the Statements of Financial Position as of 31 December 2024

Cash and cash equivalents

The account decreased by 8.85% amounting to PHP 33.88 million from PHP 383 million in 2024 to PHP 349 million in 2025 mainly due to payment of liabilities, and short-term borrowings for operational requirements.

Trade and other receivables, net

The account decreased by 5.84% amounting to PHP 79.31 million from PHP 1,357 million in 2024 to PHP 1,277 million in 2025 mainly due to increase of allowance for impairment of trade receivables and decrease of employee advances due to submission of liquidation reports.

Property and equipment, net

The account decreased by 0.25% amounting to PHP 11.67 million from PHP 4,597 million in 2024 to PHP 4,585 million in 2025 mainly due to net of revaluation of tugboats, disposal or sale of tugboat and depreciation for the period.

Computer software, net

The account decreased by 13.3% amounting to PHP 1.14 million from PHP 8.5 million in 2024 to PHP 7.42 million in 2025 mainly due to amortization during the year.
Investment properties

There's no movement during the year.

Investment in associates

The account increased by 3.44% amounting to PHP 5.07 million from PHP 147.5 million in 2024 to PHP 152.5 million in 2025 mainly due to investment to Hi-Energy Marine Services, Inc. ("HEMSI") and recognition of dividends and share in profits from associates.

Trade and other payables

The account decreased by 27.02% amounting to PHP 330 million from PHP 1,224 million in 2024 to PHP 893.5 million in 2025 mainly due to payment of payables related to operations, decrease in accrued interest on interest bearing loans, accrued construction costs in relation to unliquidated expenses of construction projects employees, other accrued expenses related to insurance companies and unliquidated business expenses.

Borrowings, current portion

The account increased by 143.01% amounting to PHP 1.34 million from PHP 938 million in 2024 to PHP 2,280 million in 2025 mainly due to payment of borrowings current portion as well as the reclassification of the remaining bank loan from non-current to current portion due to restructuring of the principal loan.

Lease liabilities, current portion

The account increased by 13.9% amounting to PHP 1.01 million from PHP 7.3 million in 2024 to PHP 8.26 million in 2025 mainly due to the additions made during year.

Trade payables, non-current portion

The account decreased by 69.52% amounting to PHP 6.4 million from PHP 9.2 million in 2024 to PHP 2.8 million in 2025 mainly due to reclassification of trade payables from current to non-current portion.

Borrowings, net of current portion

The account decreased by 52.94% amounting to PHP 1,255 million from PHP 2,371 million in 2024 to PHP 1,116 million in 2025 mainly due to reclassification of non-current to current borrowings.

Lease liabilities, net of current portion

The account decreased by 15.51% amounting to PHP 6.04 million from PHP 38.9 million in 2024 to PHP 32.9 million in 2025 mainly due to renewal of long-term lease agreements.

Deferred income tax liabilities, net

The account increased by 12.89% amounting to PHP 30.53 million from PHP 236.83 million in 2024 to PHP 267.4 million in 2025 due to deferred income tax credited to profit or loss and other comprehensive income.

Retirement benefits obligation

The account increased by 13.06% amounting to PHP 23.26 million from PHP 178.03 million in 2024 to PHP 201.3 million in 2024 mainly due to remeasurement brought about by experience adjustments.

Revaluation surplus, net of tax

The account increased by 2.96% amounting to PHP 28 million from PHP 948.8 million in 2024 to PHP 976.9 million in 2025 due to revaluation.

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

Service Income

The breakdown of service income is presented as follows:

Table 9: Service Income Breakdown December 2024 vs. December 2023

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

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

The Group's consolidated service income increased by 14.1% from PHP 2,663.0 million to PHP 3,037.8 million on 31 December 2023 and 2024, respectively.

Major positive contributor is the construction revenue which grew from PHP 72.6 million on 31 December 2023 to PHP 210.6 million on 31 December 2024 due to the project that has been completed during the year. Harbor assistance also grew from PHP 1,783.6 million on 31 December 2023 to PHP 1,876 million on 31 December 2024 pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port.

Below presents the breakdown of the cost of services:

Table 10: Cost of Services Breakdown December 2024 vs. December 2023

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

Cost of services

Cost of services increased by 19.2% amounting to PHP 345.9 million from PHP 1,806.3 million on 31 December 2023 to PHP 2,152.3 million on 31 December 2024. The increase is mainly due to higher costs of rent, charter hire, repairs and maintenance, taxes and licenses, transportation and travel, outside services, personnel cost and supplies and construction supplies.

Gross profit and gross profit margin

The Group's gross profit is higher by 3% amounting to PHP 28.8 million from PHP 856.7 million on 31 December 2023 to PHP 885.6 million on 31 December 2024, primarily due to increase in revenue. The Group's gross profit margin ratio has decreased to 29.2% in 2024 from 32.2% in 2023 due to the increase in cost of sales.

Below presents the breakdown of the general and administrative expenses:

Table 11: General and Administrative Expenses Breakdown
December 2024 vs. December 2023

In PHP thousands	December 2024	December 2023	% Increase (Decrease)	December 2024 % Contribution	December 2023 % Contribution
Personnel costs	185,175	159,032	16.4%	33.1%	35.0%
Taxes and licenses	80,592	49,323	63.4%	14.4%	10.9%
Representation and entertainment	52,648	52,252	0.8%	9.4%	11.5%
Repairs and maintenance	29,192	36,061	(19.0%)	5.2%	7.9%
Depreciation and amortization	30,262	14,517	108.5%	5.4%	3.2%
Transportation and travel	31,233	35,097	(11.0%)	5.6%	7.7%
Provision for assessment	-	-	-	0.0%	0.0%
Professional fees	17,342	11,574	49.8%	3.1%	2.5%
Outsourced services	10,368	14,067	(26.3%)	1.9%	3.1%
Provision for impairment of input VAT	15,759	15,906	(0.9%)	2.8%	3.5%
Amortization of computer software	3,369	13,152	(74.4%)	0.6%	2.9%
Insurance	7,414	6,526	13.6%	1.3%	1.4%
Communications	3,852	5,988	(35.7%)	0.7%	1.3%
Supplies and construction supplies	36,572	12,858	184.4%	6.5%	2.8%
Utilities	6,580	4,498	46.3%	1.2%	1.0%
Rent	7,574	5,649	34.1%	1.4%	1.2%
Amortization of right-of-use assets	8,608	2,586	232.9%	1.5%	0.6%
Registration and membership fees	2,741	1,799	52.3%	0.5%	0.4%
Amortization of leasehold rights	852	1,891	(55.0%)	0.2%	0.4%
Advertising and promotions	640	143	347.7%	0.1%	0.0%
Fuel and lubricants	-	40	(100.0%)	0.0%	0.0%
Write-off of receivable	5,307	26	20,379.3%	0.9%	0.0%
Others	22,740	11,573	96..5%	4.2%	2.5%
Gen. and Admin. Expenses	**558,820**	**454,560**	**22.9%**	**100%**	**100%**

General and administrative expenses

The Group's general and administrative expenses increased by 22.9% amounting to PHP 104.3 million from PHP 454.5 million on 31 December 2023 to PHP 558.8 million on 31 December 2024. This is mainly due to higher costs of rent, advertising and promotion, write-off of employee advances, professional fees, supplies and construction supplies, utilities, taxes and licenses, amortization of computer software and leasehold rights.

Other income (loss), net

Other income (loss), net consists of foreign exchange gain and loss, interest income, loss on debt restructuring, gain (loss) on sale of property and equipment, ship management, insurance claims, gain on reversal of finance lease liability, provision on construction receivables, cost recharges and non-routine special projects. This account increased by 455% amounting to PHP 196.7 million from PHP 43.2 million

other income on 31 December 2023 to PHP 239.8 million other income on 31 December 2024. This is mainly due to the recognized insurance claims in 2024.

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

The Group's operating profit has increased 74% amounting to PHP 252.2 million from PHP 342 million on 31 December 2023 to PHP 594.2 million operating profit on 31 December 2024. This is mainly due to insurance claims. The Operating profit (loss) margin ratio has likewise increase from 12.8% in 2023 to 19.6% in 2024.

Finance Cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange gain on borrowings. It decreased by PHP 13.6 million from PHP 278.8 million posted in 2023 to PHP 265.2 million in 2024.

EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) is higher by 20.85% from PHP 922.8 million on 31 December 2023 to PHP 1,115.2 million on 31 December 2024. The increase can be attributable to the lower impairment and other gains.

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

The Group's net profit has improved by 881% to PHP 189.1 million net income in 2024 from PHP 19.3 million in 2023. The ratio of consolidated net income to consolidated net service income has likewise improved to +6.2% in 2024 from +0.7% in 2023.

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

Cash and cash equivalents

The account increased by 34.3% amounting to PHP 97.8 million from PHP 285.2 million in 2023 to PHP 383 million in 2024 mainly due to collections of receivables and proceeds from salvages, and short-term borrowings for operational requirements.

Trade and other receivables, net

The account increased by 2.1% amounting to PHP 28 million from PHP 1,329.3 million in 2023 to PHP 1,357.2 million in 2024 mainly due receivables from customers for rendering harbor assistance and other marine services and solar energy fee to energy supply which are not yet collected during the year.

Property and equipment at revalued amounts, net

The account increased by 10.8% amounting to PHP 260.6 million from PHP 2,420.3 million in 2023 to PHP 2,680.9 million in 2024 mainly due to revaluation of tugboats.

Property and equipment at cost, net

The account decreased by 8.1% amounting to (PHP 168.9) million from PHP 2,085 million in 2023 to PHP 1,916.1million in 2024 mainly due to depreciations of barges, building and building improvements, equipment for transportation, diving and oil spill, construction.

Computer software, net

The account increased by 31.2% amounting to PHP 2.0 million from PHP 6.5 million in 2023 to PHP 8.6 million in 2024 mainly due to additions made during the year.

Investment properties

There's no movement during the year.

Investment in associates

The account decreased by 28.6% amounting to (PHP 59.2) million from PHP 206.6 million in 2023 to PHP 147.5 million in 2024 mainly due to investment to Hi-Energy Marine Services Inc and recognition of dividends from associates.

Trade and other payables

The account increased by 20.8% amounting to PHP 210.8 million from PHP 1,013.6 million in 2023 to PHP 1,224.4 million in 2024 mainly due to increases in payables related to operations, accrued interest on interest bearing loans, accrued construction costs in relation to unliquidated expenses of construction projects employees, other accrued expenses related to insurance companies and unliquidated business expenses.

Borrowings, current portion

The account increased by 264% amounting to PHP 680.5 million from PHP 257.8 million in 2023 to PHP 938.3 million in 2024 mainly due to payment of borrowings current portion as well as reclassification of the remaining bank loan from non-current to current portion.

Lease liabilities, current portion

The account decreased by 20% amounting to (PHP 1.8) million from PHP 9.1 million in 2023 to PHP 7.3 million in 2024 mainly due to the payment made during year.

Trade payables, non-current portion

The account increased by 100.0% amounting to PHP 9.3 million from PHP 0.0 million in 2023 to PHP 9.3 million in 2024 mainly due to reclassification of trade payables from current to non-current portion.

Borrowings, net of current portion

The account decreased by 27.99% amounting to (PHP 921.6) million from PHP 3,292.9 million in 2023 to PHP 2,371.2 million in 2024 mainly due to reclassification of non-current to current borrowings.

Lease liabilities, net of current portion

The account decreased by 5.96% amounting to (PHP 2.5) million from PHP 41.4 million in 2023 to PHP 39 million in 2024 mainly due to renewal of long-term lease agreements.

Deferred income tax liabilities, net

The account increased by 2.69% amounting to (PHP 6.5) million from PHP 243.4 million in 2023 to PHP 236.8 million in 2024 due to deferred income tax credited to profit or loss and other comprehensive income.

Retirement benefits obligation

The account increased by 8.21% amounting to PHP 13.5 million from PHP 164.5 million in 2023 to PHP 178.0 million in 2024 mainly due to remeasurement brought about by experience adjustments.

Revaluation surplus, net of tax

The account decreased by 8.16% amounting to (PHP 84.3) million from PHP 1,033.2 million in 2023 to PHP 948.8 million in 2024 due to revaluation.

Retained earnings (deficit)

The account reflects a profit of PHP 248.0 million at the end of 2024 from PHP 52.3 million in 2023 or PHP 195.8 million addition in retained earnings. The addition was mainly due to the company's net income.

Key Performance Indicators

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

Table 12: Key Performance Indicators

	2025	2024	2023
Revenue Growth	(8.1%)	14.1%	(1.4%)
Gross Profit Margin	25.1%	29.2%	(18.7%)
EBITDA Margin	32.9%	36%	34.7%
Net Income Margin	1.7%	6.2%	0.7%
Return on Asset	0.7%	3%	0.3%
Return on Equity	2.0%	8%	0.9%
Current Ratio	0.64	1.00	1.53
Debt-to-Equity Ratio	2.00	2.10	2.22

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

Cash Flows

The table below shows the Group's cash flows for the years ended 31 December 2025, 2024 and 2023:

Table 13: Cash Flows

In PHP thousands,	2025	2024	2023	% Change *2025 vs 2024*	% Change *2024 vs 2023*
Net cash provided by operating activities	838,746	880,009	781,989	(4.69%)	12.53%
Net cash flow used in investing activities	(515,623)	(365,058)	(305,668)	41.24%	(19.4%)
Net cash provided by (used in) financing activities	(361,208)	(417,105)	(456,165)	(13.40%)	(8.56%)
EFFECTS OF EXCHANGE RATE CHANGES IN CASH	4,202	(4.36)	(1,428)	(96,482%)	(99.7%)
NET INCREASE (DECREASE) IN CASH	(33,882)	97,847	20,156	(134.63%)	385.45%
CASH AT BEGINNING OF THE YEAR	383,033	285,190	266,464	34.31%	7.0%
CASH AT THE END OF THE YEAR	**349,149**	**383,033**	**285,190**	**(8.85%)**	**34.3%**

Cash and cash equivalents decreased by 8.85% amounting to PHP 33.88 million from PHP 383 million in 2024 to PHP 349 million in 2025 mainly due to acquisition of property, plant and equipment, software, investment properties, payment of borrowings and payment of lease liabilities.

Capital Resources

The table below illustrates the Group's capital sources as of 31 December 2025, 2024, and 2023:

Table 14: Capital Sources

In PHP thousands	December 31, 2025	December 31, 2024	December 31, 2023	% Change *2025* vs *2024*	% Change *2024* vs *2023*
Trade and other payables	896,369	1,233,717	957,271	(27.34%)	28.88%
Short-term loans	-	-	-	-	-
Borrowings	3,396,155	3,309,546	3,550,642	2.62%	(6.79%)
Lease liabilities	41,185	46,219	50,499	(10.89%)	(8.47%)
Total debt	4,333,709	4,589,483	4,558,412	(5.57%)	0.68%
Share capital	907,858	907,858	907,858	-	-
Additional paid-in-capital	121,633	121,633	121,633	-	-
Retained earnings (Deficit) attributable to the owners of the Parent Company	353,201	248,064	52,269	42.38%	374.59%
Fair value reserve on financial assets at fair value through other comprehensive income	(160)	(160)	(160)	-	-
Treasury stock	(37,615)	(37,615)	(37,615)	-	-
Revaluation surplus, net of tax	976,902	948,829	1,033,172	2.96%	(8.16%)
Total Equity	2,321,818	2,188,609	2,077,157	6.09%	5.37%
Total	6,655,527	6,778,092	6,635,569	(1.81%)	2.15%

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

Trends, Events, or Uncertainties Affecting Recurring Revenues and Profits

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

The geopolitical tensions and pandemic similar to COVID-19 may also affect the operations of the Group.

Risks

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

3. FINANCIAL STATEMENTS

Please see Annex "A".

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

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

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

5.1 Market Information

Harbor Star's share was listed in the Philippine Stock Exchange on 30 October 2013. The Company's common stock is traded in the PSE under the stock symbol "TUGS". As of the latest practicable trading date on 30 September 2026, the share prices of the Company were:

	Price/Common Share *(in Philippine Peso)*
Opening :	1.34
High :	1.42
Low :	1.29
Closing :	1.33

The high and low share prices for 2023, 2024, 2025 and first and second quarters of 2026 are indicated below:

	Price/Common Share *(in Philippine Peso)*	
Calendar Period	**High**	**Low**
2026		
2nd Quarter	1.03	0.47
1st Quarter	0.67	0.45
2025		
4th Quarter	0.61	0.47
3rd Quarter	0.74	0.55
2nd Quarter	0.66	0.56
1st Quarter	0.71	0.56
2024		
4th Quarter	0.82	0.59
3rd Quarter	0.78	0.55
2nd Quarter	0.69	0.51
1st Quarter	0.89	0.65
2023		
4th Quarter	0.90	0.71
3rd Quarter	0.95	0.75
2nd Quarter	1.06	0.88
1st Quarter	1.13	0.89

As of 30 September 2026, Harbor Star's public float is 30.20%.

5.2 Holders

The number of stockholders of record as of the latest practicable date on 30 September 2026 was 17. Common shares outstanding as of the same date were Eight Hundred Ninety-Four Million Five Hundred Eighty-Six Thousand Eight Hundred Seventy (894,586,870).

The following are the Company's registered common stockholders as of 30 September 2026:

Registered Stockholders
As of 30 September 2026

NAME		NUMBER OF SHARES HELD	% OF TOTAL
1	PCD Nominee Corporation (Filipino)	747,651,812	83.575%
2	PCD Nominee Corporation (Non-Filipino)	63,042,070	7.047%
3	Bella Jr., Geronimo P.	42,000,000	4.694%
4	Bella, Ricardo Rodrigo P.	41,553,487	4.644%
5	Bella, Maria Elizabeth Jean E.	225,000	Less than 1.0%
6	Galicia, Filomena G.	30,000	Less than 1.0%
7	Villanueva, Myra P.	20,000	Less than 1.0%
8	Villanueva, Milagros P.	19,000	Less than 1.0%
9	De Guzman, Gene S.	10,000	Less than 1.0%
10	Villanueva, Myrna P.	9,000	Less than 1.0%
11	Cabreza, Marietta V.	9,000	Less than 1.0%
12	Cabreza, Juan Carlos V.	9,000	Less than 1.0%
13	Tacub, Felicitas F.	3,000	Less than 1.0%
14	Soliven, Stephen G.	2,500	Less than 1.0%
15	Reiterer, Alfred	1,500	Less than 1.0%
16	Valencia, Jesus San Luis	1,500	Less than 1.0%
17	Bautista, Joselito T.	1	Less than 1.0%

5.3 Dividends

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

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

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

5.3.1 Stock Dividends

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

5.3.2 Cash Dividends

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

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

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

6. DIRECTORS AND EXECUTIVE OFFICERS

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

The Executive Officers of the Company cooperate with the Board of Directors by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of its operations for the review of the Board. The Executive Officers are appointed annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been appointed or shall have qualified.

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

NAME	AGE	CITIZENSHIP	POSITION	YEAR APPOINTED
Geronimo P. Bella, Jr.	65	Filipino	Chairman/President	2006
Ricardo Rodrigo P. Bella	59	Filipino	Executive Director/Vice President	2006
Ryota Nagata	61	Japanese	Director	2011
Ramon C. Liwag	69	Filipino	Director	2017
Ceasar Daniel T. Castro	51	Filipino	Director	2021
Gene S. De Guzman	64	Filipino	Independent Director	2020
Gemma V. Sadiua	60	Filipino	Independent Director	2020
Charlene O. Ang	57	Filipino	Corporate Secretary	2023
Dany Cleo B. Uson	63	Filipino	Treasurer, Chief Finance Officer, Compliance Officer, Investor Relations Officer, Business Development Manager - Asia Pacific	2020
Lorenzo C. Caranzo	58	Filipino	Operations Division Head	2018
Emmanuel L. Falcunit	47	Filipino	Designated Person Ashore and Crew Training Manager	2018
Rudiardo L. Arcellana	61	Filipino	Operations Manager - Salvage, Towage, Lighterage	2016
Jay-R L. Castillo	40	Filipino	QHSE and Oil Spill Response Manager	2016
Edwin G. Amejana	60	Filipino	Commercial Manager	2008
Virginia May P. Bella	51	Filipino	Legal Services Manager	2008
Elionarda L. Refil	57	Filipino	General Services Manager	2009
Mary Jane J. Logatoc	38	Filipino	Accounting Manager	2024
Effel T. Santillan	48	Filipino	Human Resource Manager	2014
Maria Elizabeth Jean E. Bella	37	Filipino	Executive Management Trainee	2019
Erwin M. Sevilla	48	Filipino	Officer-in-Charge - ICT Assistant Manager	2026
Ronaldo C. Samong	56	Filipino	Business Development Manager for Visayas & Mindanao	2019
Marvin William Trinidad	47	Filipino	Sales & Marketing Manager	2021
Marlon D. Dabu	43	Filipino	Audit Manager	2022

NAME	AGE	CITIZENSHIP	POSITION	YEAR APPOINTED
Daisy A. Sta. Maria	52	Filipino	Treasury & Budget Manager	2022
Vittorio L. Leocadio	31	Filipino	Officer-in-Charge - Engineering and Maintenance Department	2025
Francis C. Virtudazo	38	Filipino	Officer-in-Charge - Procurement Department	2025
John Louie B. Garcia	46	Filipino	Construction Manager	2025

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

7. CORPORATE GOVERNANCE

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

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SECURITY HOLDERS WITHOUT CHARGE, AND UPON THEIR WRITTEN REQUEST, A COPY OF THE COMPANY'S INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 30 JUNE 2026 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR ANNUAL REPORT (SEC FORM 17-A). COPIES OF OTHER EXHIBITS MAY BE PROVIDED UPON WRITTEN REQUEST AND UPON THE PAYMENT OF NOMINAL CHARGES TO DEFRAY ADMINISTRATIVE COSTS AND EXPENSES SUBJECT TO CONDITIONS AS THE BOARD OF DIRECTORS MAY PROMULGATE.

SUCH WRITTEN REQUEST FOR A COPY OF SEC FORM 17-Q AS OF 30 JUNE 2026 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR SEC FROM 17-A SHALL BE DIRECTED TO: MR. DANY CLEO B. USON, CORPORATE INFORMATION OFFICER, 2224 A. BONIFACIO ST., CORNER PRES. SERGIO OSMEÑA HIGHWAY, BRGY. BANGKAL, MAKATI CITY, PHILIPPINES 1233.

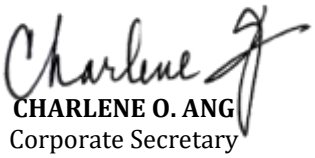
ALL STOCKHOLDERS OF RECORD AND THOSE ACTING AS FIDUCIARIES, NOMINEES, TRUSTEES OR SIMILAR CAPACITIES IN BEHALF OF BENEFICIAL OWNERS WHO ARE NOT OF RECORD, MAY ALSO REQUEST IN WRITING TO THE PERSON AND AT THE ADDRESS PROVIDED ABOVE, AS MANY COPIES OF THIS INFORMATION STATEMENT, SEC FORM 17-Q AS OF 30 JUNE 2026 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR SEC FORM 17-A FOR DISTRIBUTION TO SUCH BENEFICIAL OWNERS, AND UPON RECEIPT OF SUCH WRITTEN REQUEST, THE COMPANY UNDERTAKES TO SUPPLY THE REQUESTED MATERIAL IN A TIMELY MANNER.

SIGNATURES

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

HARBOR STAR SHIPPING SERVICES, INC.
Issuer

By:



Date: 14 October 2026

CHARLENE O. ANG
Corporate Secretary

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

The following document has been received:

Receiving: DONNA ENCARNADO
Receipt Date and Time: May 20, 2026 01:45:38 PM

Company Information

SEC Registration No.: 0000152897
Company Name: HARBOR STAR SHIPPING SVCS. INC.
Industry Classification: I63200
Company Type: Stock Corporation

Document Information

Document ID: OST1052020268114538 28
Document Type: ANNUAL_REPORT
Document Code: SEC_Form_17-A
Period Covered: December 31, 2025
Submission Type: Original Filing
Remarks: WITH FS-C

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **31 December 2025**

2. SEC Identification Number **152897**

3. BIR Tax Identification No. **201-128-653-000**

4. Exact name of issuer as specified in its charter

   HARBOR STAR SHIPPING SERVICES, INC.

5. **PHILIPPINES** 6. [ ] (SEC Use Only)
   Province, Country or other jurisdiction of incorporation or organization
   Industry Classification Code:

7. Address of principal office **2224 A. BONIFACIO ST., CORNER PRES. SERGIO OSMEÑA HIGHWAY, BRGY. BANGKAL, MAKATI CITY** Postal Code **1233**

8. Issuer's telephone number, including area code **(+632) 8886-37-03**

9. Former name, former address, and former fiscal year, if changed since last report **N.A.**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	894,586,870
Treasury	13,271,000

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [**X**] No [ ]

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

    PHILIPPINE STOCK EXCHANGE **COMMON STOCK**

12. Check whether the issuer:

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

    Yes [**X**] No [ ]

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

    Yes [**X**] No [ ]

13. The aggregate market value as of the voting stock held by non-affiliates is about PHP 535.64 million, based on average price of Harbor Star common shares as of 31 December 2025.

SEC FORM 17-A

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

1.1 BUSINESS DEVELOPMENT AND UPDATES

Parent Company

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

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

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

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

On 30 October 2013, Harbor Star's common shares were listed in the Philippine Stock Exchange ("PSE") following the initial public offering of 30.0% of its shares at an issue price of PHP 1.88 per share.

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

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

In 2017, Harbor Star formalized its entry into the energy industry when it incorporated a wholly owned subsidiary, Harbor Star Energy Corporation ("HSEC"). In 2018, HSEC acquired 100% shareholdings of ASTRONERGY Development Gensan Inc. ("ADGI"), and 100% of ADGI's subsidiaries, ASTRONERGY Development F1, Inc. ("ADF1") and ASTRONERGY Development F2, Inc. ("ADF2"). The said acquisitions allowed Harbor Star, through 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. ("HSEAM").

In August 2018, the Company acquired 31% of the outstanding capital stock of tugboat operator Hi-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 had collaborated 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"), with Harbor Star bought 30% of KSSI's capital stock, while Malaysian company Kaibuok Shipyard (M) Sdn. Bhd. subscribed and paid for 70% equity.

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

In 25 July 2024, Harbor Star were tapped to clean-up the oil spill and siphon the remaining oil from the sunken tanks of the capsized M/T Terranova 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.

In 15 August 2025, M/V Sakizaya Ace ran aground on the Queen of the Sea Bank in the Sulu Sea near Dumuran Island, Palawan, while carrying a cargo of industrial salt. Harbor Star was

subsequently engaged to undertake salvage operations for the vessel. The Company deployed salvage assets and technical personnel to stabilize and refloat the grounded vessel, with operations carried out over a six (6) day period. The successful completion of the salvage operation ensured the safety of navigation and mitigated potential marine and environmental risks, highlighting Harbor Star's expertise in complex grounding response and marine salvage services.

In 2025, fleet expansion initiatives continued to support the increasing requirements of large-scale energy infrastructure projects. During the year, construction commenced on a new high-powered tugboat in China intended for deployment in an LNG project in Batangas. This development reflects a continued focus on providing specialized marine support services to the country's energy sector. The new tugboat is expected to be delivered in 2026.

In December 2025, Harbor Star continued its market dominance rendering its core competence of harbor assist by assisting 5,266 foreign vessels and 3,420 domestic vessels during the year. The Company also won biddings and contracts as it sought to strengthen its market position and develop its other service lines.

Heightened Uncertainty and Market Volatility

In 2025, the domestic and global operating environment for the shipping and port services industry remained highly complex. Heightened public scrutiny on infrastructure spending and governance following the flood control controversy in the Philippines contributed to a more cautious regulatory and commercial atmosphere, particularly for companies engaged in port-related and marine services. This environment underscored the importance of transparency, compliance, and operational reliability across the sector.

Globally, rising geopolitical tensions and growing trade restrictions disrupted established trade flows and shipping patterns. The imposition of higher tariffs by major economies, alongside continuing trade restrictions, contributed to volatility in cargo demand and intensified competition among shipping and logistics providers. These developments resulted in pressure on pricing, including increased competition for contracted services and tighter margins as industry participants sought to secure and retain revenue.

At the same time, fluctuations in crude oil prices and continued supply-chain disruptions drove higher operating and fuel-related costs, further affecting vessel deployment decisions and operational planning. Exchange-rate volatility also posed additional challenges, as the further depreciation of the Philippine peso against foreign currencies impacted cost structures, revenues, and overall profitability for shipping-related operations with foreign currency exposure.

In response to these conditions, Harbor Star focused on maintaining operational stability and strict adherence to safety and regulatory requirements. The Company continued to manage risks arising from market volatility, pricing pressures, and foreign-exchange movements while sustaining reliable service delivery amid a challenging global and domestic business environment.

Subsidiaries

Peak Flag Sdn. Bhd.

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

Peak Flag's commercial operations commenced in February 2015 with TB Hamal operating at Malaysia's North port. Months after Peak Flag brought in an additional vessel, TB Mirzam, which operated at Kuantan Port.

In 2019, Peak Flag was awarded a contract to provide harbor tug services to Westports Malaysia Sdn. Bhd. in Port Klang, Malaysia ("Westports Malaysia"). Peak Flag will provide a 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 2,500 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, 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.

In September 2025, Peak Flag secured a direct five (5) years contract with Westports Malaysia under which TB Pollux was assigned to continue providing harbor assistance services. In October 2025, Peak Flag was awarded a contract to provide marine services to Hengyuan Refining Company (HRC) Berhad's refinery operations, with TB Hamal assigned to the project. This contract carries an initial term of two (2) years with an option for extension for a further two (2) years.

Harbor Star owns a 45.0% stake at Peak Flag.

Harbor Star Subic Corp.

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

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

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

On 15 March 2019, HSSC acquired the 3,600 BHP 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 2025, ADGI has delivered 36,658,293 KWh of electricity to Wholesale Electricity Spot Market ("WESM").

Harbor Star owns 99.9% of HSEC.

Harbor Star East Asia (Myanmar) Ltd.

On 15 February 2018, the Republic of the Union of Myanmar approved the incorporation of Harbor Star East Asia (Myanmar) Ltd. ("HSEAM"), 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 HSEAM is located in Yangon, Myanmar. Due to the on-going political situation in Myanmar, the lingering effects of the COVID-19 pandemic, and the impacts of a significant earthquake in 2025, HSEAM has no active operations as of 31 December 2025.

Harbor Star owns 99.99% of HSEAM.

Harbor Star Construction Corporation

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

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

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

Harbor Star owns 100% of HSSC.

Kaibuok Star Shipyard Inc.

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

As of 31 December 2025, KSSI has not commenced commercial operations.

1.2 BUSINESS OF THE ISSUER

1.2.1 OVERVIEW

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

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

As of 31 December 2025, 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 six hundred eighty-six (8,686) ships as of yearend 2025. 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, Iligan, Iloilo, Leyte, Subic, and Zamboanga

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

1.2.2 MARINE SERVICES

Harbor Star derives the bulk of its revenues from the marine service lines, namely: (a) harbor assistance, (b) lighterage, (c) towing, (d) oil spill response, (e) salvage, (f) dredging and underwater services, (g) ferrying, (h) construction, and (i) other marine services. Other marine services include ship repairs, buoy construction deployment and maintenance, ship and crew management, firefighting, and offshore tug services.

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 2025, revenues from harbor assistance amounted to PHP 1,726 million, equivalent to 66% of total revenue.

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

As of 31 December 2025, revenues from lighterage services amounted to PHP 131 million, equivalent to 5% 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 2025, revenues from towing services amounted to PHP 48 million, equivalent to 2% of total revenue.

Oil Spill Response. Harbor Star provides specialized oil and chemical spill response services to address maritime pollution incidents and mitigate environmental and safety risks. The Company supports clients across the full spill response cycle, from initial emergency assessment to containment and recovery operations. Harbor Star offers comprehensive oil spill response services, including rapid deployment of containment equipment, recovery of spilled substances, and coordination with relevant government agencies and stakeholders.

The Company maintains trained response teams and dedicated equipment that can be mobilized alongside its marine assets to respond efficiently to oil and chemical spill incidents. Regular drills and coordination with regulatory bodies ensure operational readiness and compliance with industry standards.

As of 31 December 2025, revenues from oil spill response services amounted to PHP 189 million, equivalent to 7% of total revenue.

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

a. Vessels in distress – This includes instances when vessels are on fire, capsized or sinking vessels, among others, that require rescuing.

b. Wreck removal – This includes refloating of vessels that ran aground, retrieval of vessels, among others.

c. Wayward vessels – This pertains to breakaway or abandoned vessels drifting afloat and wandering into waters that are vulnerable to collisions and other maritime accidents.

As of 31 December 2025, revenues from salvage operations amounted to PHP 124 million, equivalent to 5% of total revenue.

Dredging and Underwater Services. Harbor Star provides dredging and underwater services to support port development, maintenance, and marine infrastructure requirements. These services encompass a range of activities from seabed clearing and excavation to specialized underwater inspection, repair, and maintenance works necessary for safe and efficient maritime operations.

The Company deploys trained personnel, certified divers, and specialized equipment to perform underwater tasks that support vessel operations, port authorities, and offshore facilities. Dredging activities are carried out to maintain navigational depths, improve port accessibility, and support construction projects, while underwater services address technical requirements such as inspections, hull cleaning, and minor subsea repairs.

As of 31 December 2025, revenues from dredging and underwater services amounted to PHP 131 million, equivalent to 5% of total revenue.

Ferrying. Harbor Star provides ferrying services to transport personnel and equipment between ports and operational locations. These services support various marine and logistics requirements, including vessel repositioning, crew transfers, and movement of materials necessary for maritime and offshore operations.

The Company utilizes its fleet and experienced crew to ensure safe, timely, and efficient ferrying operations, often in coordination with its towing, salvage, and other marine support services to meet client requirements.

As of 31 December 2025, revenues from ferrying services amounted to PHP 31 million, equivalent to 1% of total revenue.

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

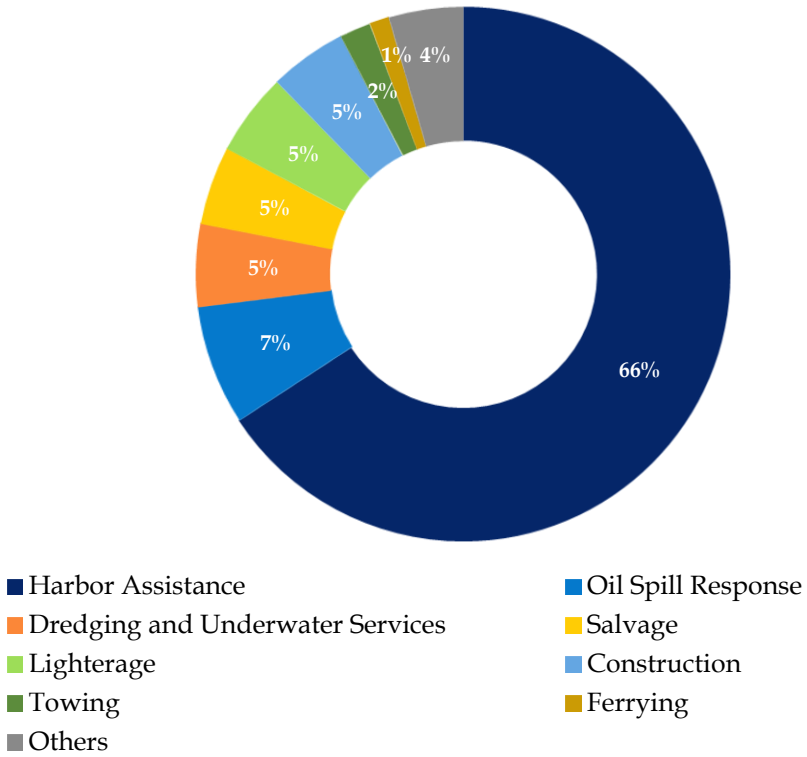
As of 31 December 2025, revenues from other construction, repair and maintenance work amounted to PHP 123 million, equivalent to 5% of total revenue.

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

a. Ship repairs
b. Buoy construction deployment and maintenance
c. Ship and crew management
d. Firefighting
e. Offshore tug services

As of 31 December 2025, revenues from other marine services amounted to PHP 118 million, equivalent to 5% of total revenue.

Service Income
As of 31 December 2025



1.2.3 MARKET

As of 31 December 2025, Harbor Star's services have approximately one hundred seventy (170) ports within the Philippines, of which eleven (11) are base or hub ports. These base ports include the following:

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

**Port is served for seven (7) months only in 2025.*

In some of the base ports mentioned above, there are a number of sub-ports or privately owned and operated ports that the Company also provides maritime services; including ten (10) subports in Bataan, five (5) in Batangas, six (6) in Iloilo, ten (10) in Cagayan de Oro, twenty-one (21) in Davao, seven (7) in Zamboanga, and ten (10) in Cebu

1.2.4 COMPETITION

The marine services industry in the Philippines is characterized by a wide range of tugboat operators with varying degrees of operational capability, service scope, and geographic presence. These operators may generally be classified as:

a. full-service tug providers with multi-port operations;
b. regional or under-pilot operators serving specific harbors; and
c. terminal or shipping line owned tug companies whose services are largely dedicated to affiliated operations.

Full-service tug operators in the Philippine market include Malayan Salvage and Towage Corporation ("Salvtug"), Pacificrose Shipping Services, Inc. ("Pacificrose"), Eagle Asia Towing Corporation ("Eagle Asia"), Polaris Top Marine Services Corp. ("Polaris Top Marine"), and Svitzer Philippines ("Svitzer"), which provide harbor assistance and towage services in several major ports nationwide. While there are multiple tug operators in the Philippines, only Salvtug offers a level of services, market reach, qualifications, and operational capability comparable to those of Harbor Star.

Most other operators function primarily on a regional or port-specific basis under pilots. These include Amarr Marine Inc. ("Amarr"), Sedar Tug Services Corp. ("Sedar"), Davao Gulf Marine Services, Inc. ("DGM"), Genesis Quezon Tugs Inc. ("Genesis"), Metro Cebu Harbor Pilots Corporation ("Metro Cebu Harbor Pilots"), JC & V Logistique, Inc. ("JC & V Logistique"), ABL Marine, Zampen Tugs Services Co.("Zampen"), Navfull Marine Services ("Navfull"), Legazpi Tugs, and Venus Marine Services Inc. ("Venus Marine"). Their operations are generally constrained by smaller fleet sizes, limited port coverage, or a narrower range of services.

In addition, several tug operators in the Philippines are owned or controlled by terminals or shipping lines, such as Malayan Maritime Shipping Corporation ("Malayan Maritime"), Fairwind Tugs and Marine Services ("Fairwind Tugs"), Bacolod Tugboat Services Corp. ("Bacolod Tugs"), FF Cruz Shipping Corp. ("FF Cruz"), Aleson Shipping Lines Inc. ("Aleson Shipping"), Fortis Tug Corporation ("Fortis Tug"), Assist Tow Marine Inc. ("Assist Tow Marine"), and North Harbor Tugs Corporation ("North Harbor Tugs"). These entities typically focus on servicing captive terminal or shipping line requirements and do not actively participate in the broader competitive harbor assistance market.

Against this competitive backdrop, Harbor Star believes it is well positioned to compete effectively and sustainably within the Philippine marine services industry. The Company maintains the widest area of coverage among harbor assistance service providers in the

country, supported by the strategic positioning of its fleet. This nationwide presence enables rapid vessel deployment and consistent service delivery across a broad range of Philippine ports, providing operational flexibility and reliability valued by customers.

Harbor Star is also recognized as operating at par with international standards, as demonstrated by its accreditations and memberships in various local and international maritime organizations. These accreditations, which entail stringent entry and compliance requirements, reinforce the Company's strong emphasis on service quality and operational safety, with critical considerations for multinational clients operating in Philippine ports.

Finally, the Company operates a classed vessel fleet supported by an established maintenance and dry-docking program designed to maintain optimal engine performance and hull condition. The use of classed vessels underscores compliance with recognized safety and operational standards, while the Company's preventive maintenance practices minimize the risk of major mechanical failures, unscheduled repairs, and operational downtime.

1.2.5 PRINCIPAL SUPPLIERS

Harbor Star is not dependent on a single supplier, nor has it executed a major supply contract. For its primary cost for operation, fuel expense which as of 31 December 2025 accounts for 24% of total cost of service, the Company maintains seven (7) fuel suppliers namely: Heng Ji Commercial Corp., Mad Power Corp., Anvil Enterprises Inc., Kingdom Energies Corp., PTT Philippines Corp., One Mega Grandis Development Corp., and Ecology Marine Corp.

Meanwhile, Harbor Star purchases its tugboats from the following traders namely: Fuji Kaiji Company Ltd., Ocean Wing Corporation, Ardent Maritime Pte. Ltd., and Wuxi Ruifeng Marine Propulsion Co., Ltd.

1.2.6 CUSTOMERS

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

1.2.7 RELATED PARTIES

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

Major related party transactions are discussed in Note 20, *Related party transactions and balances*, to the Annual Audited Financial Statements.

1.2.8 INTELLECTUAL PROPERTY, LICENSES, CONTRACTS, AND AGREEMENTS

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

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

1.2.9 GOVERNMENT REGULATIONS AND LICENSES

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

Table 1: Summary of Licenses & Accreditations
As of 31 December 2025

No	Document Name	Issuing Government Agency	Validity	Issued Date	Expiration
1	Permit to Operate - Port of Batangas Baseport (Towing / Tugging Services)	Philippine Ports Authority	3 years	31-May-24	31-May-27
2	Permit to Operate - Private Port of PNOC-EC Energy Supply Base in Mabini Batangas (Towing / Tugging Services)	Philippine Ports Authority	3 years	31-May-24	31-May-27
3	Permit to Operate - Private Port of First Gas Power Corporation in Sta. Rita Batangas City (Towing / Tugging Services)	Philippine Ports Authority	3 years	31-May-24	31-May-27
4	Permit to Operate - Private Port of Himmel Industries Inc in Brgy Pinamucan Ibaba, Batangas City (Towing / Tugging Services)	Philippine Ports Authority	3 years	11-Sep-24	11-Sep-27
5	Permit to Operate - Private Port of LMG Land Development Corporation in Bgry. Pinamucan, Batangas City (Towing / Tugging Services)	Philippine Ports Authority	3 years	11-Sep-24	11-Sep-27
6	Permit to Operate - Private Port of Bauan International Port Inc in Bauan Batangas (Towing / Tugging Services)	Philippine Ports Authority	3 years	31-May-24	31-May-27
7	Coastal Radio Station License	NTC	3 years	8-May-24	19-May-27
8	Underwater Survey	MARINA	3 years	27-Jun-24	13-Jun-27
9	Certificate of Accreditation	Philippine Ports Authority	3 years	28-Feb-25	27-Feb-28
10	Salvor Certificate	Philippine Coast Guard	3 years	28-Jan-26	28-Jan-29
11	Domestic Shipping Business	MARINA	3 years	25-Feb-26	31-Mar-31
12	Permit to Operate - MICT	Philippine Ports Authority	3 years	12-Dec-23	10-Dec-26
13	Permit to Operate - MICT (Bunkering)	Philippine Ports Authority	3 years	12-Dec-23	10-Dec-26

14	Permit to Operate - Bataan / Aurora (Towing / Tugging Service)	Philippine Ports Authority	3 years	1-Jan-24	31-Dec-26
15	Permit to Operate - Port of Baseport - Cagayan De Oro (Towing / Tugging Service)	Philippine Ports Authority	3 years	11-Jan-24	09-Jan-27
16	Permit to Operate - Port of Surigao (Baseport - Towing / Tugging Service)	Philippine Ports Authority	3 years	11-Jan-24	09-Jan-27
17	Permit to Operate - PMO Misamis Occidental / Ozamiz (Towing / Tugging Service)	Philippine Ports Authority	3 years	13-Jan-24	11-Jan-27
18	Permit to Operate - Port Jurisdiction of Lanao Del Norte / Iligan (Towing / Tugging Service)	Philippine Ports Authority	3 years	12-Jan-24	11-Jan-27
19	Permit to Operate - Zamboanga (Towing / Tugging Service)	Philippine Ports Authority	3 years	16-Jan-24	14-Jan-27
20	Permit to Operate - Western Leyte / Biliran - Pasar, Isabel Leyte (Towing / Tugging Service)	Philippine Ports Authority	3 years	17-Jan-24	15-Jan-27
21	Permit to Operate - Zamboanga Del Norte (Towing / Tugging Service)	Philippine Ports Authority	3 years	2-Feb-24	31-Jan-27
22	Permit to Operate - TMO - Pasig	Philippine Ports Authority	3 years	7-Mar-24	06-Mar-27
23	Permit to Operate - Puerto Princesa, Palawan	Philippine Ports Authority	3 years	27-Mar-24	26-Mar-27
24	Permit to Operate - Negros Oriental / Siquijor (Towing / Tugging Service) - Port of Tandayag	Philippine Ports Authority	3 years	3-Apr-24	02-Apr-27
25	Certificate of Public Convenience (CPC)	MARINA	25 years	13-Jul-12	13-Jul-37

1.2.10 EFFECTS OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS ON THE BUSINESS

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

1.2.11 DEVELOPMENT ACTIVITIES EXPENSES

Development activities focused on strengthening harbor assistance operations and expanding fleet capability to address both domestic and regional marine service requirements.

In 2025, development activities continued through sustained capital expenditures primarily directed toward the acquisition and upgrading of tugboats, as well as investments in construction-in-progress, leasehold rights, and other supporting equipment necessary to enhance operational efficiency and capacity. The Company also commenced the construction

of a new high-powered tugboat in China, designed to support marine operations associated with an LNG project in Batangas. The vessel is being built to meet the specialized requirements of large-scale energy infrastructure project, with delivery expected in 2026.

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

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

1.2.13 EMPLOYEES

As of 31 December 2025, the Company has a total of six hundred twenty-four (624) employees, of which four hundred thirty-four (434) are crewmen and are stationed at various ports of operation, while the other one hundred ninety (190) employees are office personnel or are members of support services.

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

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

Table 2: Employee per Category
As of 31 December 2025

Category	Regular/ Probationary	Casual	Project Based	Total
Office of the President	22			22
Operations	64	4		68
Finance & Procurement	31			31
DMCC	17		9	26
Support Services	34			34
Sales & Marketing	9			9
Vessel (Crew Members)	353	74	7	434
Total	**530**	**78**	**16**	**624**

1.2.14 DISCUSSION OF RISKS

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

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

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

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

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

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

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

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

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

Harbor Star is exposed to reputational risk when the Company conducts salvage operations. Unsuccessful salvage attempts may have an adverse impact on Harbor Star's reputation. To

minimize such incidents, the Company implements risk assessment procedures that attempt to measure the probability of succeeding in a salvage operation. In addition, for major salvage projects, the Company partners with established institutional salvors based in Singapore, Australia, and the USA who initially fund the salvage operation. The Company also employs highly competent maritime professionals and requires its crew members to attend training seminars both locally and abroad to further improve their knowledge and proficiency in conducting salvage operations.

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

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

ITEM 2. PROPERTIES

2.1 PRINCIPAL FACILITIES (FLEET)

Harbor Star maintains and manages a fleet of fifty-one (51) domestically and internationally classed tugboats; seven (7) barges; one (1) Landing Craft Tank ("LCT"); and one (1) dredger. The Company has a total of sixty (60) vessels. The table below enumerates the Company's fleet as of 31 December 2025.

Table 3: Fleet List
As of 31 December 2025

NO.	VESSEL NAME	ENCUMBRANCE
1	M/T ACHERNAR	Mortgaged
2	M/T ADARA	Mortgaged
3	M/T AGENA	Mortgaged
4	M/T ALPHARD	Mortgaged
5	M/T ALUDRA	Mortgaged
6	M/T ALYA	Mortgaged
7	M/T ARNEB	Mortgaged
8	M/T ATRIA	Mortgaged
9	M/T CANOPUS	Free Asset
10	M/T CAPELLA	Mortgaged
11	M/T CAPH	Free Asset
12	M/T DABIH	Mortgaged

13	M/T DENEB	Mortgaged
14	M/T DUBHE	Mortgaged
15	M/T ENIR	Mortgaged
16	M/T GALINA	Mortgaged
17	M/T GIEDI	Mortgaged
18	M/T GREAT HAWK	Chartered
19	M/T GREAT LARK	Chartered
20	M/T HOMAM	Mortgaged
21	M/T JABBAH	Free Asset
22	M/T KEID	Mortgaged
23	M/T KRAZ	Mortgaged
24	M/T LUCIDA	Mortgaged
25	M/T MARKAB	Mortgaged
26	M/T MERAK	Mortgaged
27	M/T MERGA	Mortgaged
28	M/T MIMOSA	Mortgaged
29	M/T MINKAR	Mortgaged
30	M/T MIRA	Mortgaged
31	M/T MIZAR	Mortgaged
32	M/T PROCYON	Mortgaged
33	M/T PROPUS	Mortgaged
34	M/T REGULUS	Mortgaged
35	M/T RIGEL	Mortgaged
36	M/T SAIPH	Mortgaged
37	M/T SARGAS	Mortgaged
38	M/T SARIN	Mortgaged
39	M/T SHAULA	Mortgaged
40	M/T SIRIUS	Mortgaged
41	M/T SKAT	Mortgaged
42	M/T SPICA	Mortgaged
43	M/T TABIT	Mortgaged
44	M/T TYL	Mortgaged
45	M/T WEZEN	Mortgaged
46	M/T ZANIAH	Mortgaged
MALAYSIA TUGBOAT		
47	TB HAMAL	Free Asset
48	TB IZAR	Free Asset
49	TB MIRZAM	Free Asset
50	TB POLLUX	Mortgaged
51	TB SYRMA	Free Asset
BARGES		
1	Barge AQUILA	Mortgaged
2	Barge AURIGA	Mortgaged
3	Barge CENTAURUS	Mortgaged
4	Barge CORONA	Free Asset

5	Barge CORVUS	Mortgaged
6	Barge HYDRUS	Mortgaged
7	Barge KENRAM	Mortgaged
OTHER MARINE VESSELS		
1	LCT DRACO	Mortgaged
2	Dredger HYDRA	Mortgaged

2.2 OTHER PROPERTIES

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

a. A 1,253.38 sq. m. parcel of land located at 2224 A. Bonifacio St. cor. Pres. Sergio Osmeña Highway, Bangkal, Makati City with improvements consisting of a 2-storey commercial building.

b. A 377 sq. m. parcel of land located at Lot 11, Block 8, Phase 5A, Ayala Greenfield Estates, Calamba City, Laguna.

c. A 356 sq. m. parcel of land located at Bansalangin Street, Barangay San Martin De Porres, Parañaque City.

d. A 200 sq. m. parcel of land located at No. 31 Belarmino St., Bangkal, Makati City with improvements consisting of a 7-storey commercial building.

e. 95 sq. m. office condominium units with two (2) parking units at 12.5 sq. m. each located at 11th Ave. cor. 26th Street, High Street South Block, Bonifacio Global City, Taguig.

f. A 39,930 sq. m. parcel of land located at Brgy. Balanga, Lemery, Batangas.

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

a. An 80 sq. m. office space located at Door No. 2, G/F, Bldg. 1, Insular Village Phase 1, Lanang, Davao City with a lease rate of PHP 17,000 per month plus 12.0% VAT from 1 January 2025 to 31 March 2025 and PHP 26,193.60 per month plus 12.0% VAT from 1 April 2025 to 31 December 2025.

b. A commercial 71 sq. m. office located at Unit 203. MJM Bldg., #81 T. Chavez Street, Cagayan De Oro City with a lease rate of PHP 18,500 per month.

c. A 47.5 sq. m. office space located at Unit 1, Benley Building, J. De Veyra Street, North Reclamation Area, Cebu City with a monthly lease rate of PHP 20,160.00 net, inclusive of 12.0% input tax, less withholding tax, and PHP 1,187.50 for common area maintenance services.

d. A 400 sq. m. storage facility located at SOS, Mabini Batangas with a lease rate of US$660.00 per month.

e. A 54 sq. m. office located at Sea Boulevard, Unit 4 Brgy. Libertad, Iloilo City with a lease rate of PHP 16,200 plus VAT.

f. A 27.27 sq. m. more or less located at 2nd Floor, Batangas Business Center, Calicanto, Batangas City, water and electricity exclusive, VAT inclusive at PHP 17,507.34 per month.

g. A 45 sq. m. located at 2nd floor, Room 201, Jasmin Tower Bldg., corners of Buenavista and Mayor Jaldon St., Zamboanga City with monthly rate of PHP 19,040, VAT inclusive.

2.3 ESTIMATED CAPITAL EXPENDITURES AND SOURCES OF FINANCING

For 2025, the Company's estimated capital expenditures amounted to approximately PHP 448.33 million, primarily relating to investments in property and equipment, including acquisition and upgrading of tugboats, construction-in-progress, leasehold rights, and other operational assets. These capital expenditures were mainly funded through a combination of internal cash flows from operations and external financing sources, particularly bank borrowings, lease liabilities, and advances from related parties.

ITEM 3. LEGAL PROCEEDINGS

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

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

Except for the matters taken up during the regular annual meeting, held 30 July 2025 covered by the Company's SEC Form 20-IS report, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise during the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

5.1 MARKET INFORMATION

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

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

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

		Price/Common Share *(in Philippine Peso)*
Opening	:	0.50
High	:	0.56
Low	:	0.54
Closing	:	0.54

The high and low share prices for 2023, 2024 and 2025 are indicated below:

	Price/Common Share *(in Philippine Peso)*	
Calendar Period	**High**	**Low**
2025		
4th Quarter	0.61	0.41
3rd Quarter	0.74	0.55
2nd Quarter	0.66	0.56

1st Quarter	0.71	0.56
2024		
4th Quarter	0.82	0.59
3rd Quarter	0.78	0.55
2nd Quarter	0.69	0.51
1st Quarter	0.89	0.65
2023		
4th Quarter	0.90	0.71
3rd Quarter	0.95	0.75
2nd Quarter	1.06	0.88
1st Quarter	1.13	0.89

As of 31 March 2026, Harbor Star's public float is 30.88%.

5.2 HOLDER

The number of stockholders of record as of the latest practicable date on 31 December 2025 was 17. Common shares outstanding as of the same date were Nine Hundred Seven Million Eight Hundred Fifty-Seven Thousand Eight Hundred Seventy (907,857,870) shares.

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

Table 4: Registered Stockholders
As of 31 December 2025

	Name	Number of Shares Held	% of Total
1	PCD Nominee Corp (Filipino)	748,773,412.00	83.70%
2	PCD Nominee Corporation (Non-Filipino)	61,920,470.00	6.92%
3	Bella Jr., Geronimo P.	42,000,000	4.69%
4	Bella, Ricardo Rodrigo P.	41,553,487	4.65%
5	Bella, Maria Elizabeth Jean E.	225,000	Less than 1.0%
6	Galicia, Filomena G.	30,000	Less than 1.0%
7	Villanueva, Myra P.	20,000	Less than 1.0%
8	Villanueva, Milagros P.	19,000	Less than 1.0%
9	De Guzman, Gene S.	10,000	Less than 1.0%
10	Villanueva, Myrna P.	9,000	Less than 1.0%
11	Cabreza, Marietta V.	9,000	Less than 1.0%
12	Cabreza, Juan Carlos V.	9,000	Less than 1.0%
13	Tacub, Felicitas F.	3,000	Less than 1.0%
14	Soliven, Stephen G.	2,500	Less than 1.0%
15	Reiterer, Alfred	1,500	Less than 1.0%
16	Valencia, Jesus San Luis	1,500	Less than 1.0%
17	Bautista, Joselito T.	1	Less than 1.0%

DIVIDENDS AND DIVIDEND POLICY

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

No dividends were declared in 2025.

5.3 RECENT SALE OF UNREGISTERED SECURITY

No sales of unregistered securities were executed in 2025.

5.4 DESCRIPTION OF REGISTRANT'S SECURITIES

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

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

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

6.1 RESULTS OF OPERATION

The table shows a summary of the consolidated results of operations for the years ended 31 December 2025, 2024, and 2023 as derived from the accompanying audited financial statements.

Table 5: Condensed Statements of Total Comprehensive Income

In PHP thousands	**December 2025**	**December 2024**	**December 2023**	**% Change *2025 vs 2024***	**% Change *2024 vs 2023***
Service income, net of discounts	2,790,900	3,037,838	2,663,062	(8.13%)	14.07%
Cost of service	(2,091,256)	(2,152,268)	(1,806,331)	(2.83%)	19.15%
General and administrative expenses	(534,788)	(558,820)	(454,559)	(4.30%)	22.94%
Net impairment losses on financial assets	(42,126)	(12,212)	(47,103)	244.96%	(74.07%)
Impairment loss on goodwill	21,423	39,814	(56,207)	(46.19%)	(170.84%)
Other income (loss), net	151,442	239,844	43,183	(36.86%)	455.41%
Finance cost	(211,349)	(265,160)	(278,752)	(20.29%)	(4.88%)
Share in profit of associates	8,361	(57,968)	5,707	(114.42%)	(1,115.74%)
Income tax benefit (expense)	(45,143)	(82,013)	(49,733)	(44.96%)	64.91%
Profit (loss) after tax	47,463	189,055	19,266	(74.89%)	881.29%
EBITDA (1)	917,895	1,115,205	922,786	(17.69%)	20.85%
EBIT (2)	294,115	533,458	342,044	(44.87%)	55.96%
Remeasurements on retirement benefits, net of tax	(1,822)	3,877	(2,615)	(147.00%)	(248.26%)
Share in other comprehensive income (loss) of associates	-	-	-		-
Basic and diluted earnings (loss) per share	0.068	0.126	0.033	(46.03%)	281.82%

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

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

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

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

6.2 COMPARISON OF OPERATING RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025 VS. 31 DECEMBER 2024

Service income

The breakdown of service income is presented as follows:

Table 6: Service Income Breakdown December 2025 vs. December 2024

In PHP thousands	**December 2025**	**December 2024**	**% Increase (Decrease)**	**December 2025 % Contribution**	**December 2024 % Contribution**
Harbor assistance*	1,726,612	1,875,997	(8.0%)	61.87%	61.8%
Oil spill response	189,775	370,968	(48.8%)	6.80%	12.2%
Generation of solar power	166,654	193,362	(13.8%)	5.97%	6.4%
Dredging and underwater services	131,303	157,615	(16.7%)	4.70%	5.2%
Lighterage services	131,014	56,209	133.1%	4.69%	1.9%
Salvage	124,648	6,623	1,782.1%	4.47%	0.2%
Construction	123,150	220,072	(44.0%)	4.41%	7.2%
Towing services	48,435	39,217	23.5%	1.74%	1.3%
Ferrying services	31,047	31,446	(1.3%)	1.11%	1.0%
Others	118,261	86,329	37.0%	4.24%	2.8%
Service Income	**2,790,900**	**3,037,838**	**(8.10%)**	**100%**	**100%**

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

The Group's consolidated service income decreased by 8.10% from PHP 3,037.8 million to PHP 2,790.9 million on 31 December 2024 and 2025, respectively.

Major contributor to this decline was construction revenue which decrease from PHP 220.07 million on 31 December 2024 to PHP 123.15 million on 31 December 2025 due to the limited number of projects during the year. Harbor assistance also declined, from PHP 1,875 million

on 31 December 2024 to PHP 1,726 million on 31 December 2025 primarily due to the loss of client in Mauban, Quezon and Amlan. Despite the decline in revenue from other segments, Salvage income increased significantly, from PHP 0.06 million on 31 December 2024 to PHP 124 million on 31 December 2025 due to the wreck removal activities related to M/T Terranova.

Below presents the breakdown of the cost of services.

Table 7: Cost of Services Breakdown December 2025 vs. December 2024

In PHP thousands	**December 2025**	**December 2024**	**% Increase (Decrease)**	**December 2025 % Contribution**	**December 2024 % Contribution**
Depreciation and amortization	583,237	536,421	8.7%	27.89%	24.9%
Fuel and lubricants	496,658	454,911	9.2%	23.75%	21.1%
Personnel costs	282,822	389,153	(27.3%)	13.52%	18.1%
Outside services	141,963	140,425	1.1%	6.79%	6.5%
Supplies and construction supplies	134,730	212,615	(36.6%)	6.44%	9.9%
Rent	53,404	58,312	(8.4%)	2.55%	2.7%
Insurance	87,746	75,740	15.9%	4.20%	3.5%
Charter hire	148,430	99,987	48.4%	7.10%	4.6%
Port expense	28,996	28,420	2.0%	1.39%	1.3%
Repairs and maintenance	47,176	50,772	(7.1%)	2.26%	2.4%
Professional fees	9,297	14,157	(34.3%)	0.44%	0.7%
Transportation and travel	20,148	24,900	(19.1%)	0.96%	1.2%
Amortization right-of-use asset	3,265	2,235	46.1%	0.16%	0.1%
Communication, light and water	2,840	3,643	(22.1%)	0.14%	0.2%
Taxes and licenses	10,782	21,934	(50.8%)	0.52%	1.0%
Others	39,762	38,641	2.9%	1.90%	1.8%
Cost of Services	**2,091,256**	**2,152,268**	**(2.8%)**	**100%**	**100%**

Cost of services

Cost of services decreased by 2.8% amounting to PHP 61 million from PHP 2,152 million on 31 December 2024 to PHP 2,091 million on 31 December 2025. This decrease is mainly due to the reduction in personnel cost, supplies and other costs directly related to construction attributable to minimal work or projects for the period. There is also significant increase in charter hire costs due to the rental of equipment for the salvage project of M/V Sakizaya Ace.

Gross profit and gross profit margin

The Group's gross profit is lower by 21% amounting to PHP 185.9 million from PHP 885 million on 31 December 2024 to PHP 699 million on 31 December 2025, primarily due to decrease in revenue. The Group's gross profit margin ratio has decreased to 25.1% in 2025 from 29.2% in 2024 due to the decrease in Construction revenue.

Below presents the breakdown of the general and administrative expenses.

Table 8: General and Administrative Expenses Breakdown
December 2025 vs. December 2024

In PHP thousands	**December 2025**	**December 2024**	**% Increase (Decrease)**	**December 2025 % Contribution**	**December 2024 % Contribution**
Personnel costs	201,546	185,175	8.8%	37.69%	33.1%
Taxes and licenses	64,679	80,592	(19.7%)	12.09%	14.4%
Representation and entertainment	28,374	52,648	(45.40%)	5.37%	9.4%
Repairs and maintenance	30,030	29,192	2.9%	5.62%	5.2%
Depreciation and amortization	23,115	30,262	(23.6%)	4.32%	5.4%
Transportation and travel	29,925	31,233	(4.2%)	5.6%	5.6%
Provision for assessment	-	-			0.0%
Professional fees	13,553	17,342	(21.8%)	2.53%	3.1%
Outsourced services	12,200	10,368	17.7%	2.28%	1.9%
Provision for impairment of input VAT	50,508	15,759	220.5%	9.44%	2.8%
Amortization of computer software	6,158	3,369	82.8%	1.15%	0.6%
Insurance	11,647	7,414	57.1%	2.18%	1.3%
Communications	4,252	3,852	10.4%	0.80%	0.7%
Supplies and construction supplies	14,965	36,572	(59.1%)	2.80%	6.5%
Utilities	8,843	6,580	34.4%	1.65%	1.2%
Rent	4,953	7,574	(34.6%)	0.93%	1.4%
Amortization of right-of-use assets	7,154	8,608	(16.9%)	1.34%	1.5%
Registration and membership fees	1,633	2,741	(40.4%)	0.31%	0.5%
Amortization of leasehold rights	852	852	(0.1%)	0.16%	0.2%
Advertising and promotions	2,078	640	224.7%	0.39%	0.1%
Fuel and lubricants	-	-	-	-	0.0%
Write-off of receivable	833	5,307	(84.3%)	0.16%	0.9%
Others	17,129	22,740	(24.7%)	3.20%	4.2%
Gen. and Admin. Expenses	**534,788**	**558,820**	**(4.3%)**	**100%**	**100%**

General and administrative expenses

The Group's general and administrative expenses decreased by 4.3% amounting to PHP 24 million from PHP 558 million on 31 December 2024 to PHP 534 million on 31 December 2025. This is mainly due to lower costs of taxes and licenses, representation and entertainment, professional fees, rent, registration and membership, and office supplies.

Other income (loss), net

Other income (loss), net consists of foreign exchange gain and loss, interest income, loss on debt restructuring, gain (loss) on sale of property and equipment, insurance claims, gain on reversal of finance lease liability, provision on construction receivables, cost recharges and non-routine special projects. This account decreased by 36.86% amounting to PHP 88.40 million from PHP 239.84 million other income on 31 December 2024 to PHP 151.44 million other income on 31 December 2025. This is mainly due to the recognized insurance claims in 2024.

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

The Group's operating profit has decreased (50.25%) amounting to PHP 298 million from PHP 594 million on 31 December 2024 to PHP 295 million operating profit on 31 December 2025. This is mainly due to insurance claims. The Operating profit (loss) margin ratio has likewise decrease from 20% in 2024 to 10% in 2025.

Finance Cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange gain on borrowings. It decreased by PHP 53 million from PHP 265 million posted in 2024 to PHP 211 million in 2025.

EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) is lower by 17.69% from PHP 1,115 million on 31 December 2024 to PHP 917 million on 31 December 2025.

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

The Group's net profit has decreased by 74.89% to PHP 47 million net income in 2025 from PHP 189 million in 2024. The ratio of consolidated net income likewise decreased to +1.7% in 2025 from +6.2% in 2024.

6.3 MATERIAL CHANGES TO THE STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2025 COMPARED TO THE STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2024

Cash and cash equivalents

The account decreased by 8.85% amounting to PHP 33.88 million from PHP 383 million in 2024 to PHP 349 million in 2025 mainly due to payment of liabilities, and short-term borrowings for operational requirements.

Trade and other receivables, net

The account decreased by 5.84% amounting to PHP 79.31 million from PHP 1,357 million in 2024 to PHP 1,277 million in 2025 mainly due to increase of allowance for impairment of trade receivables and decrease of employee advances due to submission of liquidation reports.

Property and equipment, net

The account decreased by 0.25% amounting to PHP 11.67 million from PHP 4,597 million in 2024 to PHP 4,585 million in 2025 mainly due to net of revaluation of tugboats, disposal or sale of tugboat and depreciation for the period.

Computer software, net

The account decreased by 13.3% amounting to PHP 1.14 million from PHP 8.5 million in 2024 to PHP 7.42 million in 2025 mainly due to amortization during the year

Investment properties

There is no movement during the year.

Investment in associates

The account increased by 3.44% amounting to PHP 5.07 million from PHP 147.5 million in 2024 to PHP 152.5 million in 2025 mainly due to investment to Hi-Energy Marine Services, Inc. ("HEMSI") and recognition of dividends and share in profits from associates.

Trade and other payables

The account decreased by 27.02% amounting to PHP 330 million from PHP 1,224 million in 2024 to PHP 893.5 million in 2025 mainly due to payment of payables related to operations, decrease in accrued interest on interest bearing loans, accrued construction costs in relation to unliquidated expenses of construction projects employees, other accrued expenses related to insurance companies and unliquidated business expenses.

Borrowings, current portion

The account increased by 143.01% amounting to PHP 1.34 million from PHP 938 million in 2024 to PHP 2,280 million in 2025 mainly due to payment of borrowings current portion as well as the reclassification of the remaining bank loan from non-current to current portion due to restructuring of the principal loan.

Lease liabilities, current portion

The account increased by 13.9% amounting to PHP 1.01 million from PHP 7.3 million in 2024 to PHP 8.26 million in 2025 mainly due to the additions made during year.

Trade payables, non-current portion

The account decreased by 69.52% amounting to PHP 6.4 million from PHP 9.2 million in 2024 to PHP 2.8 million in 2025 mainly due to reclassification of trade payables from current to non-current portion.

Borrowings, net of current portion

The account decreased by 52.94% amounting to PHP 1,255 million from PHP 2,371 million in 2024 to PHP 1,116 million in 2025 mainly due to reclassification of non-current to current borrowings.

Lease liabilities, net of current portion

The account decreased by 15.51% amounting to PHP 6.04 million from PHP 38.9 million in 2024 to PHP 32.9 million in 2025 mainly due to renewal of long-term lease agreements.

Deferred income tax liabilities, net

The account increased by 12.89% amounting to PHP 30.53 million from PHP 236.83 million in 2024 to PHP 267.4 million in 2025 due to deferred income tax credited to profit or loss and other comprehensive income.

Retirement benefits obligation

The account increased by 13.06% amounting to PHP 23.26 million from PHP 178.03 million in 2024 to PHP 201.3 million in 2024 mainly due to remeasurement brought about by experience adjustments.

Revaluation surplus, net of tax

The account increased by 2.96% amounting to PHP 28 million from PHP 948.8 million in 2024 to PHP 976.9 million in 2025 due to revaluation.

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

Service income

The breakdown of service income is presented as follows:

Table 9: Service Income Breakdown December 2024 vs. December 2023

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

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

The Group's consolidated service income increased by 14.1% from PHP 2,663.0 million to PHP 3,037.8 million on 31 December 2023 and 2024, respectively.

Major positive contributor is the construction revenue which grew from PHP 72.6 million on 31 December 2023 to PHP 210.6 million on 31 December 2024 due to the project that has been completed during the year. Harbor assistance also grew from PHP 1,783.6 million on 31 December 2023 to PHP 1,876 million on 31 December 2024 pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port.

Below presents the breakdown of the cost of services.

Table 10: Cost of Services Breakdown December 2024 vs. December 2023

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

Cost of services

Cost of services increased by 19.2% amounting to PHP 345.9 million from PHP 1,806.3 million on 31 December 31 2023 to PHP 2,152.3 million on 31 December 2024. The increase is mainly due to higher costs of rent, charter hire, repairs and maintenance, taxes and licenses, transportation and travel, outside services, personnel cost and supplies and construction supplies.

Gross profit and gross profit margin

The Group's gross profit is higher by 3% amounting to PHP 28.8 million from PHP 856.7 million on 31 December 2023 to PHP 885.6 million on 31 December 2024, primarily due to increase in revenue. The Group's gross profit margin ratio has decreased to 29.2% in 2024 from 32.2% in 2023 due to the increase in cost of sales.

Below presents the breakdown of the general and administrative expenses.

Table 11: General and Administrative Expenses Breakdown
December 2024 vs. December 2023

In P thousands	December 2024	December 2023	% Increase (Decrease)	December 2024 % Contribution	December 2023 % Contribution
Personnel costs	185,175	159,032	16.4%	33.1%	35.0%
Taxes and licenses	80,592	49,323	63.4%	14.4%	10.9%
Representation and entertainment	52,648	52,252	0.8%	9.4%	11.5%
Repairs and maintenance	29,192	36,061	(19.0%)	5.2%	7.9%
Depreciation and amortization	30,262	14,517	108.5%	5.4%	3.2%
Transportation and travel	31,233	35,097	(11.0%)	5.6%	7.7%
Provision for assessment	-	-	-	0.0%	0.0%
Professional fees	17,342	11,574	49.8%	3.1%	2.5%
Outsourced services	10,368	14,067	(26.3%)	1.9%	3.1%
Provision for impairment of input VAT	15,759	15,906	(0.9%)	2.8%	3.5%
Amortization of computer software	3,369	13,152	(74.4%)	0.6%	2.9%
Insurance	7,414	6,526	13.6%	1.3%	1.4%
Communications	3,852	5,988	(35.7%)	0.7%	1.3%
Supplies and construction supplies	36,572	12,858	184.4%	6.5%	2.8%
Utilities	6,580	4,498	46.3%	1.2%	1.0%
Rent	7,574	5,649	34.1%	1.4%	1.2%
Amortization of right-of-use assets	8,608	2,586	232.9%	1.5%	0.6%
Registration and membership fees	2,741	1,799	52.3%	0.5%	0.4%
Amortization of leasehold rights	852	1,891	(55.0%)	0.2%	0.4%
Advertising and promotions	640	143	347.7%	0.1%	0.0%
Fuel and lubricants	-	40	(100.0%)	0.0%	0.0%
Write-off of receivable	5,307	26	20,379.3%	0.9%	0.0%
Others	22,740	11,573	96..5%	4.2%	2.5%
Gen. and Admin. Expenses	**558,820**	**454,560**	**22.9%**	**100%**	**100%**

General and administrative expenses

The Group's general and administrative expenses increased by 22.9% amounting to PHP 104.3 million from PHP 454.5 million on 31 December 2023 to PHP 558.8 million on 31 December 2024. This is mainly due to higher costs of rent, advertising and promotion, write-off of employee advances, professional fees, supplies and construction supplies, utilities, taxes and licenses, amortization of computer software and leasehold rights.

Other income (loss), net

Other income (loss), net consists of foreign exchange gain and loss, interest income, loss on debt restructuring, gain (loss) on sale of property and equipment, ship management, insurance claims, gain on reversal of finance lease liability, provision on construction receivables, cost recharges and non-routine special projects. This account increased by 455% amounting to PHP 196.7 million from PHP 43.2 million other income on 31 December 2023 to PHP 239.8 million

other income on 31 December 2024. This is mainly due to the recognized insurance claims in 2024.

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

The Group's operating profit has increased 74% amounting to PHP 252.2 million from PHP 342 million on 31 December 2023 to PHP 594.2 million operating profit on 31 December 2024. This is mainly due to insurance claims. The Operating profit (loss) margin ratio has likewise increase from 12.8% in 2023 to 19.6% in 2024.

Finance Cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange gain on borrowings. It decreased by PHP 13.6 million from PHP 278.8 million posted in 2023 to PHP 265.2 million in 2024.

EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) is higher by 20.85% from PHP 922.8 million on 31 December 2023 to PHP 1,115.2 million on 31 December 2024. The increase can be attributable to the lower impairment and other gains.

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

The Group's net profit has improved by 881% to PHP 189.1 million net income in 2024 from PHP 19.3 million in 2023. The ratio of consolidated net income to consolidated net service income has likewise improved to +6.2% in 2024 from +0.7% in 2023.

6.5 MATERIAL CHANGES TO THE STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2024 COMPARED TO THE STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

Cash and cash equivalents

The account increased by 34.3% amounting to PHP 97.8 million from PHP 285.2 million in 2023 to PHP 383 million in 2024 mainly due to collections of receivables and proceeds from salvages, and short-term borrowings for operational requirements.

Trade and other receivables, net

The account increased by 2.1% amounting to PHP 28 million from PHP 1,329.3 million in 2023 to PHP 1,357.2 million in 2024 mainly due receivables from customers for rendering harbor assistance and other marine services and solar energy fee to energy supply which are not yet collected during the year.

Property and equipment at revalued amounts, net

The account increased by 10.8% amounting to PHP 260.6 million from PHP 2,420.3 million in 2023 to PHP 2,680.9 million in 2024 mainly due to revaluation of tugboats.

Property and equipment at cost, net

The account decreased by 8.1% amounting to (PHP 168.9) million from PHP 2,085 million in 2023 to PHP 1,916.1million in 2024 mainly due to depreciations of barges, building and building improvements, equipment for transportation, diving and oil spill, construction.

Computer software, net

The account increased by 31.2% amounting to PHP 2.0 million from PHP 6.5 million in 2023 to PHP 8.6 million in 2024 mainly due to additions made during the year.

Investment properties

There is no movement during the year.

Investment in associates

The account decreased by 28.6% amounting to (PHP 59.2) million from PHP 206.6 million in 2023 to PHP 147.5 million in 2024 mainly due to investment to Hi-Energy Marine Services, Inc. ("HEMSI") and recognition of dividends from associates.

Trade and other payables

The account increased by 20.8% amounting to PHP 210.8 million from PHP 1,013.6 million in 2023 to PHP 1,224.4 million in 2024 mainly due to increases in payables related to operations, accrued interest on interest bearing loans, accrued construction costs in relation to unliquidated expenses of construction projects employees, other accrued expenses related to insurance companies and unliquidated business expenses.

Borrowings, current portion

The account increased by 264% amounting to PHP 680.5 million from PHP 257.8 million in 2023 to PHP 938.3 million in 2024 mainly due to payment of borrowings current portion as well as reclassification of the remaining bank loan from non-current to current portion.

Lease liabilities, current portion

The account decreased by 20% amounting to (PHP 1.8) million from PHP 9.1 million in 2023 to PHP 7.3 million in 2024 mainly due to the payment made during year.

Trade payables, non-current portion

The account increased by 100.0% amounting to PHP 9.3 million from PHP 0.0 million in 2023 to PHP 9.3 million in 2024 mainly due to reclassification of trade payables from current to non-current portion.

Borrowings, net of current portion

The account decreased by 27.99% amounting to (PHP 921.6) million from PHP 3,292.9 million in 2023 to PHP 2,371.2 million in 2024 mainly due to reclassification of non-current to current borrowings.

Lease liabilities, net of current portion

The account decreased by 5.96% amounting to (PHP 2.5) million from PHP 41.4 million in 2023 to PHP 39 million in 2024 mainly due to renewal of long-term lease agreements.

Deferred income tax liabilities, net

The account increased by 2.69% amounting to (PHP 6.5) million from PHP 243.4 million in 2023 to PHP 236.8 million in 2024 due to deferred income tax credited to profit or loss and other comprehensive income.

Retirement benefits obligation

The account increased by 8.21% amounting to PHP 13.5 million from PHP 164.5 million in 2023 to PHP 178.0 million in 2024 mainly due to remeasurement brought about by experience adjustments.

Revaluation surplus, net of tax

The account decreased by 8.16% amounting to (PHP 84.3) million from PHP 1,033.2 million in 2023 to PHP 948.8 million in 2024 due to revaluation.

Retained earnings (deficit)

The account reflects a profit of PHP 248.0 million at the end of 2024 from PHP 52.3 million in 2023 or PHP 195.8 million addition in retained earnings. The addition was mainly due to the Company's net income.

6.6 KEY PERFORMANCE INDICATORS

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

Table 12: Key Performance Indicators

	2025	2024	2023
Revenue Growth	(8.1%)	14.1%	(1.4%)
Gross Profit Margin	25.1%	29.2%	(18.7%)
EBITDA Margin	32.9%	36.0%	34.7%
Net Income Margin	1.7%	6.2%	0.7%
Return on Asset	0.7%	3.0%	0.3%
Return on Equity	2.0%	8.0%	0.9%
Current Ratio	0.64	1.00	1.53
Debt-to-Equity Ratio	2.00	2.10	2.22

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

6.7 CASH FLOWS

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

Table 13: Cash Flows

In PHP thousands,	**2025**	**2024**	**2023**	**% Change 2025 vs 2024**	**% Change 2024 vs 2023**
Net cash provided by operating activities	838,746	880,009	781,989	(4.69%)	12.53%
Net cash flow used in investing activities	(515,623)	(365,058)	(305,668)	41.24%	(19.4%)
Net cash provided by (used in) financing activities	(361,208)	(417,105)	(456,165)	(13.40%)	(8.56%)
EFFECTS OF EXCHANGE RATE CHANGES IN CASH	4,202	(4.36)	(1,428)	(96,482%)	(99.7%)
NET INCREASE (DECREASE) IN CASH	(33,882)	97,847	18,728	(134.63%)	422.44%
CASH AT BEGINNING OF THE YEAR	383,033	285,190	266,464	34.31%	7.0%
CASH AT THE END OF THE YEAR	**349,149**	**383,033**	**285,190**	**(8.85%)**	**34.3%**

Cash and cash equivalents decreased by 8.85% amounting to PHP 33.88 million from PHP 383 million in 2024 to PHP 349 million in 2025 mainly due to acquisition of property, plant and equipment, software, investment properties, payment of borrowings and payment of lease liabilities.

6.8 CAPITAL RESOURCES

The table below illustrates the Group's capital sources as of 31 December 2025, 2024, and 2023:

Table 14: Capital Sources

In PHP thousands	31 December 2025	31 December 2024	31 December 2023	% Change 2025vs 2024	% Change 2024 vs 2023
Trade and other payables	896,369	1,233,717	957,271	(27.34%)	28.88%
Short-term loans	-	-	-	-	-
Borrowings	3,396,155	3,309,546	3,550,642	2.62%	(6.79%)
Lease liabilities	41,185	46,219	50,499	(10.89%)	(8.47%)
Total debt	4,333,709	4,589,483	4,558,412	(5.57%)	0.68%
Share capital	907,858	907,858	907,858	-	-
Additional paid-in-capital	121,633	121,633	121,633	-	-
Retained earnings (Deficit) attributable to the owners of the Parent Company	353,201	248,064	52,269	42.38%	374.59%
Fair value reserve on financial assets at fair value through other comprehensive income	(160)	(160)	(160)	-	-
Treasury stock	(37,615)	(37,615)	(37,615)	-	-
Revaluation surplus, net of tax	976,902	948,829	1,033,172	2.96%	(8.16%)
Total Equity	2,321,818	2,188,609	2,077,157	6.09%	5.37%
Total	**6,655,527**	**6,778,092**	**6,635,569**	**(1.81%)**	**2.15%**

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

6.9 TRENDS, EVENTS, OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

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

The geopolitical tensions and pandemic similar to COVID-19 may also affect the operations of the Group.

6.10 RISKS

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

ITEM 7. FINANCIAL STATEMENTS

The audited consolidated financial statements meeting the requirements of Securities Regulation Code (SRC) Rule 68, together with Statement of Management's Responsibility and Auditors' Report, and supplementary schedules are attached hereto as Exhibit 1 and incorporated herein by reference.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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

8.1 INFORMATION ON INDEPENDENT ACCOUNTANT

The principal external auditor is the firm Isla Lipana & Co. The Group has engaged Mr. Paul Chester U. See, partner of Isla Lipana & Co., for the audit of the Group's books and accounts in 2025.

8.2 EXTERNAL AUDIT FEES AND SERVICES

Harbor Star paid its external auditors the following fees for the last three years for professional services rendered:

Table 15: Audit Fees

In PHP thousands	**2025**	**2024**	**2023**
Audit Fees	2,466	2,372	2,285

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

The reappointment of Isla Lipana and Co. as the Company's external auditors was approved by the stockholders in a regular meeting held on 30 July 2025.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The following are the Company's Board of Directors and Key Officers as of 31 December 2025:

Table 16: Board of Directors*

NAME	AGE	CITIZENSHIP	POSITION	YEAR APPOINTED
Geronimo P. Bella, Jr.	65	Filipino	Chairman of the Board	2006
Ricardo Rodrigo P. Bella	59	Filipino	Executive Director	2006
Ceasar Daniel T. Castro	51	Filipino	Director	2021
Ramon C. Liwag	69	Filipino	Director	2017
Ryota Nagata	61	Japanese	Director	2011
Gene S. De Guzman	64	Filipino	Independent Director	2020
Gemma V. Sadiua	60	Filipino	Independent Director	2020

**Latest Election of Directors held 30 July 2025.*

Geronimo P. Bella, Jr., 65, Filipino, Chairman of the Board and President. Mr. Bella, Jr. is the Chairman of the Board and President of Harbor Star Shipping Services, Inc., a position he has held since 2006. He likewise serves as President and Director of Harbor Star Subic Corp. ("HSSC"), a corporation based in the Subic Bay Freeport Zone; Harbor Star Energy Corporation ("HSEC"), ASTRONERGY Development Gensan, Inc. ("ADGI"), ASTRONERGY Development F1, Inc. ("ADF1"), ASTRONERGY Development F2, Inc. ("ADF2"), and Harbor Star Construction Corporation ("HSCC"). In addition, Mr. Bella, Jr. is a Director of Peak Flag Sdn. Bhd. ("Peak Flag"). Prior to his current roles, Mr. Bella, Jr. built extensive experience in the maritime and towage industry, having worked with Transpacific Towage, Inc. from 1978 to 1998 and Smit-Transpacific from 1998 to 2000. He is currently the President of the Harbor Tugowners Association of the Philippines, Inc. ("HTAP"), reflecting his continued leadership and active involvement in industry affairs. Mr. Bella, Jr. earned his Bachelor of Science in Commerce, major in Business Management, from De La Salle University in 1983 and has consistently undertaken continuing corporate governance training as Chairman and President of the Company.

Ricardo Rodrigo P. Bella, 59, Filipino, Director and Vice President. Mr. Bella is the Vice President and Director of Harbor Star Shipping Services, Inc., a position he has held since 2006. He also serves as Vice President and Director of Harbor Star Subic Corp. ("HSSC"), Harbor Star Energy Corporation ("HSEC"), ASTRONERGY Development Gensan, Inc. ("ADGI"), ASTRONERGY Development F1, Inc. ("ADF1"), ASTRONERGY Development F2, Inc. ("ADF2"), and Harbor Star Construction Corporation ("HSCC"). In addition, he is a Director of Great Eastern Tug Corporation ("GETC"), Bellridge Resources, Inc., and Peak Flag Sdn. Bhd ("Peak Flag"). Mr. Bella pursued undergraduate studies in Business Administration at De La Salle University and completed specialized training in Shipbuilding Repair and Maintenance under the Japanese International Cooperation Agency ("JICA"). He has also participated in continuing corporate governance and management training seminars, locally and abroad. Mr.

Bella has extensive experience in corporate management within the maritime, energy, and construction sectors and holds ownership or stockholder interests in several of the corporations where he serves as director.

Ceasar Daniel Castro, 51, Director. Mr. Castro serves as a Director of Harbor Star Shipping Services, Inc. Currently, he is the President of The Real Bank and Acting Deputy Chief Operating Officer of New San Jose Builders Inc. He obtained his Bachelor of Science degree in Commerce Major in Business Administration in University of Santo Tomas in 1996.

Ramon C. Liwag, 69, Filipino, Director. Mr. Liwag has been a Director of Harbor Star Shipping Services, Inc. since 2017. He is a career maritime and security professional with extensive experience in leadership and operations. He is a graduate of the Philippine Military Academy ("PMA") Class of 1979, holding a Bachelor of Science in Military Education; a Master of Science in Maritime Safety Administration from the World Maritime University, Sweden; and had graduate units in Business Administration from Ateneo de Manila University. Mr. Liwag served as the 23rd Commandant of the Philippine Coast Guard ("PCG") from 2011 to 2012. He previously held senior positions including Deputy Commandant for Operations and Chairman of the Board of Marine Inquiry, and commanded multiple Coast Guard districts and field stations. He is currently the President of Asia Security Education and Consultancy, Inc., President of Alliance Security and Logistics Solutions, Inc., and Vice President of the World Maritime University Alumni Association of the Philippines. He has received numerous military honors and awards for distinguished public service and has undergone continuing corporate governance training.

Ryota Nagata, 61, Japanese, Director. Mr. Nagata serves as a Director of Harbor Star Shipping Services, Inc., 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, 64, Filipino, Independent Director. Mr. De Guzman serves as an Independent Director of Harbor Star Shipping Services, Inc. He has extensive professional experience in telecommunications, having served as Vice President of PLDT, Inc. from 1983 to 2023. He holds a Bachelor of Science degree in Electrical Engineering from the University of Santo Tomas in 1983 and completed pre-Master's studies at the Ateneo Graduate School of Business in 2001.

Gemma V. Sadiua, 60, Filipino, Independent Director. Ms. Sadiua serves as an Independent Director of Harbor Star Shipping Services, Inc. and Director of Harbor Star Construction Company ("HSCC"). Currently, she is the President of Venture Management Systems Inc. She previously led and served in various institutions such as Talent Bridge, Inc., MIASCOR Aviation Products Inc., Pacific Airside Services Inc., ISLA Logistics Corporation, Rapid Airfreight Inc., and Citadel Shipping Services, Inc. She obtained her degree in Business Management in De La Salle University in 1991, and completed post-graduate studies in Business Planning in the Asian Institute of Management in 2005.

Table 17: Key Officers

NAME	AGE	CITIZENSHIP	POSITION	YEAR ASSUMED
Geronimo P. Bella, Jr.	65	Filipino	President	2006
Ricardo Rodrigo P. Bella	59	Filipino	Vice President	2006
Charlene O. Ang	57	Filipino	Corporate Secretary	2023
Dany Cleo B. Uson	63	Filipino	Treasurer, Chief Finance Officer, Compliance Officer, Investor Relations Officer, Business Development Manager - Asia Pacific	2020
Lorenzo C. Caranzo	58	Filipino	Operations Division Head	2018
Emmanuel L. Falcunit	47	Filipino	Designated Person Ashore and Crew Training Manager	2025
Rudiardo L. Arcellana	61	Filipino	Operations Manager - Salvage, Towage, Lighterage	2016
Jay-R L. Castillo	40	Filipino	QHSE and Oil Spill Response Manager	2016
Edwin G. Amejana	60	Filipino	Commercial Manager	2008
Virginia May P. Bella	51	Filipino	Legal Services Manager	2008
Elionarda L. Refil	57	Filipino	General Services Manager	2009
Mary Jane J. Logatoc	38	Filipino	Accounting Manager	2024
Effel T. Santillan	48	Filipino	Human Resource Manager	2014
Maria Elizabeth Jean E. Bella	37	Filipino	Executive Management Trainee	2019
Ryan L. Orila	47	Filipino	ICT Manager	2018
Ronaldo C. Samong	56	Filipino	Business Development Manager for Visayas & Mindanao, Dredging Manager	2019
Marvin William Trinidad	47	Filipino	Sales & Marketing Manager	2021
Marlon D. Dabu	43	Filipino	Audit Manager	2022
Daisy A. Sta. Maria	53	Filipino	Treasury & Budget Manager	2022
Vittorio L. Leocadio	31	Filipino	Officer-in-Charge - Engineering and Maintenance Department	2025
Francis C. Virtudazo	38	Filipino	Officer-in-Charge - Procurement Department	2025
John Louie B. Garcia	46	Filipino	Construction Manager	2025

Charlene O. Ang, 57, Filipino, Corporate Secretary. Atty. Ang serves as the Corporate Secretary of Harbor Star Shipping Services, Inc. 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, 63, Filipino, Treasurer, Chief Finance Officer, Compliance Officer, Investor Relations Officer, Business Development Manager – Asia Pacific. Mr. Uson has been in Harbor Star Shipping Services, Inc. since 2008. He also serves as Treasurer of Harbor Star Subic Corp. ("HSSC"), Harbor Star Energy Corporation ("HSEC"), ASTRONERGY Development Gensan, Inc. ("ADGI"), ASTRONERGY Development F1, Inc. ("ADF1"), ASTRONERGY Development F2, Inc. ("ADF2"), and Harbor Star Construction Corporation ("HSCC"), and is a Director of Meta Capital Holdings Inc. He previously served as an Independent Director of Commonwealth Insurance Company from 2014 to 2020. He obtained his Bachelor of Arts in Applied Economics and Bachelor of Science in Marketing Management from De La Salle University in 1983 and completed units in MS Computational Finance at the same institution in 2001.

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

Emmanuel L. Falcunit, 47, Filipino, Designated Person Ashore and Crew Training Manager. Captain Falcunit assumed the positions in July 2025. Prior to this, he served as the Operations Manager from 2018 to 2025. He is a homegrown employee, having started in the Company as a Cadet in 2002 and progressing through various seagoing and shore-based roles, including Deck Cadet, Deck Rating, Tug Master, Safety Officer, 2nd Mate, Chief Mate, and eventually Captain in 2016. He completed his Bachelor of Science in Marine Transportation from the Philippine Merchant Marine School in 2003, obtained his Marine Deck Officer license in 2005, and earned his Master Mariner license in 2016.

Rudiardo L. Arcellana, 61, Filipino, Operations Manager – Salvage, Towage, Lighterage. Captain Arcellana is the Operations Manager for Salvage, Towage, Lighterage of Harbor Star Shipping Services, Inc. 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 earned 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 over thirty (30) 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, 40, Filipino, Quality, Health, Safety, Environment (QHSE) and Oil Spill Response Manager. Mr. Castillo is the QHSE and Oil Spill Response Manager of Harbor Star Shipping Services, Inc. Prior to his appointment, he served as the Company's Safety Officer from 2014 to 2015. Before joining the Company, he served as 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 Shipping Services, Inc. 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, 51, Filipino, Legal Services Manager. Ms. Bella is the Legal Services Manager of Harbor Star Shipping Services, Inc. Her role includes serving the subsidiaries as Corporate Secretary to Harbor Star Energy Corporation ("HSEC"), Harbor Star Subic Corp. ("HSSC"), and Harbor Star Construction Corporation ("HSCC"). Likewise, she also serves the subsidiaries of HSEC, where she acts as both a Director and Corporate Secretary of ASTRONERGY Development Gensan Inc. ("ADGI"), ASTRONERGY Development F1, Inc. ("ADF1"), and ASTRONERGY Development F2, Inc. ("ADF2"). In her personal capacity, Ms. Bella is currently the Director and Corporate Secretary of Asclepius Recruitment Inc., and Belleridge Resources Inc. Prior to her present positions, Ms. Bella also served as Director of Bellport Shipping Corporation, Mearnz Green Technology Proponents, Inc., Earthlink Resources Inc., and Luscent Oil Services, Inc. She obtained her degree of Bachelor of Science Major in Biology in De La Salle University in 1993 and pursued her degree in Bachelor of Laws from San Beda College in 2000. After passing the bar exams, she worked as a Legal Associate at Rondain & Mendiola Law Offices for several years prior to joining Harbor Star.

Elionarda L. Refil, 57, Filipino, General Services Department Manager. Ms. Refil is the General Services Department Manager of Harbor Star Shipping Services, Inc. She is also a Director of Harbor Star Subic Corp. ("HSSC"). Prior to her present position in the Company, she was the HR Manager and Executive Secretary of the Company from 2006 to 2009. She obtained her Bachelor of Arts Major in Journalism in 1988 at Manuel L. Quezon University. She finished Ateneo's Leadership and Management Development Program ("LMDP") in 2010 and completed her Master's Degree in Development Communication from the University of the Philippines Open University (UPOU) Los Banos, Laguna in 2016.

Mary Jane J. Logatoc, 38, Filipino, Accounting Manager. Ms. Logatoc is the Accounting Manager of Harbor Star Shipping Services, Inc. Prior to joining the Company, she held key leadership role as Regional Finance Manager in CRIF Philippines from 2022 to 2025. She also served as Chief Accountant in CRIF D-B Philippines, Inc. from 2010 to 2022. In the early years of her career, she honed her technical skills at iBEAUTY (Philippines), Inc. She obtained her Bachelor of Science in Accountancy in Polytechnic University of the Philippines, and passed her Licensure Board Examination for Certified Public Accountants in 2008.

Effel T. Santillan, 48, Filipino, Human Resource Manager. Ms. Santillan is the Human Resource Manager of Harbor Star Shipping Services, Inc. Ms. Santillan has over two decades of experience in human resources, including 13 years in the shipping industry. Prior to joining the Company, she held key HR roles at Aboitiz Jebsen Company Inc., where she served as Employee Administration Manager and later as Crew and Family Welfare and Protection and Indemnity Manager. She has also worked across various industries, including BPO, IT, and retail. She obtained her Bachelor of Science in Psychology from Pamantasan ng Lungsod ng Maynila in 1998 and completed her Master's in Business Administration at the same institution in 2024. She also completed certification programs in Human Resource Development, Compensation Management, and Organization Development at San Beda College.

Maria Elizabeth Jean E. Bella, 37, Filipino, Executive Management Trainee. Ms. Bella is currently an Executive Management Trainee while serving as the Assistant Commercial Manager of Harbor Star Shipping Services, Inc. Ms. Bella is a homegrown employee who joined the Company in 2013 as a Management Trainee and has since held various roles, including

Officer-in-Charge for Procurement, Procurement Manager, Project Coordinator, and Public Information Officer. She obtained her Bachelor of Science in Business Administration (Global Business) from St. Mary's College of California in 2012 and is currently pursuing a Master in Entrepreneurship at the Asian Institute of Management. She also received a certification for taking courses in Naval Architecture from Lloyd's Maritime Academy in 2013.

Ryan L. Orila, 47, Filipino, Information and Communications Technology (ICT) Manager. Mr. Orila is the ICT Manager of Harbor Star Shipping Services, Inc. He has over two decades of experience in information technology, including IT systems administration, infrastructure, and network management. Prior to joining the Company, he served as IT Assistant Manager at AboJeb Company Inc. from 2006 to 2016. He has also worked with multinational companies like Philippine AXA Life Insurance Corporation and TeleTech, where he further developed his technical and operational skills as an IT practitioner. He completed his degree in Computer Science from AMA Computer College in 1999.

Ronaldo Antonio C. Samong, 56, Filipino, Business Development Manager for Visayas & Mindanao and Dredging Manager. Mr. Samong served as Davao Branch Head from 2010-2019 before becoming the Business Development Manager for Visayas & Mindanao and Dredging Manager of Harbor Star Shipping Services, Inc. He was involved in the Sales, Marketing, and Operation department of several companies prior to his position at Harbor Star, including Essen Pharma Inc, G&G Logistic Inc, Crown Pacific Logistics, and Sumifru (Phils.) Corporation. Mr. Samong obtained his Bachelor of Arts Major in Political Science from Western Mindanao State University in 1991 with Postgraduate studies in Master of Ship Management from John B. Lacson Foundation Maritime University (distance learning module) in Iloilo City, Philippines in 2016.

Marvin William F. Trinidad, 47, 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 in Harbor Star Shipping Services, Inc. Prior to joining the Company, he held various sales and marketing roles in several organizations, including Mariveles Grain Corporation, Asian Terminals Incorporated, BCI Asia, PCIB Cignal Life Insurance Corporation, and Security Bank Corporation. Mr. Trinidad obtained his degree in Bachelor of Science in Commerce Major in Marketing Management from San Beda University (formerly known San Beda College) in 1999.

Marlon D. Dabu, 44, 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 in Harbor Star Shipping Services, Inc. Prior to joining the Company, 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, 53, Filipino, Treasury and Budget Manager. Ms. Sta Maria is the Treasury and Budget Manager of Harbor Star Shipping Services, Inc. She joined the Company in 2001 as an Accounting Clerk and rose through the ranks, serving as Accountant from 2001 to 2009 and Budget Officer from 2009 to 2022 before assuming her current position. Prior to joining the Company, she held accounting-related roles, including as Assistant Supervisor at A Open, Inc. (Acer Group), and was involved in the accounting functions of various organizations such as Golden Landmark, Inc. and Renaissance Tower Condominium Corporation. She obtained her Bachelor of Science in Accountancy from the Polytechnic University of the Philippines in 1993.

Vittorio L. Leocadio, 31, Officer-In-Charge – Engineering and Maintenance Department. Mr. Leocadio is the OIC of the Engineering and Maintenance Department of Harbor Star Shipping Services, Inc. He has held various technical and engineering roles, including serving as Technical Superintendent, Auditor, and PMS Officer of the Company, as well as Chief Engineer

and 2nd Engineer in a maritime organization. He obtained his Bachelor of Science in Marine Engineering from the University of Perpetual Help System DALTA – Las Piñas in 2015.

Francis S. Virtudazo, 38, Filipino, Officer-In-Charge – Procurement Department. Mr. Virtudazo is the OIC of the Procurement Department while concurrently serving as the Assistant Manager of the same department in Harbor Star Shipping Services, Inc. since 2023. He joined the Company in 2015 as Procurement Specialist and steadily rose through the ranks to his current position. Prior to joining the Company, he gained experience as technical engineer in shipping industry. He obtained his Bachelor of Science in Mechanical Engineering in 2010.

John Louie B. Garcia, 46, Filipino, Construction Manager. Engr. Garcia is the Construction Manager of Harbor Star Shipping Services, Inc., a position he has held since April 2025. He has extensive experience in construction and project management. He earned his Bachelor of Science in Civil Engineering degree from Mapúa Institute of Technology in 2000.

8.1 SIGNIFICANT EMPLOYEES

A competitive strength of the Company is its roster of technically skilled and most experienced work force in the maritime industry, led by its management team. While the Company values the contribution of each employee, no single person is expected to contribute more significant than others due to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

8.2 FAMILY RELATIONSHIPS

Mr. Geronimo P. Bella, Jr., and Ricardo Rodrigo P. Bella, who are major shareholders, directors, and key officers of the Company, and Virginia May P. Bella, who is the Legal Services Manager, are siblings. Meanwhile, Maria Elizabeth Jean E. Bella, who is an Executive Management Trainee of the Company, is the daughter of Mr. Geronimo P. Bella, Jr.

There are no other family relationships known to the Company other than the ones disclosed.

8.3 INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company is not aware of any of legal cases which occurred during the past five years that are material to an evaluation of the ability or integrity of any of its directors/ independent directors and officers, including but not limited to the following:

a. any bankruptcy petition filed by or against any business of which a director/independent director or officer or person nominated for election as a director/independent director or officer was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
b. any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any director/independent director or officer or person nominated for election as a director/independent director or officer, except as noted below;
c. any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director or officer or person nominated for election as a director/independent director or officer in any type of business, securities, commodities or banking activities; and
d. any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any director/independent director or officer or person nominated for election as a director/independent director or officer, has

violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

ITEM 10. EXECUTIVE COMPENSATION

As of 31 December 2025,, the following are the Company's top four (4) compensated executive officers, including its CEO/President:

Table 17: Top Four (4) Compensated Executive Officers

Name	Present Position
Geronimo P. Bella, Jr.	Chairman of the Board and President
Ricardo Rodrigo P. Bella	Director and Vice President
Dany Cleo B. Uson	Treasurer, Chief Finance Officer, Compliance Officer, Investor Relations Officer, Business Development Manager - Asia Pacific
Lorenzo C. Caranzo	Operations Division Head

The following summarizes the executive compensation received by the top four (4) most highly compensated officers of the Company for 2023, 2024, and 2025. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

Table 18: Executive Compensation

Name and Position	Year	Total	Salary	Bonus	Other Annual Compensation
Geronimo P. Bella, Jr. *Chairman & President* Ricardo Rodrigo P. Bella *Director and Vice President* Dany Cleo B. Uson *Chief Finance Officer* Lorenzo C. Caranzo *Operations Division Head*	2023	PHP 30,677,218	PHP 27,045,600	PHP 2,816,000	PHP 815,618
Geronimo P. Bella, Jr. *Chairman & President* Ricardo Rodrigo P. Bella *Director and Vice President* Dany Cleo B. Uson *Chief Finance Officer* Lorenzo C. Caranzo *Operations Division Head*	2024	PHP 32,551,218	PHP 28,318,000	PHP 3,564,000	PHP 669,218
Geronimo P. Bella, Jr. *Chairman & President* Ricardo Rodrigo P. Bella *Director and Vice President* Dany Cleo B. Uson *Chief Finance Officer* Lorenzo C. Caranzo *Operations Division Head*	2025	PHP 33,010,401	PHP 28,512,000	PHP 3,829,183	PHP 669,218
Aggregate compensation paid to all officers and directors as a group unnamed	2023	PHP 70,436,426	PHP 60,409,909	PHP 6,323,215	PHP 3,703,302
	2024	PHP 91,085,266	PHP 79,085,515	PHP 9,374,147	PHP 2,625,605
	2025	PHP 94,331,612	PHP 79,645,381	PHP 12,018,837	PHP 2,667,394

COMPENSATION OF DIRECTORS

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

The Directors total per diem allowance for 2023, 2024 and 2025 are presented in the following table:

Table 19: Director's Per Diem Allowance

Year	Amount
2023	PHP 520,000
2024	PHP 655,250
2025	PHP 440,000

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of 31 December 2025, the Company does not know of anyone who beneficially owns in excess of 5.0% of the Company's common stock except as set forth in the table below:

11.1 SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS OF MANAGEMENT AS OF 31 DECEMBER 2025

Table 20: Summary of Ownership of Management
As of 31 December 2025

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
Geronimo P. Bella, Jr.	366,012,998	1,485,000	367,497,998	40.480%
Ricardo Rodrigo P. Bella	241,553,487	2,642,000	244,195,487	27.296%
Ryota Nagata	6,089,645	0	6,089,645	0.68%
Ramon C. Liwag	15,000	0	15,000	0.00%
Ceasar Daniel T. Castro	10,000	0	10,000	0.00%
Gene S. De Guzman	10,000	0	10,000	0.00%
Gemma V. Sadiua	10,000	0	10,500	0.00%
Dany Cleo B. Uson	500,000	0	500,000	0.00%

11.2 VOTING TRUST OF HOLDERS 5.0% OR MORE

To the best of the Company's knowledge, there were no persons holding more than 5.0% of common shares of the Company under a voting trust or similar agreement as of this writing.

11.3 CHANGES IN CONTROL

There are no arrangements which may result in a change in control of the Company as of this writing.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the material related party transactions described in Note 21 of the Company's audited financial statements for the years 2025, 2024 and 2023 there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent (10.0%) of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of more than ten percent (10.0%) of the Company's voting shares had or is to have a direct or indirect material interest.

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

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

Harbor Star is committed to conducting all aspects of its business to the highest ethical and legal standards. On 11 December 2017, the Board of Directors adopted a revised Manual on Corporate Governance in order to monitor and assess the Company's compliance with leading practices on good corporate governance as specified in the Manual and relevant SEC circulars and memoranda.

During the Board of Directors' meeting on 29 May 2019, the board unanimously approved the Board of Director's Charter and the Insider Trading Policy.

The Board of Directors, Management, Employees and Shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

1. BOARD OF DIRECTORS

   Compliance with the principles of good corporate governance shall start with the Board of Directors. The Board shall act in a manner characterized by transparency, accountability and fairness. It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its shareholders.

   The Board shall take care of the interests of the shareholders and protect their investment through the implementation of sound corporate policies and plans while maintaining its independent assessment on Management's performance.

   The Chairman of the Board is responsible for designating a Compliance Officer to ensure that the Company adheres to the Manual and to corporate best practices.

2. INDEPENDENT DIRECTOR

   An "independent director" means a person who, apart from his/her fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his/her exercise of independent judgment in carrying out his/her responsibilities as a director of the Corporation.

3. EXECUTIVE COMMITTEE

   The Executive Committee, when the Board of Directors is not in session, may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, except with respect to: (a) approval of any action for which stockholders' approval is also required; (b) the filling of vacancies in the Board of Directors; (c) the amendment or repeal of these By-Laws or the adoption of new By-Laws; (d) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; (e) a distribution of cash dividends to the stockholders; and (f) such other matters as may be specifically excluded or limited by the Board of Directors.

4. AUDIT COMMITTEE

   The Audit Committee assists the Board in fulfilling its oversight responsibility of the Company's corporate governance processes relating to the: Financial statements and financial reporting process; Internal control systems; Internal and external auditors; Compliance with accounting standards, legal and regulatory requirements, including disclosure policies and procedures; Risk management policies and processes; and Business practices and ethical standards. The Audit Committee also ensures that, in the performance of the work of the Internal Auditor, it shall be free from interference by outside parties.

5. CORPORATE GOVERNANCE COMMITTEE

   The Governance Committee assists the Board with respect to governance matters, most especially in the implementation of practices and standards to be observed in an e-ffective stewardship environment. The Committee plays a critical role in fostering a healthier and better culture among the Board Members and Management. Part of the Committee's role is to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Committee also establishes a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

Harbor Star will continue to improve its corporate governance, systems and processes to enhance adherence to practices of good governance.

For further details about the Corporation's governance practices, kindly refer to the Corporation's Annual Corporate Governance Report ("ACGR").

PART V - EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

14.1 EXHIBITS

Exhibit No.	Description
1	Audited Consolidated Financial Statements as of 31 December 2025, 2024, and 2023
2	Sustainability Report
3	SEC Form 17-L

14.2 REPORTS ON SEC FORM 17-C

REPORT DATE	ITEM REPORTED
07 May 2025	Postponement of Annual Stockholders' Meeting
22 May 2025	Notice of Annual or Special Stockholders' Meeting
02 June 2025	Material Information/Transaction – Nominees for Election to the Board of Directors
04 July 2025	Notice of Annual or Special Stockholders' Meeting (Amended)
30 July 2025	Results of Annual or Special Stockholders' Meeting
30 July 2025	Results of Organizational Meeting of the Board of Directors

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 14 MAY 2026.

By:

GERONIMO P. BELLA, JR.
Principal Executive Officer

RICARDO RODRIGO P. BELLA
Principal Operating Officer

DANY CLEO B. USON
Principal Financial Officer

CHARLENE O. ANG
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 14 MAY 2026 in Makati City, affiant(s) exhibiting to me their respective government issued identification as follows:

NAMES	TIN No.
Geronimo P. Bella, Jr.	138-640-367
Ricardo Rodrigo P. Bella	162-916-129
Charlene O. Ang	900-321-341
Dany Cleo B. Uson	131-298-796

Notary Public

Doc. No. 338
Page No. 69
Book No. VIII
Series of 2026.

ATTY. BLAS JOSHUA C. CORDOVA
Notary Public for Makati City
Appointment No. M-066
Until 31 December 2026
Roll of Attorney's No. 81887
PTR No. 10768432 / 06 Jan 2026 / Makati City
IBP No. 573409 / 26 Dec 2025 / PPLM
MCLE Compliance: VIII-0037522
2224 A. Bonifacio St. cor. President Osmena
Highway, Bangkal, Makati City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	5	2	8	9	7

COMPANY NAME

H	A	R	B	O	R		S	T	A	R		S	H	I	P	P	I	N	G		S	E	R	V	I	C	E	S	,
I	N	C	.		A	N	D		I	T	S		S	U	B	S	I	D	I	A	R	I	E	S					

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

2	2	2	4			A		B	O	N	I	F	A	C	I	O		S	T	.	,		C	O	R.				
P	R	E	S.		S	E	R	G	I	O		O	S	M	E	Ñ	A		H	I	G	H	W	A	Y	,			
B	A	N	G	K	A	L	,		M	A	K	A	T	I		C	I	T	Y	,		1	2	3	3				
P	H	I	L	I	P	P	I	N	E	S																			

Form Type	Department requiring the report	Secondary License Type, if Applicable
AFS	CRR	NA

GROUP INFORMATION

Group's Email Address	Group's Telephone Number/s	Mobile Number
dbuson@harborstar.com.ph	(+632) 88863703	NA

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
		12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Dany Cleo B. Uson	dbuson@harborstar.com.ph	(+632) 8886-3703	NA

CONTACT PERSON's ADDRESS
2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233, Philippines

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

First Section

Audited Consolidated Financial Statements with
Supplemental Schedules for the
Securities and Exchange Commission
December 31, 2025

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First Section

Statement of management responsibility

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Consolidated statements of cash flows

Notes to consolidated financial statements

HARBOR STAR
SHIPPING SERVICES, INC.

MANAGEMENT SYSTEM CERTIFICATION
DNV·GL
ISO 9001 = ISO 14001
OHSAS 18001

ISU
MEMBER

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Harbor Star Shipping Services, Inc. and its Subsidiaries is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Isla Lipana & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

MR. GERONIMO P. BELLA JR.
PRESIDENT

MR. RICARDO RODRIGO P. BELLA
VICE PRESIDENT

MR. DANY CLEO B. USON
CHIEF FINANCE OFFICER

Signed this 12th day of May, 2026

HARBOR STAR
SHIPPING SERVICES, INC.

ISO 9001 = ISO 14001
OHSAS 18001

MEMBER

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

SUBSCRIBED AND SWORN TO BEFORE ME, this 14th day of May 2026, affiants exhibiting to me the following:

Name	Community Tax Certificate	Date / Place Issued
GERONIMO P. BELLA JR.	# 29023366	13 Jan 2026/ Makati City
RICARDO RODRIGO P. BELLA	# 29023368	13 Jan 2026/ Makati City
DANY CLEO B. USON	# 29023351	13 Jan 2026/ Makati City

Doc. No. 339;
Page No. 69;
Book No. VII;
Series of 2026.

ATTY. BLAS JOSHUA C. CORDOVA
Notary Public for Makati City
Appointment No. M-066
Until 31 December 2026
Roll of Attorney's No. 81887
PTR No. 10768432 / 06 Jan 2026 / Makati City
IBP No. 573409 / 26 Dec 2025 / PPLM
MCLE Compliance: VIII-0037522
2224 A. Bonifacio St. cor. President Osmena Highway, Bangkal, Makati City

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholder of
Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway
Bangkal, Makati, City

Report on the Audits of the Financial Statements

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, 2025 and 2024, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2025 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, 2025 and 2024;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2025;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2025;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2025; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas,
1226 Makati City, Philippines
+63 (2) 8845 2728

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine group of member firms and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details

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), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audits of the consolidated financial statements of public interest entities in the Philippines. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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 2025, the Group recognized a net revaluation increase amounting to P68.32 million, net of tax, based on the results of most recent appraisal reports finalized during the year. Accordingly, this resulted in the increase of the Group's tugboats' net book value and revaluation surplus, which amounted to P2.70 billion and P976.90 million, respectively, as at December 31, 2025. This is an area of focus not only due to the material impact of these account balances to total assets and total comprehensive income, but also due to estimation uncertainty involved in determining the fair value valuation of tugboats (Note 6). The revaluation process requires expertise, involving a third-party appraiser, whose valuation incorporates certain assumptions such as listing of comparable properties, adjustments to sales price based on weight, engine power, capacity and year built, as well as replacement cost.	We addressed the matter through the following procedures: • Obtained the appraisal reports for tugboats and assessed the objectivity, capability 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 and accuracy of data used, reasonableness of significant assumptions and appropriateness of methods used. • Confirmed that appraised values were determined using market approach and cost approach. 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 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.

Key audit matters	How our audit addressed the key audit matters
Compliance with debt covenants Refer to Notes 11 and 26.11 to the consolidated financial statements for the corresponding details and discussion of the Group's borrowings. As at December 31, 2025, the Group's total borrowings amounted to approximately P3.40 billion, which provide for debt covenants including compliance to financial ratios namely debt to equity, current and debt service coverage. A breach of these covenants could lead to accelerated repayment terms or penalties, which might significantly impact the Group's liquidity and financial position. This is identified as a key audit matter given the materiality of the Group's debt and the potential implications of non-compliance with covenants, assessing the Group's ability to meet its maturing obligations and comply with these financial obligations. In addition, loan agreements impose restriction on the sale of any property, plant and equipment and drawdown of new borrowings from other banks. For the year ended December 31, 2025, the Group reported interest expense amounting to P203.23 million on its borrowings.	We addressed the matter through the following: • Obtained bank confirmation for all borrowings of the Group and inspected related documents including loan agreements and promissory notes. • Recalculated interest expense based on the corresponding terms of each borrowings. • We obtained and reviewed the Group's original and restructured loan agreements to assess the nature and significance of changes in contractual terms. • We evaluated management's assessment of whether the restructuring resulted in a modification or derecognition of the loan and independently recalculated any resulting modification gain or loss by comparing the carrying amount and the present value of the modified contractual cash flows discounted at the original effective interest rate. • Confirmed completeness of debt covenants through inspection of loan agreements and examined each to ascertain the Group's compliance. • On financial ratios, we have checked mathematical accuracy through recalculation and tracing of balances to the audited financial statements. • On non-financial covenants, we performed an independent assessment of the Group's compliance with each covenant stipulated in the loan agreements by inspecting relevant supporting documents and evaluating adherence to requirements.

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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.
- 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 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 U. See
Partner
CPA Cert. No. 104941
P.T.R. No. 0011425; issued on January 8, 2026 at Makati City
SEC A.N. (individual) as general auditors 1518-AR-1, Category A;
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2025 financial statements
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/P-010, effective until November 14, 2028

Makati City
May 12, 2026

pwc Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholder 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, 2025, on which we have rendered the attached report dated May 12, 2026. 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 8, 2026 at Makati City
SEC A.N. (individual) as general auditors 1518-AR-1, Category A;
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2025 financial statements
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BIR A.N. 08-000745-122-2024; issued on February 13, 2024; effective until February 12, 2027
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Makati City
May 12, 2026

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas,
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pwc Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholder 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, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated May 12, 2026. 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, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 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 8, 2026 at Makati City
SEC A.N. (individual) as general auditors 1518-AR-1, Category A;
valid to audit 2021 to 2025 financial statements
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Makati City
May 12, 2026

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Harbor Star Shipping Services, Inc. and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
Assets			
Current assets			
Cash and cash equivalents	2	349,150,939	383,033,395
Trade and other receivables, net	3	1,277,927,033	1,357,237,750
Prepayments and other current assets	4	423,444,160	480,205,306
Total current assets		2,050,522,132	2,220,476,451
Non-current assets			
Property, plant and equipment, net	6	4,585,375,462	4,597,045,297
Right-of-use assets, net	21	31,390,861	39,062,624
Computer software, net	7	7,416,360	8,556,758
Investment properties	8	69,983,207	69,983,207
Investments in associates	5	152,534,964	147,460,440
Other non-current assets, net	9	345,327,089	254,389,049
Total non-current assets		5,192,027,943	5,116,497,375
Total assets		7,242,550,075	7,336,973,826
Liabilities and Equity			
Current liabilities			
Trade and other payables	10	893,534,850	1,224,417,978
Current portion of borrowings	11	2,280,270,137	938,338,867
Current portion of lease liabilities	21	8,262,916	7,253,871
Advances from related parties	20	18,292,929	17,725,458
Income tax payable		8,244,854	35,967,073
Total current liabilities		3,208,605,686	2,223,703,247
Non-current liabilities			
Trade payables, net of current portion	10	2,834,504	9,298,942
Borrowings, net of current portion	11	1,115,884,389	2,371,207,544
Lease liabilities, net of current portion	21	32,921,821	38,966,037
Deferred income tax liabilities, net	22	267,359,683	236,833,784
Retirement benefit obligation	19	201,292,833	178,034,829
Total non-current liabilities		1,620,293,230	2,834,341,136
Total liabilities		4,828,898,916	5,058,044,383
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	976,901,992	948,829,194
Cumulative translation difference	26.17	(31,816)	(6,068,600)
Fair value reserve on financial assets at fair value through other comprehensive income (FVOCI)	9	1,482,500	(160,000)
Treasury shares	12	(37,614,990)	(37,614,990)
Retained earnings		353,200,639	248,064,612
		2,323,428,957	2,182,540,848
Non-controlling interest		90,222,202	96,388,595
Total equity		2,413,651,159	2,278,929,443
Total liabilities and equity		7,242,550,075	7,336,973,826

The notes on pages 1 to 62 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, 2025
(All amounts in Philippine Peso)

	Notes	2025	2024	2023
Service income, net	14	2,624,245,765	2,844,476,009	2,522,732,041
Revenue on generation of solar power	14	166,654,091	193,362,467	140,330,004
Total revenues, net		2,790,899,856	3,037,838,476	2,663,062,045
Cost of services	15	(2,091,255,921)	(2,152,267,654)	(1,806,330,960)
Gross profit		699,643,935	885,570,822	856,731,085
General and administrative expenses	16	(534,788,313)	(558,819,802)	(454,559,973)
Reversal of (Provision for) impairment losses on property, plant and equipment	6	21,423,145	39,814,418	(56,206,741)
Net impairment losses on trade and other receivables	3	(42,126,015)	(12,212,023)	(47,103,248)
Other income, net	18	151,441,789	239,843,610	43,183,188
Operating profit		295,594,541	594,197,025	342,044,311
Finance cost				
Interest expense	10,11,21	(207,313,998)	(262,389,303)	(280,161,155)
Foreign exchange (loss) gain on borrowings	11,23	(4,035,453)	(2,771,121)	1,408,908
		(211,349,451)	(265,160,424)	(278,752,247)
Share in profit (loss) of associates	5	8,360,548	(57,968,214)	5,706,738
Income before income tax		92,605,638	271,068,387	68,998,802
Income tax expense	22	(45,142,578)	(82,012,911)	(49,733,067)
Net income for the year		47,463,060	189,055,476	19,265,735
Other comprehensive income (loss)				
Items that will not be subsequently reclassified to profit or loss				
Revaluation increment (decrement) on tugboats, net of tax	6	68,323,339	(10,552,189)	300,773,629
Revaluation gain on investment in FVOCI	9	1,642,500	-	-
Remeasurement (loss) gain on retirement benefits, net of tax	19	(1,822,038)	3,877,984	(2,615,257)
Total other comprehensive income (loss), net of tax		68,143,801	(6,674,205)	298,158,372
Total comprehensive income for the year		115,606,861	182,381,271	317,424,107
Income (Loss) attributable to:				
Owners of the parent	13	60,943,885	112,930,293	29,705,469
Non-controlling interest		(13,480,825)	76,125,183	(10,439,734)
		47,463,060	189,055,476	19,265,735
Total comprehensive income (loss) attributable to:				
Owners of the parent		129,087,686	106,256,088	327,863,841
Non-controlling interest		(13,480,825)	76,125,183	(10,439,734)
		115,606,861	182,381,271	317,424,107
Earnings per share				
Basic and diluted	13	0.068	0.126	0.033

The notes on pages 1 to 62 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, 2025
(All amounts in Philippine Peso)

		Equity attributable to owners of the Parent Company									
	Notes	Share capital (Note 12)	Treasury shares (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, 2023		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)
Revaluation increment 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	-	-	-	(49,010,386)	-	-	49,010,386	-	-	-
Transfer of revaluation surplus through disposal, net of tax		-	-	-	(26,418,919)	-	-	26,418,919	-	-	-
Translation adjustments	26.17	-	-	-	1,638,211	1,760,425		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	(6,068,600)	(160,000)	248,064,612	2,182,540,848	96,388,595	2,278,929,443
Comprehensive income (loss)											
Net income for the year		-	-	-		-	-	60,943,885	60,943,885	(13,480,825)	47,463,060
Other comprehensive (loss) income											
Remeasurements on retirement benefits, net of tax	19	-	-	-		-	-	(1,822,038)	(1,822,038)	-	(1,822,038)
Revaluation on FVOCI, net of tax		-	-	-		-	1,642,500	-	1,642,500	-	1,642,500
Net revaluation on tugboats, net of tax	6	-	-	-	68,323,339	-	-	-	68,323,339	-	68,323,339
Total comprehensive income for the year		-	-	-	68,323,339	-	1,642,500	59,121,847	129,087,686	(13,480,825)	115,606,861
Depreciation transfer of revaluation surplus	6	-	-	-	(46,014,180)	-	-	46,014,180	-	-	-
Translation adjustments	26.17	-	-	-	5,763,639	6,036,784	-	-	11,800,423	7,314,432	19,114,855
Balances at December 31, 2025		907,857,870	(37,614,990)	121,632,762	976,901,992	(31,816)	1,482,500	353,200,639	2,323,428,957	90,222,202	2,413,651,159

The notes on pages 1 to 62 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, 2025
(All amounts in Philippine Peso)

	Notes	2025	2024	2023
Cash flows from operating activities				
Income before income tax		92,605,638	271,068,387	68,998,802
Adjustments for:				
Depreciation and amortization	6,9,15,16	607,203,763	567,534,700	555,050,543
Interest expense	10,11,21	207,313,998	262,389,303	280,161,155
Provision for impairment of input VAT	4,9,16	50,507,963	15,759,091	15,906,103
Net impairment losses on trade and other receivables	3	42,126,015	12,212,023	47,103,248
Retirement benefit expense	17,19	24,230,015	20,283,826	20,231,822
Amortization of right-of-use assets	15,16,21	10,418,647	10,843,267	5,423,579
Amortization of computer software	7	6,157,943	3,369,300	13,151,618
Unrealized foreign exchange loss, net	23	4,272,546	5,607,980	10,145,276
Unrealized foreign exchange loss (gain) on borrowings	11,23	4,035,453	2,771,121	(1,408,908)
Direct write-off of other receivables	3,16	833,171	5,306,812	25,913
Loss on write-off of creditable withholding tax	18	-	11,220,363	-
Income from insurance claims	6,18	-	(100,247,716)	-
Loss on sale of property, plant and equipment	18	(1,111,250)	24,223,988	-
Interest income	2,3,18	(5,420,516)	(1,451,287)	(1,304,427)
Share in (profit) loss of associates	5	(8,360,548)	57,968,214	(5,706,738)
Gain on reversal of other payables	18	(8,713,338)	(53,631,193)	(13,015,811)
(Reversal of) Provision for impairment loss on property, plant and equipment, net	6	(21,423,145)	(39,814,418)	56,206,741
Gain on debt restructuring, net	11,18	(96,945,227)	-	-
Operating profit before changes in working capital		907,731,128	1,075,413,761	1,050,968,916
Decrease (Increase) in:				
Trade and other receivables		39,009,784	(44,469,583)	(127,470,501)
Prepayments and other current assets		30,073,458	(159,723,664)	(90,004,965)
Other non-current assets		(139,480,344)	(10,734,767)	(653,962)
Increase (Decrease) in:				
Trade and other payables		34,526,454	29,169,280	(41,414,845)
Advances from related parties		567,471	408,638	674,446
Cash generated from operations		872,427,951	890,063,665	792,099,089
Interest received		5,285,192	1,376,085	700,505
Retirement benefit obligation paid	19	(3,401,395)	(1,598,870)	(1,424,085)
Income taxes paid		(40,560,234)	(9,830,922)	(9,386,925)
Net cash provided by operating activities		833,751,514	880,009,958	781,988,584
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	6	3,106,786	19,046,378	-
Dividends received	5	3,286,024	1,199,760	9,895,945
Proceeds from insurance for machinery breakdown	6	-	43,715,319	-
Acquisition of investment properties	8	-	-	(2,500,000)
Acquisition of property, plant and equipment and computer software	6,7	(522,015,429)	(429,019,483)	(313,064,164)
Net cash used in investing activities		(515,622,619)	(365,058,026)	(305,668,219)
Cash flows from financing activities				
Proceeds from borrowings	11	84,668,000	87,616,000	26,546,740
Net proceeds from short-term loans	11	36,619,260	55,725,500	(22,728,600)
Payment of short-term loans	11	(36,619,260)	(55,725,500)	-
Payment of interest on lease liabilities	21	(1,234,326)	(1,396,556)	(444,113)
Principal payment on lease liabilities	21	(9,031,172)	(10,555,598)	(9,074,930)
Payments of principal on borrowings	11	(270,689,756)	(265,762,419)	(255,505,251)
Payment of interest on borrowings	11	(159,926,376)	(227,006,046)	(194,958,664)
Net cash used in financing activities		(356,213,630)	(417,104,619)	(456,164,818)
Net (decrease) increase in cash and cash equivalents		(38,084,735)	97,847,313	20,155,547
Cash and cash equivalents at January 1	2	383,033,395	285,190,441	266,463,521
Effect of foreign exchange rate changes on cash and cash equivalents		4,202,279	(4,359)	(1,428,627)
Cash and cash equivalents at December 31	2	349,150,939	383,033,395	285,190,441

The notes on pages 1 to 62 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, 2025 and 2024 and
for each of the three years in the period ended December 31, 2025
(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, 2025 and 2024, the Parent Company has 116 shareholders, 114 of which holds at least 100 common shares. For the year ended December 31, 2025, the Parent Company's major shareholders are its own directors holding 69.12% (2024 - 69.07%) of its total issued shares and the remaining 30.88% of total issued shares are held by the public (2024 - 30.93%).

The Group's registered office, which is also its principal place of business, is located at 2224 A. Bonifacio Street corner Pres. Sergio Osmena Highway, Bangkal, Makati City, 1233, Philippines.

1.2 Significant developments

Acquisition of Astronergy Development Gensan Inc. (ADGI);
Astronergy Development F1 Inc. (ADF1) and Astronergy Development F2 Inc. (ADF2)

On October 6, 2017, the Parent Company's BOD resolved to acquire 60% shareholdings of ADGI, an entity engaged in power generation through renewable energy through HSEC, a new subsidiary. On the same date, which became the acquisition date, a total of 599,997 shares were acquired, representing 60% of the issued and outstanding shares of ADGI. As a result, ADGI became a subsidiary of HSEC effective October 6, 2017.

ADGI was registered with the Department of Energy (DOE), with Registration No. SESC 2014-12-096 on December 29, 2014, as a Renewable Energy (RE) Developer of Solar Energy Resources. Pursuant to Section 15 Chapter VI of Republic Act (RA) No. 9513, An Act Promoting The Development, Utilization and Commercialization of Renewable Energy Resources and For Other Purposes, ADGI, as RE Developer, is entitled to certain incentives including income tax holiday (ITH) for the first seven (7) years of its commercial operations, from 2019 to 2026.

ADGI has permits, licenses and entitlements to operate 25MW, expandable to 75MW, solar power plant in General Santos. Agreement (PPA) with South Cotabato II Electric Cooperative, Inc. ("SOCOTECO II"). Under the PPA, SOCOTECO-II will purchase all the energy output from the project. On March 15, 2018, ADGI has been issued a Certificate of Commerciality by the DOE and has an existing ERC-approved Power Purchase Agreement (PPA) and ADGI's BOD resolved to acquire the following shares of stocks through HSEC, its subsidiary:

- 40% additional shareholdings of ADGI
- 100% shareholdings of Astronergy Development F1 Inc. (ADF1)
- 100% shareholdings of Astronergy Development F2 Inc. (ADF2)

On April 12 and October 18, 2018, HSEC acquired the remaining 25% and 15% shareholdings of ADGI which represents 250,000 and 150,000 shares of stock, respectively, for a total of P75,108,479. The acquisition resulted in the reversal of NCI and a charge to retained earnings amounting to P18,695,948 and P83,342,728, respectively. The acquisition of the remaining shares of stocks made ADGI a wholly-owned subsidiary of HSEC.

The total consideration given with respect to the acquisition of ADGI's 60% shares and 100% shares of ADF1 and ADF2 is P147,453,712. This is attributable to the continuing operations of the acquired businesses. It will not be deductible for tax purposes.

ADF1 and ADF2 have their own ancillary permits and contracts to support the expansion of the 25 MW ADGI solar power plant to 75MW.

On July 27, 2019, ADGI started the commercial operation of its solar power plant in Sitio Changco, Brgy. Bawing, General Santos City, South Cotabato with a capacity of 25MW.

Cash paid for the acquisitions

Cash paid for the acquisition of 60% of ADGI amounting to P20,559,425 is presented net of cash from acquired subsidiary of P50,000 for a net cash paid of P20,509,425 in the consolidated statement of cash flows for the year ended December 31, 2017. In 2018, the cash paid was subsequently adjusted by P20,161,428 due to adjustments in purchase price.

Cash paid for the acquisition of 100% of ADF1 and ADF2 amounting to P147,053,712 is presented net of cash from acquired subsidiaries in the consolidated statement of cash flows for the year ended December 31, 2018.

On May 29, 2019, ADGI has received the Certificate of Approval of Increase in Capital Stock from the SEC. The authorized capital stock was increased from P2,000,000 divided into 2,000,000 shares with a par value of P1 each to P600,000,000 divided into 600,000,000 shares with a par value of P1. Subsequently, HSEC, the parent company of ADGI subscribed to an additional 300,000,000 shares with a par value of P1 for a total of P300,000,000. HSEC has settled P92,000,000 from the subscribed amount through application of its advances of deposit for future subscription.

On December 3, 2019, Energy Regulatory Commission (ERC) granted the Certificate of Compliance (COC No. 19-12-M-00188M) to ADGI after having found to comply with all the requirements in the 2014 Revised COC Rules, the Philippine Grid Code, the Philippine Distribution Code, the Wholesale Electricity Spot Market (WESM) Rules and related laws, orders and regulations. The COC shall be valid for a period of five (5) years, from December 31, 2019 to December 2, 2024, and its application for renewal shall be filed at least six (6) months before its expiration date. As at report date, renewal of the application is ongoing.

In 2020, ADGI commenced commercial operations for the entire year. On January 26, 2021, SOCOTECO II and ADGI filed an Application on ERC Case No. 2013-2017 RC seeking the Commission's approval of their Renewable Energy Supply Agreement (RESA) for issuance of final authority and collection for the supply of power based on the RESA as at December 31, 2020. In 2020, ADGI has submitted to the ERC all documents to support their claims. As at reporting date, ADGI is awaiting for final ruling from the ERC.

On December 23, 2022, the Department of Energy (DOE) declared the commercial operation of the Wholesale Electricity Spot Market (WESM) in the Mindanao Grid (DC2022-12-0039) mandating all Mindanao Electric Power Industry Participants and entities to become WESM members. On January 26, 2023, ADGI transferred its generation of solar power from SOCOTECO II to WESM.

Critical accounting estimate

Impairment of goodwill

The Group's goodwill is carried at cost and is reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of goodwill and the amount and timing of recorded provision for any period. Goodwill is monitored by the Group's management following its acquisition of ADGI, ADF1 and ADF2.

As at December 31, 2022, management assessed that the goodwill may not be recoverable mainly due to adverse impact of higher interest to discount rate and volatility in electricity prices. As a result, the Group recognized an impairment loss on goodwill amounting to P154,207,159 in 2022. There were no changes in the assessment as at December 31, 2025 and 2024.

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 Company further renewed their license on February 20, 2026 with no expiration in the license.

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.

Geopolitical Uncertainty

Subsequent to the reporting date, geopolitical tensions in certain regions escalated into armed conflict involving multiple countries. This increased volatility in global financial and commodity markets and disrupted certain trade routes and supply chains. Management has assessed the effects of these developments on the Group's financial statements, including recoverability of assets, fair value measurements, provisions, contract enforceability, and liquidity risk.

Management determined that these events do not provide evidence of conditions that existed at year-end and were therefore treated as non-adjusting subsequent events. Based on information currently available, management has not identified a direct material impact on the Group's financial position or results of operations.

However, the situation continues to evolve and may affect future performance and financial position, depending on its duration and wider economic effects. Management will continue to monitor developments and will reflect any material impacts in future reporting periods.

1.3 Consolidation

As at December 31, 2025 and 2024, 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.

		% of interest held		Registered place of business/ Country of	
	Relationship	2025	2024	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.

	Relationship	% of interest held 2025	% of interest held 2024	Registered place of business/ Country of incorporation	Main activity
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.
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, 2025 and 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, 2025 and 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 an 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, 2025 and 2024.

Non-controlling interest

Set out below are the summarized financial information of Peak Flag as at and for the years ended December 31, a subsidiary, that has non-controlling interests to the Group. The amounts disclosed are before intercompany eliminations.

	2025	2024
Total current assets	97,804,614	127,828,021
Total non-current assets	404,831,114	376,183,989
Total current liabilities	247,723,889	249,208,783
Total non-current liabilities	83,920,153	78,363,556
Equity	170,991,685	176,439,671
Total revenue	168,055,476	171,941,552
Total expenses	(176,241,746)	(80,170,948)
Total (loss) income for the year	(24,510,591)	91,770,604
Total comprehensive (loss) income for the year	(24,510,591)	138,409,424
Net cash provided by operating activities	48,136,838	65,349,650
Net cash (used in) provided by financing activities	(28,074,490)	21,943,138

As at December 31, 2025, the carrying value of NCI amounted to P90,222,202 (2024 - P96,388,595). Distribution of loss to NCI of Peakflag amounted to P13,480,825 (2024 - P76,125,183 profit, 2023 - P10,439,734 loss).

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 12, 2026.

2 Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2025	2024
Cash on hand	2,880,020	2,708,159
Cash in banks	276,462,937	276,742,969
Cash equivalents	69,807,982	103,582,267
	349,150,939	383,033,395

Cash equivalents pertain to investments 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 rates ranging from 0.05% to 4.90% for 2025 (2024 and 2023 - 0.05% to 5.38%).

Interest income earned from cash in banks and cash equivalents for the year ended December 31, 2025 amounted to P5,285,192 (2024 - P1,374,793; 2023 - P700,505) (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:

	2025	2024
Trade receivables	1,572,523,066	1,564,761,615
Allowance for impairment of trade receivables	(457,490,017)	(412,592,644)
	1,115,033,049	1,152,168,971
Advances to officers, employees and others	171,963,204	186,516,788
Allowance for impairment of advances to employees and others	(40,201,151)	(40,397,715)
	131,762,053	146,119,073
Unbilled revenue	26,690,345	40,142,500
Others	4,441,586	18,807,206
	1,277,927,033	1,357,237,750

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, 2025, advances to officers and others representing key management personnel amounted to P24,156,623 (2024 - P19,363,715) (Note 20).

The carrying value of trade and other receivables as at December 31, 2025 and 2024 approximates its fair value as at reporting date.

Allowance for impairment

The Group applies PFRS 9 simplified approach in measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The 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	2025	2024
As at January 1		452,990,359	441,367,965
Provision for impairment, net		42,126,015	12,212,023
Write-off		(195,954)	-
Cumulative translation adjustment	26.17	2,770,748	(589,629)
As at December 31		497,691,168	452,990,359

In 2025, provision of impairment on trade receivables amounting to P42,322,579 (2024 - P4,559,855 reversal; 2023 - P47,103,248 provision) and a reversal for impairment loss on advances to inactive employees amounting to P196,564 (2024 - P16,771,878 provision; 2023 - 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 2025, the Group directly wrote-off uncollectible advances to officers, employees and others amounting to P833,171 (2024 - P5,306,812; 2023 - P25,913). This was charged to general and administrative expenses in the consolidated statements of total comprehensive income (Note 16).

In 2025, the Group wrote-off uncollectible advances to officers, employees and others previously provided with an allowance amounting to P195,954 (2024 - nil; 2023 - P2,892,049).

For the year ended December 31, 2025, the Group recognized interest income amounting to P135,324 (2024 - P76,494; 2023 - P603,922) 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 unearned revenue of P26,690,345 as at December 31, 2025 (2024 - P40,142,500) for revenue accrued based on percentage of completion at year-end. The movements on unearned revenue 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:

	Note	2025	2024
Construction advances		131,200,486	135,952,244
Input value-added tax (VAT)		124,467,229	185,543,075
Allowance for impairment of input VAT		(1,777,599)	(1,150,401)
Input VAT, net		122,689,630	184,392,674
Prepayments		97,265,754	98,069,203
Advances to suppliers		57,406,812	55,646,337
Refundable deposits	21	14,881,478	6,144,848
		423,444,160	480,205,306

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 2025 and 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 - nil) (Note 18). There were no similar transactions in 2025.

The movements in allowance for impairment of input VAT for the years ended December 31 follows:

	Note	2025	2024
As at January 1		1,150,401	962,646
Provision for impairment	16	627,198	187,755
As at December 31		1,777,599	1,150,401

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:

	2025	2024
GETC	20,120,195	19,275,755
HEMSI	115,790,744	111,560,660
KSSI	16,624,025	16,624,025
	152,534,964	147,460,440

The movement of investments in associates for the years ended December 31 are as follows:

	2025	2024	2023
At January 1	147,460,440	206,628,414	194,193,596
Additions	-	-	16,624,025
Share in adjusted net profit (loss)	8,360,548	(57,968,214)	5,706,738
Dividends	(3,286,024)	(1,199,760)	(9,895,945)
At December 31	152,534,964	147,460,440	206,628,414

(a) GETC

The movements of investment in GETC for the years ended December 31 are as follows:

	2025	2024	2023
At January 1	19,275,755	19,695,850	16,976,429
Dividends received	-	(1,199,760)	-
Share in net profit	844,440	779,665	2,719,421
At December 31	20,120,195	19,275,755	19,695,850

In 2024, the Parent Company received dividend income from GETC amounting to P1,199,760 (2023 - nil). No similar transactions occurred in 2025.

Set out below is the Groups' share in net assets of GETC as at and for the years ended December 31:

	2025	2024	2023
Net assets, December 31	100,600,974	96,378,773	98,479,251
Group's share in %	20%	20%	20%
Group's share in net assets	20,120,195	19,275,755	19,695,850

(b) HEMSI

The movements of investment in HEMSI for the years ended December 31 are as follows:

	2025	2024	2023
At January 1	111,560,660	170,308,539	177,217,167
Share in adjusted net profit (loss)	7,516,108	(58,747,879)	2,987,317
Dividends received	(3,286,024)	-	(9,895,945)
At December 31	115,790,744	111,560,660	170,308,539

In 2025, the Parent Company received dividend income from HEMSI amounting to P3,286,024 (2024 - nil, 2023 - P9,895,945).

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:

	2025	2024	2023
Net assets, December 31	214,261,095	200,615,663	390,124,949
Group's share in %	31%	31%	31%
Group's share in net assets	66,420,939	62,190,855	120,938,734
Goodwill	49,369,805	49,369,805	49,369,805
Carrying amount	115,790,744	111,560,660	170,308,539

(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, 2025 and 2024, 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	Plant, building and improvements	Transportation equipment	Diving and oil spill equipment	Furniture, fixtures and leasehold improvements	Construction equipment	Construction-in-progress	Total
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	13,778,060	58,199,372	1,122,313	25,491,579	65,564,096	4,597,045,297
At December 31, 2024										
Cost	20,050,924,210	39,556,011	855,352,533	2,044,395,633	85,638,211	358,237,500	8,801,554	46,571,375	65,564,096	23,555,041,123
Accumulated depreciation	(17,368,140,033)	-	(623,090,617)	(564,231,975)	(71,860,151)	(316,717,672)	(8,032,775)	(21,079,796)	-	(18,973,153,019)
Cumulative translation adjustments	(1,875,885)	-	-	-	-	16,679,544	353,534	-	-	15,157,193
Net carrying amount	2,680,908,292	39,556,011	232,261,916	1,480,163,658	13,778,060	58,199,372	1,122,313	25,491,579	65,564,096	4,597,045,297
January 1, 2025										
Opening net carrying amount	2,680,908,292	39,556,011	232,261,916	1,480,163,658	13,778,060	58,199,372	1,122,313	25,491,579	65,564,096	4,597,045,297
Additions	235,628,310	-	22,841,048	13,463,285	22,171,190	44,198,689	1,344,126	40,757,451	67,931,258	448,335,357
Disposal										
Cost	-	-	-	-	(9,041,786)	(609,929)	-	-	-	(9,651,715)
Accumulated depreciation	-	-	-	-	7,046,250	57,321	-	-	-	7,103,571
Revaluation										
Cost	488,694,714	-	-	-	-	-	-	-	-	488,694,714
Accumulated depreciation	(402,114,625)	-	-	-	-	-	-	-	-	(402,114,625)
Impairment loss	(225,230)	-	-	-	-	-	-	-	-	(225,230)
Reversal of impairment	21,648,375	-	-	-	-	-	-	-	-	21,648,375
Depreciation	(359,997,517)	-	(101,310,067)	(95,626,601)	(7,191,045)	(29,563,432)	(794,532)	(11,869,030)	-	(606,352,224)
Translation adjustments	40,886,087	-	-	-	-	4,319	1,536	-	-	40,891,942
Closing net carrying amount	2,705,428,406	39,556,011	153,792,897	1,398,000,342	26,762,669	72,286,340	1,673,443	54,380,000	133,495,354	4,585,375,462
At December 31, 2025										
Cost	20,775,247,234	39,556,011	878,193,581	2,057,858,918	98,767,615	401,826,260	10,145,680	87,328,826	133,495,354	24,482,419,479
Accumulated depreciation	(18,108,829,030)	-	(724,400,684)	(659,858,576)	(72,004,946)	(346,223,783)	(8,827,307)	(32,948,826)	-	(19,953,093,152)
Cumulative translation adjustments	39,010,202	-	-	-	-	16,683,863	355,070	-	-	56,049,135
Net carrying amount	2,705,428,406	39,556,011	153,792,897	1,398,000,342	26,762,669	72,286,340	1,673,443	54,380,000	133,495,354	4,585,375,462

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:

	2025	2024
As at January 1		
Cost	3,534,677,243	3,029,195,505
Accumulated depreciation	(2,105,427,813)	(1,980,348,013)
Translation Adjustment	(1,875,885)	-
Net carrying amount	1,427,373,545	1,048,847,492
Year ended December 31		
Opening net carrying amount	1,427,373,545	1,048,847,492
Adjustment	-	274,520,352
Additions	235,628,310	335,412,202
Disposals		
Cost	-	(104,450,816)
Accumulated depreciation	-	98,033,664
Depreciation	(299,362,398)	(262,927,882)
Reversal of impairment	21,648,375	71,038,552
Impairment loss	(225,230)	(31,224,134)
Translation Adjustment	40,886,087	(1,875,885)
Closing net carrying amount	1,425,948,689	1,427,373,545
At December 31		
Cost	3,770,305,553	3,534,677,243
Accumulated depreciation	(2,383,367,066)	(2,105,427,813)
Translation Adjustment	39,010,202	(1,875,885)
Net carrying amount	1,425,948,689	1,427,373,545

The movements of revaluation surplus in equity for the years ended December 31 are as follows:

	2025	2024
Beginning of year, net of tax	948,829,194	1,033,172,477
Revaluation		
Revaluation increment (decrement) during the year	86,580,089	(17,822,654)
Deferred tax in OCI at 25%	(17,409,682)	22,548,796
Deferred tax in OCI at 5%	(847,068)	(550,283)
Deferred tax in OCI at 24%	-	(14,728,048)
Revaluation increment (decrement) of tugboats, net of tax	68,323,339	(10,552,189)
Amortization		
Amortization of revaluation increment through depreciation	(60,635,119)	(64,849,202)
Amortization of revaluation increment through asset disposal	-	(35,225,226)
Deferred tax in profit and loss at 25%	14,486,478	24,551,752
Deferred tax in profit and loss at 5%	134,461	93,371
Amortization of revaluation, net of tax	(46,014,180)	(75,429,305)
Cumulative translation adjustment	5,763,639	1,638,211
End of year, net of tax	976,901,992	948,829,194

In 2025 and 2024, 47 out of 49 tugboats have been revalued by the Group's independent valuation specialists. The tugboats which were not subject to revaluation in 2025 and 2024 are located in Malaysia during the time of inspection of independent valuation specialists. The carrying values of these two tugboats are not material to the financial statements.

In 2025, the Group recognized an increase in carrying amount of the revalued tugboats resulting to a revaluation increment amounting to P86,580,089. 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 and a revaluation increment of P72,372,530 was recognized for the remaining tugboats.

As at December 31, 2025, certain tugboats with a net carrying value of P1,987,241,578 (2024 - P2,514,973,913) were valued at P2,095,244,812 (2024 - P2,536,965,676) 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 for market approach and level 3 for cost approach.

In 2025, the Parent Company acquired a new vehicle with a purchase price, inclusive of VAT and net of withholding tax, amounting to P5,351,786. The acquisition was made through a trade-in of an existing vehicle with a carrying amount of P1,995,536, with another vehicle which was valued at P2,651,786, and through a bank loan of P2,700,000 (Note 11). The transaction resulted in a gain of P656,250, which is presented under other income (Note 18). No similar transaction in 2024.

In 2025, the Parent Company sold certain property, plant and equipment with no remaining net book value (2024 - P43,370,366) for a total consideration of P455,000 (2024 - P19,146,378) which resulted to a gain of the same amount (2024 - P24,223,988 loss) (Note 18). As at December 31, 2025 and 2024, P100,000 of the total consideration remains uncollected and recorded as advances to employees (Note 3).

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, 2025, the Group's unpaid acquisitions of property, plant and equipment amounted to P29,086,366 (2024 - P97,748,893), 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 consolidated statement of total comprehensive income (Note 18).

As a result, the ADGI agreed with DBP that the business interruption insurance proceeds amounting to P56,532,397, net of gross receipts tax of P28,500, will be applied to the Company's outstanding borrowings (Note 11). No similar transaction in 2025.

As at December 31, 2025 and 2024, 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 P1,375,703,710 and P1,451,344,699, 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, 2025, plant, building and improvements include capitalized borrowing costs on solar power plant with a carrying value amounting to P1.38 billion (2024 - P1.45 billion). These borrowing costs were capitalized using interest rates applicable to specific loan drawdowns obtained to finance the project. The borrowings consist of multiple loan releases obtained from April 2018 to May 2019, with interest rates ranging from 6.50% to 8.65% per annum.

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 21) to property, plant 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, plant 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 statements of total comprehensive income consists of:

	Notes	2025	2024	2023
Cost of services	15	583,237,165	536,420,977	538,641,975
General and administrative expenses	16	23,115,059	30,262,184	14,517,100
		606,352,224	566,683,161	553,159,075

Construction-in-progress as at December 31, 2025 and 2024 mainly comprise of condominium property, plant and warehouse being prepared for use in operations and employee housing for site visits.

Certain tugboats, transportation equipment (other marine vehicles) and barges were used as collateral to secure the loans obtained from various banks (Note 11). Carrying amount of property, plant and equipment used as collateral are as follows:

	2025	2024
Tugboats	2,125,847,130	1,594,899,537
Barges	98,570,090	168,217,867
Transportation equipment (other marine vehicles)	6,370,463	11,285,965
	2,230,787,683	1,774,403,369

Critical accounting estimates

(a) Useful lives of property, plant and equipment at revalued amounts

The Group's management determines the estimated useful lives for its property, plant and equipment at revalued amounts 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, plant and equipment differ by +/- 10% from management's estimates, the carrying amount of property, plant and equipment at revalued amount, net as at December 31, 2025 would have been P63,317,584 higher or P77,388,158 lower (2024 - P60,901,443 higher or P74,435,097 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, plant and equipment differ by +/- 10% from management's estimates, the carrying amount of property, plant and equipment at cost, net as at December 31, 2025 would have been P12,583,189 higher or P15,379,453 lower (2024 - P11,212,146 higher or P13,703,734 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, plant and equipment at a revalued amount.

The Group engaged independent valuation specialists in determining the fair value of its tugboats as at December 31, 2025 and 2024. Management deems that the revalued amounts of tugboats not subjected to the independent appraisal in 2025 and 2024 still approximate the fair value as at reporting dates considering the comparable prices of similar tugboats and that they are relatively new.

The fair value of the tugboats is within Level 2 hierarchy for market approach and Level 3 hierarchy for cost approach . The fair value of tugboats was determined using market approach and cost approach. Under the market approach, an estimate was made using prices and other relevant information based on market transactions of comparable assets. Prices were derived from market listings of identical tugboats. Under the cost approach, an estimate was made of the current cost of reproduction and/or replacement of the property in accordance with prevailing market prices for materials, equipment and labor, among others. Prices were derived from available dealers and manufacturers. If certain materials are of foreign origin, pricing process considered import costs including freight and handling. Adjustments are then made to reflect depreciation resulting from physical deterioration plus any functional and economic obsolescence taking into account age and condition.

Critical accounting judgment

(a) Impairment of property, plant and equipment

The Group's property, plant and equipment, except for tugboats, is carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of property, plant and equipment and the amount and timing of recorded provision for any period.

As at December 31, 2025 and 2024, 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	2025	2024
Cost			
At January 1		50,809,439	45,404,201
Additions		5,017,545	5,405,238
At December 31		55,826,984	50,809,439
Accumulated amortization			
At January 1		42,252,681	38,883,381
Amortization	16	6,157,943	3,369,300
At December 31		48,410,624	42,252,681
Net book values		7,416,360	8,556,758

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, 2025 and 2024.

8 Investment properties

As at December 31, 2025 and 2024, the Group's investment properties consist of parcels of land in various locations, which are held for capital appreciation are measured at cost.

There were no movements in investment properties for the years ended December 31, 2025 and 2024.

The estimated fair value of the investment properties in Lemery, Batangas as at December 31, 2025 and 2024 amounted to P527.08 million based on identified market prices. As at December 31, 2025 and 2024, the Palawan and Oriental Mindoro land have an estimated fair value of P362.33 million and P309.98 million, respectively.

The value of the land was estimated through Market Approach. This is a comparative approach that considers the sales of similar or substitute assets and related market data. In general, an asset being valued is compared with similar items that have been transacted in the market of that are listed or offered for sale, with appropriate adjustment to reflect different properties or characteristics, such as location, size, shape, characteristics of the lot, and present and prospective use.

Direct operating expenses amounting to P13.9 million (2024 - P4.61 million), pertaining to the payment for the security and other expenses of Lemery property were incurred for the year ended December 31, 2025. There was no income earned related to the investment properties for the years ended December 31, 2025 and 2024.

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, 2025 and 2024, 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:

	2025	2024
Input VAT, net of output VAT	472,037,476	332,777,710
Allowance for impairment of input VAT	(156,822,526)	(106,941,761)
Input VAT, net	315,214,950	225,835,949
Leasehold rights, net	15,327,702	16,179,241
Performance bond	829,092	829,092
Financial asset at FVOCI	3,000,000	810,000
Prepaid professional fees	7,500,000	7,500,000
Refundable deposits	3,455,345	3,234,767
	345,327,089	254,389,049

The movements in allowance for impairment of input VAT for the years ended December 31 follows:

	Note	2025	2024
As at January 1		106,941,761	91,370,425
Provision for impairment	16	49,880,765	15,571,336
As at December 31		156,822,526	106,941,761

The Group's leasehold rights pertain to the following:

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	2025	2024
Cost			
As at January 1 and December 31		21,288,472	21,288,472
Accumulated amortization			
As at January 1		(5,109,231)	(4,257,692)
Amortization	16	(851,539)	(851,539)
As at December 31		(5,960,770)	(5,109,231)
Net book value		15,327,702	16,179,241

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.

The movements in the equity investments for the years ended December 31 is as follows:

	2025	2024
Cost		
January 1 and December 31	970,000	970,000
Fair Value Adjustments		
January 1	(160,000)	(160,000)
Recognition of gain in revaluation	2,190,000	-
December 31	2,030,000	(160,000)
Financial assets at FVOCI	3,000,000	810,000

Movements of the accumulated fair value gains on equity investments recognized by the Group in other comprehensive income for the years ended December 31 are as follows:

	Note	2025	2024
January 1		(160,000)	(160,000)
Fair value gain		2,190,000	-
Deferred tax	22	(547,500)	-
		1,642,500	-
December 31		1,482,500	(160,000)

Critical accounting estimate

Recoverability of input VAT

Allowance for impairment of input VAT is maintained at a level considered adequate to provide for potentially unrecoverable tax claims from excess input VAT. An evaluation of the recoverability of the excess input VAT, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to the evaluation of its future utilization, in determining provision for impairment of input VAT. A change in the provision would impact the Group's recorded carrying value of input VAT and provision for impairment.

Further, based on management assessment, out of the total carrying amount of input VAT as at December 31, 2025, P122,689,630 presented under "Prepayments and other current assets" in the consolidated statements of financial position (2024 - P184,392,674) (Note 4), will be realized in the next twelve (12) months after reporting date. The remaining balance amounting to P315,214,950 presented under "Other non-current assets" will be realizable beyond twelve (12) months after the reporting date (2024 - P225,835,949).

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	2025	2024
Current			
Trade payables		584,134,610	612,184,906
Accrued expenses			
Interest	11	35,647,943	357,883,395
Tug assistance		45,469,757	45,469,757
Fuel		56,289,818	61,011,304
Construction costs		20,519,002	20,519,002
Real property tax		13,600,300	13,600,300
Marketing		8,119,863	8,006,311
Employee-related costs		7,356,206	5,898,817
Payable to suppliers		2,175,806	-
Accrued contracted services		-	2,440,212
Others		14,458,404	21,015,581
Advances from officers and employees		74,012,021	46,957,021
Payable to government agencies		18,686,648	18,196,869
Others		13,064,472	11,234,503
		893,534,850	1,224,417,978
Non-current			
Trade payable		2,834,504	9,298,942

Trade payables are generally non-interest-bearing and are settled in thirty (30) to ninety (90) days' term.

In 2021, the Group entered into a purchase agreement with a foreign supplier for the purchase of tugboat with an upfront payment of 50% and the remaining balance to be settled in 36 monthly installment payment bearing an interest rate of 5.25% per annum. This was fully settled in 2024.

In 2024, the 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. There were no similar transactions entered in 2025.

As at December 31, 2025, P2,834,504 (2024 - P9,298,942) is classified as trade payable, non-current in the consolidated statements of financial position.

In 2025, total interest expense related to trade payables to local suppliers charged in the consolidated statement of total comprehensive income amounted to P1,599,986 (2024 - P2,815,452; 2023 - P1,901,937).

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 P71,613,007 in 2025 (2024 - P30,592,380) (Note 20), which is part of advances from officers and employees.

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:

	2025	2024
Current portion	2,280,270,137	938,338,867
Non-current portion	1,115,884,389	2,371,207,544
	3,396,154,526	3,309,546,411

(a) Long-term borrowings

The movement in borrowings for the years ended December 31 are as follows:

	Note	2025	2024
As at January 1		3,309,546,411	3,550,642,420
Cash transactions			
Proceeds from new borrowings		84,668,000	87,616,000
Principal payments		(270,689,756)	(265,762,419)
Principal payments thru insurance claims		-	(55,933,866)
Non-cash transactions			
Capitalized interest		413,086,815	-
Net gain on debt restructuring	18	(96,945,227)	-
Amortization of discount and premium on debt restructuring		(47,547,170)	(9,786,845)
Total		3,392,119,073	3,306,775,290
Unrealized foreign exchange loss		4,035,453	2,771,121
As at December 31		3,396,154,526	3,309,546,411

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 was deemed immaterial.

On October 6, 2025, the Parent Company entered into a loan restructuring agreement with Rizal Commercial Banking Corporation (RCBC) whereby the loan term was extended for another five (5) years, ending on July 20, 2027. No other changes or additions were made to the previously existing loan provisions. A loss on debt restructuring amounting to P810,435 was recognized in 2025.

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 was 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 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 consolidated statements of cash flow.

The restructured loan agreement with DBP and RCBC 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.

On April 30, 2025, the Parent Company entered into a three (3) year loan agreement with a local bank for a principal amount of P30,000,000 with an interest rate of 10%. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing April 30, 2028 until maturity of the loan. On September 15, 2025, the Parent Company entered into another three (3) year loan agreement with a local bank for a principal amount of P4,668,000 with an interest rate of 8.5% to finance the purchase of two (2) vehicles. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing on September 15, 2028 until maturity of the loan. On October 5, 2025, the Parent Company entered into a five (5) year loan agreement with a local bank for a principal amount of P50,000,000 with an interest rate of 15%.

As at December 31, 2025, the Parent Company is compliant with all non-financial covenants, including maintaining proper operations, records, legal and environmental compliance, timely reporting and obligations, and required permits and disclosures, while also observing all restrictions on changes in business or ownership, additional borrowings, asset disposals, related-party transactions, and the creation of liens or similar encumbrances.

In 2025 and 2024, the Parent Company is compliant with all its debt covenants.

As at December 31, 2025, the Parent Company's long-term borrowings bear annual interest rate ranging from 5.25% to 15.00% (2024 - 8.50% to 15.00%) 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, 2025 amounted to P132,721,470 (2024 - P149,388,775; 2023 - P152,063,393).

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 consolidated statements of cash flows.

In 2025, ADGI fully paid capitalized interest and other related charges amounting to P90.20 million, resulting in no outstanding balance related to such loan as at December 31, 2025.

On December 19, 2025, ADGI entered into a restructuring agreement relating to loans originally executed on April 16, 2021. The outstanding principal amounting to P1,584,900,000 was repriced from an original interest rate of 6.5% per annum to 4.0% per annum for the first two years, and 6.5% per annum for the succeeding years, with a final maturity on October 19, 2030. In addition, the interest initially due last October 2025 amounting to P413,086,815 was capitalized and bears interest at a fixed rate of 4.00% per annum for the entire five year term, maturing on October 19, 2030. A gain on debt restructuring amounting to P97,755,662 was recognized in 2025.

The restructured loans are secured by existing and continuing collateral, which include (i) a 100% share pledge by ADGI shareholders, (ii) assignment of receivables from SOCOTECO II, (iii) assignment of rights and project contracts, including EPC contracts, insurance policies, and DOE rights, triggered upon the occurrence of an event of default, (iv) a first priority chattel mortgage over buildings, improvements, machinery, and equipment with an aggregate value of approximately P1.58 billion, and (v) continuing insurance coverage endorsed in favor of DBP.

As at December 31, 2025, ADGI is compliant with all non-financial covenants, including maintaining proper operations, records, legal and environmental compliance, timely reporting and obligations, and required permits and disclosures, while also observing all restrictions on changes in business or ownership, additional borrowings, asset disposals, related-party transactions, and the creation of liens or similar encumbrances.

As at December 31, 2025, ADGI's outstanding borrowings are also subject to certain financial covenants under the restructured loan agreement with DBP:

- maintaining a maximum debt-to-equity ratio of 70:30;
- minimum current ratio of 1.0:1.0; and
- minimum debt service coverage ratio of 1.0:1.0

Based on ADGI's financial position as at the reporting date, financial covenants have been complied with except for the debt-to-equity ratio. Accordingly, no waiver was obtained and the outstanding balance of the related borrowings has been reclassified as part of current liabilities in the consolidated statement of financial position as at December 31, 2025.

As at December 31, 2025 and 2024, ADGI's long-term borrowings bear annual interest rate of 4.00% to 6.50% and are payable in various installments maturing on October 19, 2030.

For the year ended December 31, 2025, total interest expense from borrowings charged to the statements of total comprehensive income amounted to P36,801,574 (2024 - P104,749,612). The fair value of long-term borrowings approximates its carrying values as at December 31, 2025 and 2024. Total interest expense from borrowings charged through profit or loss in the consolidated statements of total comprehensive income amounted to P63,852,455 (2024 - P105,317,475; 2023 - P104,449,372).

As at December 31, 2025 and 2024, the loans from DBP are collateralized by a security agreement, agreed in April 2021, on the Company's solar power plant with carrying values of P1,375,703,710 and P1,451,344,699, respectively (Note 6).

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. Certain tugboats with carrying amount of P202,682,060 were pledged as collateral for the loan.

Total interest expense from borrowings charged though statements of total comprehensive income for the year ended December 31, 2025 amounted to P6,656,644 (2024 - P6,074,226; 2023 - P4,442,424).

The fair value of long-term borrowings approximates its carrying value as at December 31, 2025 and 2024.

(b) Short-term loans

The movements in short-term loans for the years ended December 31 are as follows:

	2025	2024
Beginning balance	-	-
Cash transactions		
Proceeds	36,619,260	55,725,500
Payments	(36,619,260)	(55,725,500)
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.

In 2025, the Parent Company entered into a new loan agreement with a director and shareholder for a principal of P16,619,260 (including JPY15,000,000 or P5,569,260) 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 2025.

In 2025, the Parent Company entered into various short term loans with a third-party creditor for a total principal of P20,000,000. The loan bears an average interest rate of 1.50% per month which has been fully settled as at December 31, 2025.

The movements in interest payable for the years ended December 31 are as follows:

	Note	2025	2024
Beginning balance		357,883,395	318,732,232
Interest expense		250,777,739	266,727,240
Capitalized interest		(413,086,815)	-
Insurance indemnity		-	(570,031)
Interest payments		(159,926,376)	(227,006,046)
Ending balance	10	35,647,943	357,883,395

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.

Net debt reconciliation

Detailed analysis of net debt and the movements in net debt for the years ended December 31 are presented below:

	Notes	2025	2024
Borrowings, beginning		3,667,429,806	3,869,374,652
Proceeds from new borrowings		84,668,000	87,616,000
Interest expense		250,777,739	266,727,240
Amortization of discount and premium on debt restructuring		(47,547,170)	(9,786,845)
Principal payments		(270,689,756)	(265,762,419)
Principal payment thru insurance claims		-	(55,933,866)
Interest payments		(159,926,376)	(227,006,046)
Interest payments thru insurance claims		-	(570,031)
Net gain on debt restructuring		(96,945,227)	-
Unrealized foreign exchange loss		4,035,453	2,771,121
Borrowings, ending		3,431,802,469	3,667,429,806
Cash and cash equivalents	2	(349,150,939)	(383,033,395)
Lease liability, current portion	21	8,262,916	7,253,871
Lease liability, net of current portion	21	32,921,821	38,966,037
Net debt		3,123,836,267	3,330,616,319

Net unrealized foreign exchange loss for the year ended December 31, 2025 amounted to P4,035,453 (2024 - P2,771,121 loss; 2023 - P1,408,908 gain) (Note 23). Total borrowings denominated in foreign currency as at December 31, 2025 amounted to P45,746,391 (2024 - P55,834,154).

12 Paid-in capital

As at December 31, 2025 and 2024, the Parent Company's authorized share capital amounting to P2 billion is composed of P2 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, 2025 and 2024	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.

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 at 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, 2025 and 2024.

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:

	2025	2024	2023
Net earnings attributable to Parent Company	60,943,885	112,930,293	29,705,469
Weighted average number of common shares - basic and diluted	894,586,870	894,586,870	894,586,870
Basic and diluted earnings per share	0.068	0.126	0.033

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:

	2025	2024	2023
Over time			
Harbor assistance, net of discounts	1,726,612,413	1,875,996,853	1,759,951,115
Oil spill response services	189,775,434	370,968,090	379,631,200
Generation of solar power	166,654,091	193,362,467	121,448,064
Dredging and underwater services	131,302,708	157,614,697	25,339,450
Lighterage services	131,014,002	56,209,170	113,085,735
Salvage	124,648,184	6,623,380	8,928,060
Construction	123,150,159	220,071,722	96,272,954
Towing services	48,435,033	39,217,220	56,603,494
Ferrying services	31,046,686	31,445,644	25,053,259
Others	118,261,146	86,329,233	57,866,774
	2,790,899,856	31,037,838,476	2,644,180,105
At a point in time			
Generation of solar power	-	-	18,881,940
	2,790,899,856	3,037,838,476	2,663,062,045

Harbor assistance pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port. The amount of revenue recognized for the year ended December 31, 2025 is net of discounts amounting to P114.62 million (2024 - P146.85 million; 2023 - P129.15 million).

Others consist of income generated from oil spill response services, dredging services, other services (reimbursements and warehouse rentals), diving and other underwater services and ferrying 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	2025	2024	2023
Depreciation	6	583,237,165	536,420,977	538,641,975
Fuel and lubricants		496,657,991	454,911,282	430,825,522
Personnel costs	17	282,821,769	389,152,957	308,457,825
Charter hire		148,430,391	99,986,839	31,882,939
Supplies and construction supplies		134,730,230	212,615,468	157,183,325
Outside services		141,963,025	140,424,608	100,754,305
Insurance		87,745,572	75,739,500	73,596,756
Rent	21	53,403,746	58,312,133	17,353,239
Repairs and maintenance		47,175,663	50,772,152	44,340,154
Port		28,996,262	28,420,476	26,261,938
Transportation and travel		20,148,275	24,900,176	24,223,333
Taxes and licenses		10,782,297	21,934,273	4,425,811
Professional fees		9,297,047	14,156,832	16,852,780
Amortization right-of-use assets	21	3,264,513	2,235,346	2,837,766
Communications, light and water		2,839,656	3,643,155	5,739,016
Others		39,762,319	38,641,480	22,954,276
		2,091,255,921	2,152,267,654	1,806,330,960

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	2025	2024	2023
Personnel costs	17	201,545,687	185,174,635	159,032,211
Taxes and licenses		64,679,064	80,592,018	49,323,317
Provision for impairment of input VAT	4,9	50,507,963	15,759,091	15,906,103
Repairs and maintenance		30,030,176	29,192,128	36,061,277
Transportation and travel		29,925,469	31,233,215	35,096,616
Representation and entertainment		28,734,434	52,647,698	52,252,418
Depreciation and amortization	6	23,115,059	30,262,184	14,517,100
Supplies and construction materials		14,964,674	36,572,451	12,857,914
Professional fees		13,553,453	17,341,899	11,573,635
Outsourced services		12,200,304	10,367,819	14,066,807
Insurance		11,647,499	7,414,345	6,526,040
Utilities		8,842,692	6,580,145	4,498,400
Amortization of right-of-use assets	21	7,154,134	8,607,921	2,585,813
Amortization of computer software	7	6,157,943	3,369,300	13,151,618
Rent	21	4,952,618	7,574,366	5,649,434
Communications		4,252,262	3,851,618	5,987,937
Advertising and promotions		2,077,943	640,224	143,009
Registration and membership fees		1,632,953	2,741,031	1,799,400
Direct write-off of other receivables	3	833,171	5,306,812	25,913
Amortization of leasehold rights	9	851,539	851,539	1,891,468
Fuel and lubricants		-	-	40,300
Others		17,129,276	22,739,363	11,573,243
		534,788,313	558,819,802	454,559,973

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	2025	2024	2023
Cost of services				
Salaries and wages		104,262,232	156,082,749	161,788,140
Crew expense		30,942,450	17,809,553	39,787,971
Tug and barge operations		15,221,816	31,738,534	29,980,383
Retirement benefits	19	17,055,630	14,676,588	14,544,141
Other employee benefits		115,339,641	168,845,533	62,357,190
	15	282,821,769	389,152,957	308,457,825
General and administrative expenses				
Salaries and wages		159,428,156	144,239,243	134,320,457
Retirement benefits	19	7,174,385	5,607,238	5,687,681
Other employee benefits		34,943,146	35,328,154	19,024,073
	16	201,545,687	185,174,635	159,032,211
		484,367,456	574,327,592	467,490,036

Other employee benefits mainly pertain to the employer's share on statutory contributions and insurance, leave credit conversion and other allowances.

18 Other income, net

The components of other income, net for the years ended December 31 consist of:

	Notes	2025	2024	2023
Net gain on debt restructuring	11	96,945,227	-	-
Income from other services		37,021,854	-	-
Gain on write-off or reversal of payables		8,713,338	53,631,193	13,015,811
Interest income	2, 3	5,420,516	1,451,287	1,304,427
Gain (Loss) on sale of property, plant and equipment, net	6	1,111,250	(24,223,988)	-
Foreign exchange loss, net	23	(5,916,536)	(1,041,920)	(8,959,994)
Insurance claims		-	229,474,176	40,640,732
Loss on write-off of CWT	4	-	(11,220,363)	-
Others		8,146,140	(8,226,775)	(2,817,788)
		151,441,789	239,843,610	43,183,188

Gain on write-off or reversal of payables pertains to the write-off of payables that were cancelled due to supplier contracts that did not push through.

Gains on write-off or reversal of payables pertain to the reversal of previously recognized liabilities due to cancellation of contracts.

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.

Income from other services pertains to the reimbursements for consumables, fresh water and fuel deliveries.

Others pertain to cost recharges including 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 and loss on restructuring of loan.

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, 2025.

The amounts recognized in the consolidated statements of financial position as present value of defined benefit obligation amounted to P201,292,833 and P178,034,829 as at December 31, 2025 and 2024, 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:

	2025	2024
As at January 1	178,034,829	164,520,519
Current service cost	13,526,135	12,412,363
Interest cost	10,703,880	7,871,463
Benefits paid	(3,401,395)	(1,598,870)
Remeasurement (gain) loss due to:		
Experience adjustments	(4,686,275)	(5,081,481)
Changes in financial assumptions	7,115,659	(89,165)
As at December 31	201,292,833	178,034,829

The amounts recognized as retirement benefit expense in the consolidated statements of total comprehensive income for the years ended December 31 are as follows:

	2025	2024	2023
Current service cost	13,526,135	12,412,363	12,148,416
Interest cost	10,703,880	7,871,463	8,083,406
	24,230,015	20,283,826	20,231,822

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 loss (gain) on defined benefit obligation recognized in other comprehensive income for the years ended December 31 are as follows:

	Note	2025	2024	2023
Due to change in financial assumptions		7,115,659	(89,165)	8,270,271
Due to change in demographic assumption		-	-	(13,288,514)
Due to experience		(4,686,275)	(5,081,481)	8,505,253
Remeasurement loss (gain)		2,429,384	(5,170,646)	3,487,010
Deferred income tax expense	22	(607,346)	1,292,662	(871,753)
Remeasurement loss (gain), net of tax		1,822,038	(3,877,984)	2,615,257

Movements in cumulative other comprehensive income related to retirement benefit obligation for the years ended December 31 presented as part of retained earnings in the consolidated statements of financial position follows:

	Note	2025	2024
As at January 1		39,891,200	43,769,184
Remeasurement loss (gain) for the year		2,429,384	(5,170,646)
Deferred income tax effect	22	(607,346)	1,292,662
As at December 31		41,713,238	39,891,200

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2025	2024
Less than one year	116,954,450	77,595,898
More than one year to five years	27,332,938	61,498,497
More than five years to 10 years	66,696,717	49,068,976
More than 10 years to 15 years	103,183,160	84,931,461
More than 15 years to 20 years	92,686,909	70,186,594
More than 20 years	222,572,600	156,538,797
Total expected payments	629,426,774	499,820,223

The average duration of the defined benefit obligation at the end of the reporting period is 8.48 years (2024 - 7.97 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 retirement plan. The assumptions used in 2025 are consistent with those applied in 2024.

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:

	2025	2024
Discount rate	6.40%	6.11%
Salary growth rate	6.00%	5.00%

The sensitivity of the defined benefit obligation at December 31 to changes in the significant weighted principal assumptions is:

	2025			2024		
	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%	(8,398,820)	9,664,085	1%	(7,338,336)	8,406,933
Salary growth rate	1%	10,623,047	(9,448,196)	1%	9,335,619	(8,332,560)

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	2025	2024	2023
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.	18,769,583	32,983,169	63,070,507

The table below summarizes the outstanding balances with related parties as at December 31:

	Terms and conditions	Notes	2025	2024
Advances to related party, net of provision:				
Officers and shareholders	These are unsecured, non-interest bearing and are subject to liquidation.	3	24,156,623	19,363,715
Advances from related parties:				
Officers	These are unsecured, non-interest bearing, due on demand and are to be paid in cash.	10	(71,613,007)	(30,592,380)
Associate	These are unsecured, non-interest bearing, due on demand and are to be paid in cash.		(18,292,929)	(17,725,458)

Key management compensation and benefits

Key management compensation and benefits for the years ended December 31 consist of:

	Terms and conditions	2025	2024	2023
Salaries and short term employee benefits	Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in accordance with the Group's payroll period. These were fully paid at reporting date.	86,886,625	83,432,319	72,988,847
Retirement benefits	Retirement benefits are determined and payable in accordance with policies disclosed in Note 26.13. These will be settled upon retirement of key management.	6,037,261	7,414,088	7,279,278
Professional fees	Professional fees are paid to a director holding key position in the Parent Company.	440,000	655,250	520,000
		93,363,886	91,501,657	80,788,125

As at December 31, 2025 and 2024, 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, 2025, 2024 and 2023.

For the years ended December 31, 2025 and 2024, 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 the 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:

	2025	2024	2023
Advances to related parties	1,564,100,983	1,428,012,119	1,538,271,906
Advances from related parties	1,564,100,983	1,428,012,119	1,538,271,906
Investment in subsidiaries and associate	(201,237,436)	(206,311,958)	(147,143,984)
Cost of services	41,859,786	-	-
Other income, net	41,859,786	-	-
Dividends	3,286,024	1,199,760	9,895,945

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.

For the years ended December 31, 2025, 2024 and 2023, amounts under Cost of services and Other income, net relate to intercompany recharges. Dividends pertain to dividends received from associates (Note 5).

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. The Group has existing material related party transaction policy to adhere with SEC Memorandum Circular No. 10, Series of 2019 which include: *the identification of related parties, coverage of material related party transactions, identification and prevention or management of potential or actual conflicts of interests arising out of or in connection with the material related party transactions, guidelines in ensuring arm's length terms, approval of material related party transactions, and disclosure requirements, whistleblowing mechanisms, and remedies for abusive material related party transactions.*

21 Leases

The Group has entered into long term and short term lease agreements in 2025 and 2024.

(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. It was subsequently renewed for another two (2) years until February 14, 2025. The same office lease was renewed on February 15, 2025 until February 14, 2027 and was accounted for under PFRS 16. As at December 31, 2025, the required security deposit amounted P67,541 (2024 - P50,400). This is presented as refundable deposits under "Other non-current assets" and “Prepayments and other current assets” (Notes 9 and 4) in the consolidated statements of financial position in 2025 and 2024, respectively.

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. It was subsequently renewed for another two (2) years until March 31, 2025. The same office lease was renewed on April 1, 2025 until March 31, 2028 and was accounted for under PFRS 16. As at December 31, 2025 and 2024, the required security deposit amounted P51,000. This is presented as refundable deposits under "Other non-current assets" and “Prepayments and other current assets” (Notes 9 and 4) in the consolidated statements of financial position in 2025 and 2024, respectively.

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 and was subsequently treated as an agreement that was accounted for as a lease under PFRS 16.

On November 18, 2021, HSSC entered into sub-lease agreement for its Subic office space with a third party. The agreement provides the Company with the exclusive rights over Units 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. The Company made an advance payment amounting to P1,188,860 upon signing of the sublease agreement.

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.

In October 2025, the same lease was renewed for another three (3) years which will expire on September 2028. As at December 31, 2025 and 2024, the required security deposit amounted to P102,037 and P50,000, respectively. This is presented as refundable deposits under "Other non-current assets" and “Prepayments and other current assets” (Notes 9 and 4) in the consolidated statements of financial position in 2025 and 2024, respectively.

(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). As at December 31, 2025, the Parent Company has unpaid lease payments amounting to P6,000,000 (2024 - nil) and was presented under Trade and Other Payables (Note 10).

(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 the statements of total comprehensive income for the years ended December 31 are as follows:

	Notes	2024	2023	2022
Cost of services	15	53,403,746	58,312,133	17,353,239
General and administrative expenses	16	4,952,618	7,574,366	5,649,434
		58,356,364	65,886,499	23,002,673

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, 2025, refundable deposits amounted to P14.98 million (2024 - P6.14 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, 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	1,080,784	4,355,165	-	33,626,675	39,062,624

	Office space and warehouse	Construction equipment	Barge	Land	Total
Cost					
January 1, 2025	4,824,966	4,751,089	-	47,909,119	57,485,174
Additions	2,746,884	-	-	-	2,746,884
Retirement	(1,000,295)	-	-	-	(1,000,295)
December 31, 2025	6,571,555	4,751,089	-	47,909,119	59,231,763
Accumulated amortization					
January 1, 2025	3,744,182	395,924	-	14,282,444	18,422,550
Amortization	984,923	2,375,544	-	7,058,180	10,418,647
Retirement	(1,000,295)	-	-	-	(1,000,295)
December 31, 2025	3,728,810	2,771,468	-	21,340,624	27,840,902
Net carrying amount					
December 31, 2025	2,842,745	1,979,621	-	26,568,495	31,390,861

Movements in lease liabilities for the years ended December 31 are as follows:

	2025	2024
As at January 1	46,219,908	50,499,251
Additions	2,746,884	5,039,355
Principal payments	(9,031,172)	(10,555,598)
Interest payments	(1,234,326)	(1,396,556)
Interest expense	2,483,443	2,633,456
As at December 31	41,184,737	46,219,908
Current	8,262,916	7,253,871
Non-current	32,921,821	38,966,037
	41,184,737	46,219,908

(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	2025	2024
Expense relating to short-term lease	15, 16	58,356,364	65,886,499
Interest expense on lease liabilities		2,483,443	2,633,456
Amortization expense of right-of-use asset	15, 16	10,418,647	10,843,267
		71,258,454	79,363,222

The total cash outflows for leases for the year ended December 31, 2025 amounted to P62.62 million (2024 - P77.84 million).

(e) Discount rate

The lease payments for office space and warehouse lease and barge are discounted at 5.42% to 6.76% in 2025 (2024 - 3.13% to 6.76%), which is Group's incremental range of borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(f) Extension and termination options

Extension and termination options are included in the lease agreements of the Group. These are used to maximize the operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable upon mutual agreement by both parties unless specifically stated that extension and termination is at the option of the lessee.

Critical accounting estimates and judgment

(a) Incremental borrowing rate of lease liabilities

Payments for leases of office space and warehouse lease and barge are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Group uses the government bond yield, adjusted for the (1) credit spread specific to each entity under the Group and (2) security using the right-of-use asset.

(b) Determining lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

(c) Extension and termination options of lease agreements

Extension and termination options are included in a number of properties, plant and equipment leases of the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Extension options are considered in the bareboat charter lease agreement of the Group based on the letter of intent.

(d) Purchase option

Management evaluates whether it is reasonably certain to exercise the option to purchase the underlying asset at the end of the lease term. In making this determination, all relevant facts and circumstances that create an economic incentive to exercise or not exercise the option are considered. The lessee remeasures its lease liability when a significant event or substantial change in circumstances within its control alters any of its assessments regarding what is reasonably certain. Judgement is applied by the lessee in identifying significant events or changes in circumstances that necessitate reassessment of these options.

Purchase options are considered in the bareboat charter and construction equipment finance lease recognition.

22 Income tax expense

All the companies in the Group are subject to normal corporate income tax rate at 25% in 2025 and 2024 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 of 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 for the years ended December 31 is as follows:

	2025	2024	2023
Current	38,898,502	83,940,947	76,556,277
Deferred	6,244,076	(1,928,036)	(26,823,210)
	45,142,578	82,012,911	49,733,067

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:

	2025	2024
DIT assets:		
To be recovered within 12 months		
Allowance for impairment of receivables	29,056,148	32,061,514
Unrealized foreign exchange loss, net	-	63,439
	29,056,148	32,124,953
To be recovered more than 12 months		
Retirement benefit obligation	49,982,935	44,267,639
Unabsorbed capital allowances	12,212,976	14,279,812
Unutilized tax losses	12,094,450	12,094,450
Impairment loss on tugboats	12,720,775	16,989,932
Premium on loans payable	882,627	2,781,790
	87,893,763	90,413,623
	116,949,911	122,538,576

	2025	2024
DIT liabilities		
To be settled within 12 months		
Property, plant and equipment	(56,650,504)	(50,290,977)
Lease liabilities	(682,384)	(1,093,099)
Unrealized foreign exchange gain, net	(55,944)	-
	(57,388,832)	(51,384,076)
To be settled more than 12 months		
Revaluation increment on property, plant and equipment	(309,979,578)	(306,343,764)
Discount on loans	(1,349,551)	(287,117)
Fair value reserve on financial assets at fair value	(547,500)	-
	(311,876,629)	(306,630,881)
	(369,265,461)	(358,014,957)
Cumulative translation adjustment	(15,044,133)	(1,357,403)
DIT liabilities, net	(267,359,683)	(236,833,784)

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		(236,833,784)	(243,382,220)
DIT (charged) credited to profit or loss		(6,244,076)	1,928,036
DIT (charged) credited to other comprehensive income	6, 9,19	(18,196,904)	5,977,803
Cumulative translation adjustment		(6,084,919)	(1,357,403)
As at December 31		(267,359,683)	(236,833,784)

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:

	2025	2024
Allowance for impairment of trade and other receivables	69,981,496	69,981,496
Net operating loss carry-over (NOLCO)	23,267,158	18,310,549
Lease liability	861,055	743,519
Unrealized foreign exchange loss, net	971,962	653,792
Retirement benefit obligation	129,394	94,049
	95,211,065	89,783,405

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	2025	2024
2020	2025	603,839	603,839
2021	2026	612,668	612,668
2022	2025	593,967	593,967
2023	2026	14,574,524	14,574,524
2024	2027	1,925,551	1,925,551
2025	2028	6,154,415	-
		24,464,964	18,310,549
Expired during the year		(1,197,806)	-
		23,267,158	18,310,549

The details of unrecognized DIT asset related to MCIT for the year ended December 31 are as follows:

Year of incurrence	Year of expiration	2024
2020	2023	-
2021	2024	3,688,060
2022	2025	-
		3,688,060
Expired during the year		(3,688,060)
		-

The reconciliation between income tax expense computed at the applicable statutory income tax rates and the actual income tax expense as shown in the consolidated statements of total comprehensive income for the years ended December 31 is summarized as follows:

	2025	2024	2023
Income tax expense at statutory tax rates	13,178,826	67,767,097	17,470,315
Adjustments to income tax resulting from:			
Movement in unrecognized DIT assets	98,966,896	(49,967)	(468,310)
Non-deductible expenses	33,618,774	16,308,658	29,137,985
Taxable income subject to regular rate of 25%	6,582,754	-	-
Non-deductible expenses under GIT	1,170,730	3,020,599	2,090,598
Limitation on interest expense	245,733	11,495	14,785
Interest income subjected to final tax	(1,106,794)	(78,478)	(76,974)
Share in net (income) loss of associates	(2,090,137)	14,492,054	(1,426,684)
Unrecognized NOLCO	(105,424,204)	2,916,755	14,666,260
Final income tax expense	-	-	1,134,972
Non-taxable (income) loss due to final income tax	-	(466,859)	4,024,523
Difference in tax rates	-	(21,908,443)	(2,937,839)
Applied NOLCO	-	-	(13,896,564)
Actual income tax expense	45,142,578	82,012,911	49,733,067

23 Foreign currency denominated monetary assets and liabilities

The Group's foreign currency monetary financial assets and liabilities are as follows:

	2025				2024			
	In USD	In JPY	In MYR	In EUR	In USD	In JPY	In MYR	In EUR
Assets								
Cash	677,233	1,763,833	4,311,967	-	364,514	890,132	-	-
Trade and other receivables	1,345,015	-	2,401,311	-	1,692,836	-	-	-
	2,022,248	1,763,833	6,713,278	-	2,057,350	890,132	-	-
Liabilities								
Trade and other liabilities	(3,248,297)	(1,557,270)	(2,726,368)	(120,880)	(2,861,257)	(41,146,347)	(126,101)	-
Net foreign currency assets (liabilities)	(1,226,049)	206,563	3,986,910	(120,880)	(803,907)	(40,256,215)	(126,101)	-
Year-end exchange rates	58.79	0.39	14.54	69.25	57.85	0.37	12.99	-
Philippine Peso equivalent	(72,079,421)	80,560	57,960,502	(8,371,496)	(46,506,020)	(14,843,358)	(1,637,699)	-

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	2025	2024	2023
Realized foreign exchange (loss) gain		(1,643,990)	4,566,060	1,185,282
Unrealized foreign exchange loss		(4,272,546)	(5,607,980)	(10,145,276)
	18	(5,916,536)	(1,041,920)	(8,959,994)

Net unrealized foreign exchange loss on borrowings presented as part of finance cost in the consolidated statements of total comprehensive income for the year ended December 31, 2025 amounted to P4,035,453 (2024 - P2,771,121 loss; 2023 - P1,408,908 gain) (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 on leases (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 on leases (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	2025	2024
Cash and cash equivalents	2	349,150,939	383,033,395
Trade and other receivables, gross*	3	1,623,370,034	1,624,267,830
Refundable deposits	4, 9	18,336,823	16,879,615
Financial assets at fair value through other comprehensive income (FVOCI)	9	3,000,000	810,000
		1,993,857,796	2,024,990,840

**excluding advances to employees and other receivables subject to liquidation*

Trade and other receivables are presented gross of allowance for impairment amounting to P457,490,017 as at December 31, 2025 (2024 - P412,592,644) (Note 3).

(b) Financial liabilities

The Group's financial liabilities as at December 31 are as follows:

	Notes	2025	2024
Trade and other payables*	10	857,163,704	1,192,544,049
Borrowings	11	3,396,154,526	3,309,546,411
Advances from related parties	20	18,292,929	17,725,458
Lease liabilities	21	41,184,737	46,219,908
		4,312,795,896	4,566,035,826

As at December 31, trade and other payables above exclude the following, which are considered as non-financial liabilities

	Note	2025	2024
Accrued construction cost	10	20,519,002	20,519,002
Payable to government agencies	10	18,686,648	18,196,869
Customer deposits		-	2,457,000
		39,205,650	41,172,871

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.

	2025			2024		
		Effect on income before tax				
Currency	Change in exchange rate	Increase	Decrease	Change in exchange rate	Increase	Decrease
USD	+/-1.63%	(1,109,043)	1,109,043	+/-4.47%	(1,756,571)	1,756,571
JPY	+/-2.29%	(1,843)	1,843	+/-6.56%	(1,038,610)	1,038,610
MYR	+/-11.94%	(6,919,718)	6,919,718	+/-7.63%	(116,076)	116,076
EUR	+/-14.52%	(1,215,542)	1,215,543	-	-	-

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, 2025 and 2024, 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 2025, the Parent Company paid 8.98% interest rate (2024 - 8.73%).

At December 31, 2025, if the reference rates has increased/decreased by a total of 29 basis points (2024 - 51 basis points), pre-tax profit or loss would have been P714,949 (2024 - P1.560 million) lower/higher and equity account will be P536,211 (2024 - P1.170 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. .

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, 2025					
Cash and cash equivalents	2	349,150,939	349,150,939	-	-
Trade and other receivables	3	1,623,370,034	154,934,009	1,078,852,081	389,583,944
Refundable deposits	4,9	18,336,823	18,336,823	-	-
Financial assets at FVOCI	9	3,000,000	3,000,000	-	-
		1,993,857,796	525,421,771	1,078,852,081	389,583,944
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	4,9	16,879,615	16,879,615	-	-
Financial assets at FVOCI	9	810,000	810,000	-	-
		2,024,990,840	532,136,338	1,103,012,224	389,842,278

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 2025 and 2024.

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:

	2025	2024
Universal banks	310,205,900	156,704,401
Commercial banks	36,065,019	223,620,835
	346,270,919	380,325,236

The remaining item in cash presented in the consolidated statements of financial position pertains to cash on hand amounting to P2,880,020 as at December 31, 2025 (2024 - P2,708,159) (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 until January 2023. To address this risk, the Company monitors the level of trade receivables from its customer and exerts all efforts to ensure collectability of its receivables.

In January 2023, the Company started to transfer its generation of solar power to WESM. Apart from the provision recognized for the receivable from its previous customer, the Company has not recognized additional loss allowance as its credit risk is not concentrated to a single customer and accounts are assessed to be fully collectible.

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 P457,490,017 in 2025 (2024 - P412,592,644). To minimize credit risk, the Group transacts only with new counterparties whose credit standing is assessed to be good. As at December 31, 2025, trade receivables and unbilled revenue amounting to P162,565,214 (2024 - P131,413,328) 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
2025				
Expected loss rate	Within 0% to 8%	Within 0% to 8%	100%	
Trade receivables	104,087,041	1,078,852,081	389,583,944	1,572,523,066
Loss allowance	8,901,762	59,004,311	389,583,944	457,490,017
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

(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 P14,981,478 as at December 31, 2025 (2024 - P6,144,848) 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, 2025 amounting to P1,078,852,081 (2024 - P1,103,012,224) 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, 2025, trade and other receivables amounting to P457,490,017 (2024 - P412,592,644) 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, 2025					
Trade and other payables	10	857,163,704	638,474,668	215,854,532	2,834,504
Borrowings	11	3,396,154,526	1,965,994,190	314,275,947	1,115,884,389
Future interest payable borrowings	11	752,913,076	36,488,732	575,551,688	140,872,656
Advances from related parties	20	18,292,929	18,292,929	-	-
Lease liabilities	21	41,184,737	2,106,086	6,156,830	32,921,821
Future interest payable on lease liabilities		15,716,513	249,090	1,806,826	13,660,597
		5,081,425,485	2,661,605,695	1,113,645,823	1,306,173,967
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
Advances from related parties	20	17,725,458	17,725,458	-	-
Future interest payable on lease liabilities		2,206,120	333,087	831,338	1,041,695
		5,106,959,626	1,697,692,510	943,006,978	2,466,260,138

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, 2025 and 2024, 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, 2025 and 2024.

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:

	2025	2024
Total debt	4,333,708,617	4,589,483,239
Total equity	2,323,460,773	2,188,609,449
Debt-to-equity ratio	1.87	2.10

The Group computes its total debt as at December 31 as follows:

	Notes	2025	2024
Trade and other payables	10	896,369,354	1,233,716,920
Borrowings	11	3,396,154,526	3,309,546,411
Lease liabilities	21	41,184,737	46,219,908
		4,333,708,617	4,589,483,239

The Group computes its total equity as at December 31 as follows:

	Notes	2025	2024
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	976,901,992	948,829,194
Financial asset at fair value through other comprehensive income		1,482,500	(160,000)
Treasury shares	12	(37,614,990)	(37,614,990)
Retained earnings attributable to the owners of Parent Company		353,200,639	248,064,613
		2,323,460,773	2,188,609,449

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, 2025 and 2024.

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, plant and equipment - tugboats and fair value measurement of financial assets at fair value through other comprehensive income.

The preparation of consolidated financial statements in conformity with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are summarized in Note 24.

Changes in accounting policies and disclosures

(a) New standards, and amendments and interpretations to existing standards adopted by the Group

The Group has applied the following relevant amendments for the first time for their annual reporting period commencing January 1, 2025:

- Amendments to PAS 21 - Lack of Exchangeability

  In August 2023, the International Accounting Standards Board (IASB) amended International Accounting Standards (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 Company does not expect these amendments to have a material impact on its operations or financial statements.

The amendments listed above did not have any impact on the amounts recognized in prior and current periods and are not expected to significantly affect future periods.

There are no new standards, and other amendments and interpretations to existing standards effective for reporting periods commencing January 1, 2025 that are considered relevant to the Group.

(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, 2025 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 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 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 does not expect this standard to have an impact on its operations or financial statements.

- PFRS 18 *Presentation and Disclosure in Financial Statements* (effective for annual periods beginning on or after January 1, 2027)

  PFRS 18 will replace PAS 1 "*Presentation of Financial Statements"*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.
  Management is currently assessing the detailed implications of applying the new standard on the Group's financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:
  - Although the adoption of PFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the statement of total comprehensive income into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following items might potentially impact operating profit:
  - Foreign exchange differences currently aggregated in the line item 'other income and other gains/(losses) – net' in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.
  - PFRS 18 has specific requirements on the category in which derivative gains or losses are recognized – which is the same category as the income and expenses affected by the risk that the derivative is used to manage. Although the Group currently recognizes some gains or losses in operating profit and others in finance costs, there might be a change to where these gains or losses are recognized, and the group is currently evaluating the need for change.

- The line items presented on the primary financial statements might change as a result of the application of the concept of ‘useful structured summary’ and the enhanced principles on aggregation and disaggregation.
- The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
- management-defined performance measures;
- a break-down of the nature of expenses for line items presented by function in the operating category of the statement of total comprehensive income – this break-down is only required for certain nature expenses; and
- for the first annual period of application of PFRS 18, a reconciliation for each line item in the statement of total comprehensive income between the restated amounts presented by applying PFRS 18 and the amounts previously presented applying PAS 1.
    - Although the adoption of PFRS 18 will have no impact on the Group’s net profit, the Group expects that grouping items of income and expenses in the statement of total comprehensive income into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following items might potentially impact operating profit:
    - Foreign exchange differences currently aggregated in the line item ‘other income and other gains/(losses) – net’ in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.
    - PFRS 18 has specific requirements on the category in which derivative gains or losses are recognized – which is the same category as the income and expenses affected by the risk that the derivative is used to manage. Although the Group currently recognizes some gains or losses in operating profit and others in finance costs, there might be a change to where these gains or losses are recognized, and the group is currently evaluating the need for change.
    - The line items presented on the primary financial statements might change as a result of the application of the concept of ‘useful structured summary’ and the enhanced principles on aggregation and disaggregation.
    - The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
    - management-defined performance measures;
    - a break-down of the nature of expenses for line items presented by function in the operating category of the statement of total comprehensive income – this break-down is only required for certain nature expenses; and
    - for the first annual period of application of PFRS 18, a reconciliation for each line item in the statement of total comprehensive income between the restated amounts presented by applying PFRS 18 and the amounts previously presented applying PAS 1.

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, 2025 and 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 acquiree) 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, 2025 and 2024, the Group has assessed that the goodwill arising from the business combination was fully impaired and thus, fully written-off in the consolidated financial statements.

26.4 Investments and other financial instruments

The Group recognizes a financial instrument in the consolidated statements of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value through other comprehensive income; and
- those to be measured at amortized cost

The classification depends on an entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group has (a) financial assets classified as financial assets at amortized cost as at December 31, 2025 and 2024 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 is 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, 2025 and 2024, the Group's financial liabilities are limited to other financial liabilities at amortized cost.

The Group's trade and other payables (excluding payable to government agencies, unliquidated expenses and unearned income), advances from related parties, short-term loans and borrowings, 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, 2025 and 2024. Total intercompany receivables that can be offset against payables amounts to P226,847,468 in 2025 (2024 - P130,977,231).

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 are 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 (vi) dredging and underwater services (vii) ferrying services. These services are provided on a time-basis or as a fixed-price contract, net of any subsequent discounts. Those that are on a time-basis are recognizing revenue over time while for fixed-price contracts, revenue recognition varies between recognizing over time and at a point in time. Discounts are considered as part of the transaction price when granting such is highly probable. Contract terms of services generally range from less than a year. Revenue from providing the performance obligation, the different services as previously mentioned above, 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 Company is engaged in the generation and sale of solar energy. The Company recognizes revenue from contracts with customer which pertains to generation of electricity over time when control of the goods or services are transferred to the customers at transaction price that reflects the consideration to which the Company expects to be settled in exchange for the services. Revenue from sale of electricity is recognized monthly based on the actual energy delivered.

(c) Revenue/Income on construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or combination of assets that are closely interrelated or interdependent in terms of their design and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the accounting period.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the ‘percentage of completion method’ to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These are presented as inventories, prepayments or other assets, depending on their nature.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately in profit or loss as part of cost of construction contracts, with a corresponding credit to allowance. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract.

Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins will be recognized in the year in which the changes are determined.

Progress payments received under the construction contracts are deducted from contract assets as the contract is completed. Progress payments received before corresponding work has been performed (or in excess of percentage of completion) are presented as advances from customers under trade and other payable in the consolidated statements of financial position.

The Group recognizes on a net and gross basis when it satisfies its promise to facilitate the service over a period of time when it is not a principal in a contract and acting as the principal in a contract, respectively. The Group is not the principal for construction contracts, wherein the Group does not control the service before it is transferred to a customer and the Group is not solely responsible for the service and discretion in establishing contract prices.

(d) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(e) Contract assets and liabilities

Lighterage services are normally billed to the customer one month in advance. The customer pays the fixed amount based on the billing. If the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognized. If the total payments received to date exceed the performance obligation fulfilled, a contract liability is recognized and is presented as unearned revenue. The contract assets are transferred to receivables when the Group's rights to the contract consideration become unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Other income

(a) Interest income

Interest income is recognized in profit or loss on a time-proportion basis using the effective interest method. Interest income from cash in banks and short-term placements is presented net of final taxes paid and withheld.

(b) Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.

26.19 Costs and expenses

Costs and expenses are recognized:

(a) on the basis of a direct association between the costs incurred and the earning of specific items of income;
(b) on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or
(c) immediately and as incurred (i.e. when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statements of financial position).

Costs and expenses are presented in the profit or loss according to their function.

26.20 Leases where Group is a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis.

(a) Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

(b) Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally amortized over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are amortized over the underlying asset's useful life.

(c) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise car rental and storage fee.

26.21 Earnings (Loss) per share

(a) Basic

Basic earnings (loss) per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Parent Company and held as treasury shares. In a capitalization or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

(b) Diluted

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Parent Company has two possible categories of dilutive potential common shares: convertible debt and share options. The Parent Company has no convertible debt nor share options as at December 31, 2025, 2024 and 2023.

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, 2025 and 2024, 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, 2025

	Harbor assistance	Renewable energy	Elimination	Total
Revenue	2,624,245,765	166,654,091	-	2,790,899,856
Segment result	234,738,662	64,141,903	(3,286,024)	295,594,541
Share in net profit of associate	8,360,548	-	-	8,360,548
Finance costs	(145,560,835)	(65,788,616)		(211,349,451)
Income tax expense	(45,142,578)	-	-	(45,142,578)
Profit (Loss) for the year	52,395,797	(1,646,713)	(3,286,024)	47,463,060
Segment assets	6,235,149,031	2,772,863,504	(1,765,462,460)	7,242,550,075
Segment liabilities	(3,148,407,038)	(3,244,592,861)	1,564,100,983	(4,828,898,916)
Capital expenditures	435,501,524	12,833,833	-	448,335,357
Depreciation and amortization	529,427,065	88,195,345	-	617,622,410
Non-cash expenses other than depreciation and amortization	-	-	-	-

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	-	-	-	-

Second Section

Schedules	Supplementary Schedules	Remarks
A	Financial Assets	Schedule A
B	Amounts Receivable and Payable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)	Schedule B
C	Amounts Receivable and Payable from Related Parties which are eliminated during the consolidation of financial statements	Schedule C
D	Long-term Debt	Schedule D
E	Indebtedness to Related Parties	Schedule E
F	Guarantees of Securities of Other Issuers	Schedule F
G	Share Capital	Schedule G
Annex 68-C	Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration	Annex 68-C
Annex 68-H	A Map Showing the Relationship between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associate	Annex 68-H
Other schedule	Schedule of Financial Soundness Indicator	
Other schedule	Audit and non-audit fees of Harbor Star Shipping Services, Inc. and Subsidiaries	

SCHEDULE A

Harbor Star Shipping Services, Inc. and Subsidiaries

Financial Assets
December 31, 2025

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotations at end of reporting period	Income received and accrued
Financial assets at amortized cost				
Cash on hand and in banks	-	349,150,939	-	5,285,192
Trade and other receivables	-	1,596,679,689	-	135,324
Unbilled revenue	-	26,690,345	-	-
Refundable deposits	-	18,336,823	-	-
	-	1,990,857,796	-	5,420,516
Financial asset at fair value through other comprehensive income				
Investment in golf shares- Rancho Palos Verdes Golf and Country Club	-	3,000,000	-	-
Total	-	1,993,857,796	-	5,420,516

-

SCHEDULE B

Harbor Star Shipping Services, Inc. and Subsidiaries

Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
December 31, 2025
(All amounts in Philippine Pesos)

Name of designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Balance at end of the period
Bella, Geronimo Dela Paz (President)	16,277,871	1,475,635	-	-	17,753,506	17,753,506
Bella, Ricardo Rodrigo Dela Paz (Vice President)	1,366,964	3,793,953	-	-	5,160,917	5,160,917
Bella, Virginia May Dela Paz (Corporate secretary)	104,559	695,441	-	-	800,000	800,000
Caranzo, Lorenzo Cabanlit (Director)	2,095,151	-	(1,652,951)	-	442,200	442,200
Refil, Elionarda Liu (Director)	19,170	-	(19,170)	-	-	-
Bella, Maria Elizabeth Jean Enilo (Director)	(500,000)	500,000	-	-	-	-
	19,363,715	6,465,029	(1,672,121)	-	24,156,623	24,156,623

SCHEDULE C

Harbor Star Shipping Services, Inc. and Subsidiaries

Amounts Receivable from Related Parties which are Eliminated
during Consolidation of Financial Statements
December 31, 2025
(All amounts in Philippine Pesos)

Name of designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Balance at end of the period
Advances to related parties						
Peak Flag SDN BHD	178,634,704	10,128,390	-	-	188,763,094	188,763,094
Astronergy Development Gensan Inc.	412,077,718	199,695	(26,518,386)	-	385,759,027	385,759,027
Astronergy Development F1, Inc.	594,936	89,758	-	-	684,694	684,694
Astronergy Development F2, Inc.	599,513	89,758	-	-	689,271	689,271
Harbor Star Subic Corp.	552,008,488	203,733,213	(76,061,416)	-	679,680,285	679,680,285
Harbor Star Energy Corporation	278,589,261	27,258,625	(26,568,918)	-	279,278,968	279,278,968
Harbor Star Construction Corporation	3,235,569	55,153,821	(31,415,676)	-	26,973,714	26,973,714
Harbor Star East Asia (Myanmar) Ltd.	2,271,930	-	-	-	2,271,930	2,271,930
	1,428,012,119	296,653,260	(160,564,396)	-	1,564,100,983	1,564,100,983

SCHEDULE D

Harbor Star Shipping Services, Inc. and Subsidiaries

Long-term Debt
December 31, 2025

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related statement of financial position	Amount shown under caption "long-term debt" in related statement of financial position"	Notes
Bank borrowings	1,675,102,784	1,903,578,247	-	DBP restructured cash loan and its capitalized accrued interest, interest at 6.50% per annum, interest, and principal amortization payable quarterly starting October 2023, matures on April 19, 2033.
Bank borrowings	481,600,000	82,030,481	382,400,353	DBP restructured cash loan at 6.50% per annum, interest, and principal amortization payable quarterly starting March 30, 2023, matures on December 29, 2028.
Bank borrowings	477,335,005	79,263,605	194,142,715	CTBC restructured cash loans, interest at 5.25% per annum subject to quarterly repricing, interest and principal amortization payable quarterly starting January 2023, matures on December 30, 2026.
Bank borrowings	6,080,700	1,983,136	2,012,754	Ambank cash loan, MYR500,000 (or PHP6,080,700) term loan with interest at 6.70% interest and principal amortization payable monthly from initial drawdown, matures in September 2027.
Borrowing from financial institution	45,455,200	16,019,906	14,204,108	Orix cash loan, MYR3,500,000 (or PHP45,455,200) term loan with interest at 8.25%, interest and principal amortization payable monthly from initial drawdown, matures in August 13, 2027.
Bank borrowings	28,960,080	3,308,046	8,416,009	RHB Bank Cash Loan, MYR1,000,000 (or PHP 12,314,200) term loan with interest at 5.50% interest and principal amortization payable monthly from initial drawdown, matures in April 2030.
Bank borrowings	1,291,000,000	166,347,150	430,210,582	RCBC cash loan, interest at 7.50% per annum, interest and principal amortization payable quarterly, matures on July 20, 2027.
Bank borrowings	2,160,800	3,913,671	1,176,841	PNB car loans, interest rate at 8.60% per annum, interest and principal amortization payable monthly, various maturities in 2026.
Bank borrowings	40,000,000	14,183,572	68,872,676	DBP Leasing cash loan, interest at 15% per annum, for 5 years, matures on December 25, 2029.
Bank borrowings	40,000,000	9,642,323	14,448,351	BPI cash loan, interest at 10% per annum, for 3 years, matures on April 30, 2028.
	4,087,694,569	2,280,270,137	1,115,884,389	

SCHEDULE E

Harbor Star Shipping Services, Inc. and Subsidiaries

Indebtedness to Related Parties
(Long-term Loans from Related Companies)
December 31, 2025

Name of related party	Balance at beginning of period	Balance at end of period
NONE		

SCHEDULE F

Harbor Star Shipping Services, Inc. and Subsidiaries

Guarantees of Securities of Other Issuers
December 31, 2025

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Amount owned by person for which statement is filed	Nature of guarantee
NONE			

SCHEDULE G

Harbor Star Shipping Services, Inc. and Subsidiaries

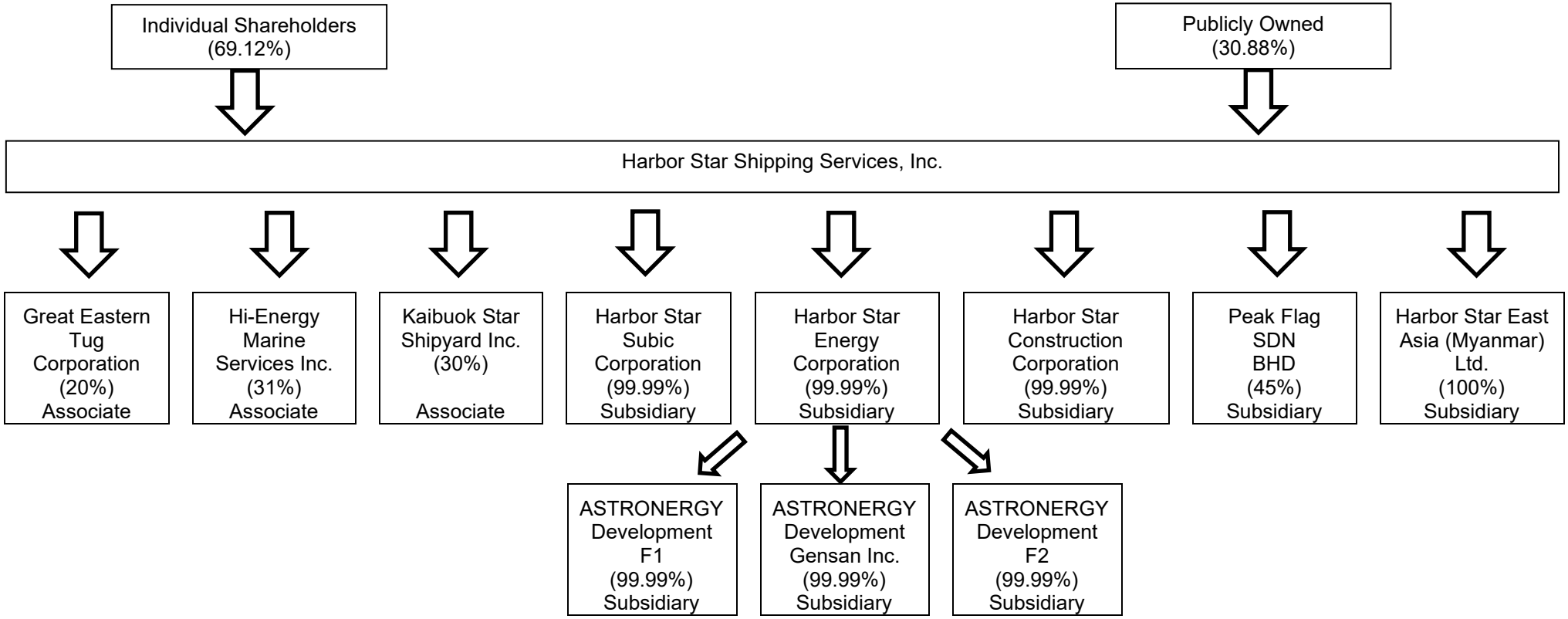
Share Capital
December 31, 2025

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - P1 par value	2,000,000,000	894,586,870	-	-	618,328,130	276,258,740

Annex 68-H

Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., and Pres. Sergio Osmeña
Bangkal, Makati City

A Map Showing the Relationships between and among the Parent Company and
Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associate
December 31, 2025



Harbor Star Shipping Services, Inc. and Subsidiaries

Schedule of Financial Soundness Indicator
December 31, 2025 and 2024

Ratio	Formula	2025	2024
Current ratio	Current assets / Current liabilities	0.64:1	0.99:1
Acid test ratio	Cash and cash equivalents+ Trade and other receivables, net+ Advances to a related party / Current liabilities	0.51:1	0.78:1
Solvency ratio	Net operating profit after tax + depreciation and amortization / Total liabilities	0.18:1	0.15:1
Debt to equity ratio	Total debt / Total equity	2.00:1	2.10:1
Asset-to-equity ratio	Total assets / Total equity	3.00:1	3.22:1
Interest coverage ratio	Operating income (loss) / Interest expense	1.43:1	2.26:1
Return on average equity (%)*	Profit (Loss) / Average issued and outstanding shares	5.31%	20.82%
Return on average assets (%)*	Profit (Loss) / Average total assets	0.65%	2.61%
Net income(loss) attributable to majority shareholders (% to Sales)	Net income (loss) attributable to majority shareholders / Net sales	2.18%	3.97%
Earnings per share	Net income attributable to Parent Company / Weighted average number of common shares	0.068	0.126
Book value per share	Total equity attributable to Parent Company / Total shares outstanding	2.60	2.51
Net profit margin	Income (Loss) for the year / Total revenue	1.70%	6.22%

**Attributable to majority shareholders*

Harbor Star Shipping Services, Inc. and Subsidiaries

Supplementary Schedule of External Auditor Fee-Related Information
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

Audit and non-audit fees of Harbor Star Shipping Services, Inc. and Subsidiaries

	December 31,	
	2025	2024
Audit services		
Harbor Star Shipping Services, Inc.	1,617,280	1,444,000
Harbor Star Subic Corp.	215,000	200,000
Harbor Star Energy Corporation	117,000	111,000
Harbor Star Construction Corporation	-	-
Astronergy Development Gensan, Inc.	376,320	336,000
Astronergy Development F1 Inc.	70,000	63,000
Astronergy Development F2 Inc.	70,000	63,000
Total audit services fees	2,465,600	2,217,000
Non-audit services		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total non-audit fees	-	-
Total audit and non-audit fees	2,465,600	2,217,000

Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway
Bangkal, Makati City

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2025
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, beginning of the year		471,027,037
Add: Category A: Items that are directly credited to Unappropriated retained earnings		
Reversal of Retained earnings appropriation/s		
Effect of restatements or prior-period adjustments		
Others	-	
Less: Category B: Items that are directly debited to Unappropriated retained earnings		
Dividend declaration during the reporting period	-	
Retained earnings appropriated during the reporting period	-	
Effect of restatements or prior-period adjustments	-	
Others	-	
Unappropriated Retained Earnings, as adjusted		471,027,037
Add/Less: Net Income for the current year	(11,486,650)	
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(1,482,579)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	660,674	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	-
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to- market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of investment property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	
Adjusted net income/loss		(12,308,555)
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Other	-	-
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution	-	
Net movement of treasury shares (except for reacquisition of redeemable shares)		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(10,692,396)	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	(410,715)	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others	-	(11,103,111)
Total Retained Earnings, end of the year available for dividend declaration		447,615,371

Harbor Star Shipping Services, Inc.

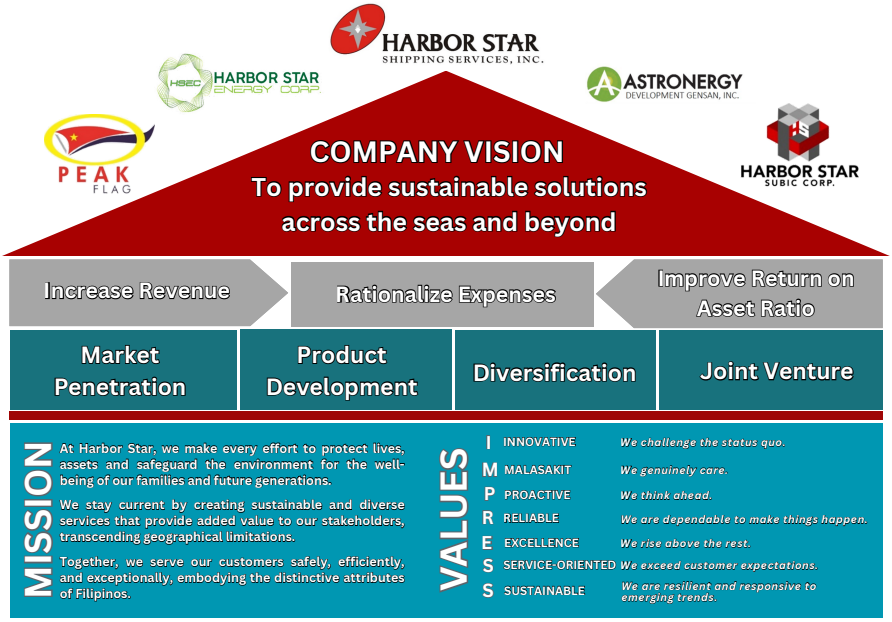
Sustainability Report

This report has been prepared in accordance with the GRI Standards: Core Option. It covers the period of January to December 2025. ***(102-48, 102-49, 102-54)***

Company Details

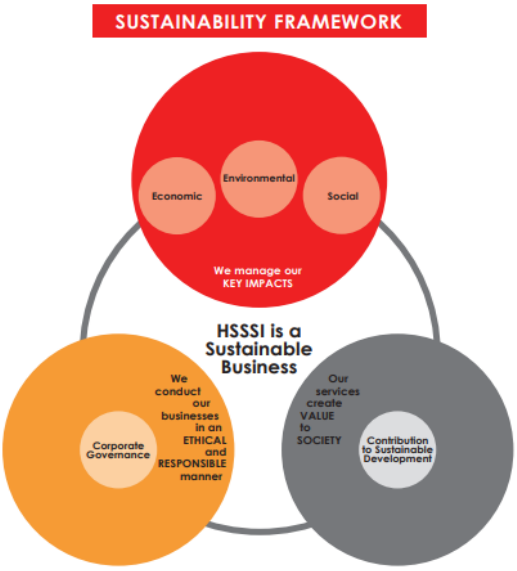
Name of the Organization	Harbor Star Shipping Services, Inc. (HSSSI or Harbor Star or the Company)
Activities, Brands, Products, and Services	Harbor Star offers a wide range of indispensable maritime services such as harbor assistance, towing, lighterage, ship salvage, marine construction, repair and maintenance works, wreck removal, firefighting, oil spill abatement and recovery, handling hazardous chemical, ship and crew management, diving and underwater marine works.
Location of Headquarters	2224 A. Bonifacio St., Corner Pres. Sergio Osmeña Highway, Brgy. Bangkal, Makati City 1233

Mission, Vision, and Values



Sustainability Framework

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



Material Topics and Boundaries

(102-46, 102-47)

In identifying the materiality of the topics to be included in the report, department heads were involved by being provided with a risk assessment form to identify the stakeholders and the significant issues that reasonably have adverse and beneficial impacts on the organization's economic, environmental, and social aspects or those that can influence the decisions of the stakeholders. After collating the contextual issues, top management conducted several dialogues to finalize which topics were considered significant. *(102-46)*

	Business Economic Performance	Value for Customers	Employee Engagement	Employee Well-being	Environment Protection	Workplace Safety and Health	Compliance to International Standard	Fleet Management
Metric	Direct economic value generated Direct economic value distributed	Market Share	Attrition Rate	Attrition Rate	Compliance monitoring GHG footprint	Accident Frequency Rate Lost Time Injury Rate	IMS certification	Fleet Efficiency
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 Compliance	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 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)

STAKEHOLDER ENGAGEMENT					
Item	Stakeholder Groups *(102-40)*	Name of the Stakeholders	Relevance to the Organization *(102-42)*	Topics / Concerns Raised *(102-44)*	Approach to Stakeholder Engagement *(102-43)*
1	Employees	All employees	Workforce/manpower that helps the company meets vision, mission, and strategic objectives.	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	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	Patrons of HSSSI operations	1. Value for Customers	1. Client call 2. Customer feedback form 2. Continuous improvement of services
3	Investors	Stockholders	Contribute capital to the business	1. Business economic performance 2. Business strategic plans 3. Sustainable value for stakeholders	1. Annual Stockholder's Meeting
4	Business partners	Suppliers / Service providers / Contractors	Provide resources and services essentials to the operation	1. Value for suppliers	1. Supplier Accreditation and audit 2. Second Party Audit (Supplier's Audit)
		Manning agencies	Provide manpower for an international voyage		1. Contract with the manning agency
		Insurance company	Insured assets	1. Incident/ Accident Reporting	1. Insurance claim process
		ISO Certifying Body	Continuous improvement of the management system performance; Fulfillment of legal requirements and other requirements; Achievement of objectives	Maintenance of ISO certification	1. Renewal of certification
5	Community	Local community partner in CSR	Helps the company and other stakeholders to be socially accountable	Corporate Social Responsibility (CSR)	1. Quarterly visitation of the partner community
6	Government	Local government regulatory bodies; NGOs	Issuance of permit to operate	Sustainable operation	1. ISO Certification to ensure compliance with legal requirements 2. Attend conferences
7	Trade Organization	International and Local Trade Unions	Compliance to international standards To get more clients	Compliance with the requirements	1. Renewal of membership 2. Ensure compliance with the requirements

BUSINESS ECONOMIC PERFORMANCE

Economic Performance

Direct Economic Value Generated and Distributed, Php (201-1)						
Disclosure	**HSSSI**	**Peak Flag**	**HSSC**	**HSEC**	**ADGI**	**Consolidated**
Direct economic value generated (revenue)	2,227,403,934	168,055,476	214,085,692	-	166,654,091	2,776,199,193
Direct economic value distributed:						
a. Operating Cost	404,708,961	11,861,773	12,121,313	868,374	93,464,321	523,024,743
b. Employee Wages and Benefits	186,543,552	7,699,249	2,673,294	709,064	3,920,530	201,545,690
c. Payments to suppliers, other operating costs	1,959,101,673	33,412,162	128,352,385	19,000	44,571,424	2,165,456,644
d. Dividends given to stockholders and interest payments to loan providers	146,699,150	6,656,644	-		70,452,181	223,807,975
e. Taxes given to government	33,936,305	296,122	2,067,005	-	16,775,098	53,074,530
f. Investments to the community (donations, CSR)	1,091,004	-	1,300		12,000	1,104,304

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	2,227,403,934	168,055,476	214,085,692	-	-	2,609,545,102
Revenue on generation of Solar Power				-	166,654,091	166,654,091
Total	2,227,403,934	168,055,476	214,085,692	-	166,654,091	2,776,199,193

Cost by Countries or Regions that make up Five percent or more or the Total Cost						
Disclosure	**HSSSI**	**Peak Flag**	**HSSC**	**HSEC**	**ADGI**	**Consolidated**
%	83%	6%	6%	0%	4%	100%
Cost of Service	1,766,601,848	128,815,481	135,972,346	-	95,319,947	2,126,709,622
Total	1,766,601,848	128,815,481	135,972,346	-	95,319,947	2,126,709,622

Total Capitalization Broken Down in Terms of Debt and Equity						
Disclosure	**HSSSI**	**Peak Flag**	**HSSC**	**HSEC**	**ADGI**	**Consolidated**
Long Term Borrowings	1,094,079,496	21,804,893	-	-	1,891,578,246	3,007,462,635
Equity	2,413,722,887	170,991,686	473,961,420	(126,005,248)	(359,636,148)	2,573,034,597
Total	3,507,802,383	192,796,579	473,961,420	(126,005,248)	1,531,942,098	5,580,497,232

VALUE FOR CUSTOMER

Harbor Star recognizes that reliable maritime services are essential to port efficiency, safe vessel operations, business continuity, and customer confidence. The Company's commitment to delivering quality service remains anchored on understanding customer requirements, maintaining operational readiness, and continuously improving the way services are planned, delivered, monitored, and evaluated.

In 2025, Harbor Star continued to strengthen its service capability through its ISO-certified management systems, operational controls, internal audits, corrective action processes, and continuous improvement initiatives. These systems support the Company in meeting applicable legal, regulatory, and customer requirements while promoting consistent service delivery across its operating locations.

As of December 31, 2025, Harbor Star provided maritime services to approximately 170 ports across the Philippines, including 11 base or hub ports located in Bataan, Batangas, Cagayan de Oro, Cebu, Davao, Iligan, Iloilo, Leyte, Manila, Subic, and Zamboanga. This geographic presence enables the Company to respond to customer needs in major maritime locations and support port operations in both public and privately operated ports.

Within selected base ports, Harbor Star also serves various sub-ports and privately owned or operated facilities. These include 10 sub-ports in Bataan, 5 in Batangas, 6 in Iloilo, 10 in Cagayan de Oro, 21 in Davao, 7 in Zamboanga, and 10 in Cebu. This distributed operating network enhances accessibility, response capability, and continuity of service for customers operating in different areas of the country.

To further strengthen customer value, Harbor Star will continue to monitor service performance, customer feedback, operational reliability, and corrective actions arising from customer concerns. These mechanisms support the Company's objective of improving customer satisfaction while contributing to safe, efficient, and responsible maritime operations.

BUILDING A SUPPORTIVE WORKPLACE FOR A MULTIGENERATIONAL WORKFORCE

In 2025, Harbor Star strengthened its employee well-being and engagement initiatives through regular mental health webinars, access to accredited mental health clinics, on-site psychological assessments, women-centered wellness and empowerment activities, and employee participation in community-focused programs. Through its support for school improvement activities, provision of school supplies, food packs, and sustainability-related materials, the company also encouraged employee volunteerism and shared community responsibility. These initiatives helped promote a more supportive, inclusive, and purpose-driven workplace culture. During the year, Harbor Star recorded an attrition rate of 15.44%, improving from 16.67% in 2024, equivalent to a decrease of 1.23 percentage points. The company believes that these programs may have contributed to this positive trend, particularly as the workforce increasingly includes younger employees who value well-being, inclusivity, and meaningful engagement both within and beyond the workplace.

Employee Data (401-1)		
Disclosure	Quantity	Units
Total number of employees	624	
a. Number of female employees	66	#
b. Number of male employees	558	#
Attrition rate	15.44	%

Championing Employee Well-Being: Employee Mental Health and Wellness Program

Harbor Star recognizes that a healthy workforce is fundamental to operational excellence and sustainable growth. In 2025, the company further expanded its mental health and wellness initiatives, focusing on education, accessibility, and early intervention.

Regular mental health webinars equipped employees with knowledge on coping strategies and early warning signs, while partnerships with accredited mental health clinics provided access to confidential professional support. Almost 300 employees benefited from this initiative. A licensed psychologist conducted on-site assessments, providing employees with a safe, supportive environment to discuss personal and work-related challenges.



Assessment insights also guided improvements to internal policies, reinforcing a culture of openness and support. This holistic approach ensured that mental health remained a central component of Harbor Star's CSR framework.

Celebrating Women's Empowerment and Gender Equality

In 2025, Harbor Star actively participated in the celebration of International Women's Day on March 8, emphasizing our commitment to gender equality and women's empowerment. Throughout the month of March, we organized various activities dedicated to uplifting and supporting women in our organization. These included health and wellness programs tailored specifically for women, aimed at promoting their physical and mental well-being, as well as a fellowship day to celebrate their contributions and foster camaraderie among female employees. Additionally, we leveraged our social media platforms, particularly Facebook and LinkedIn, to share stories and voices of women in our company, showcasing how Harbor Star promotes gender equality and supports women's leadership. These initiatives are not only about recognizing women's achievements but also about challenging stereotypes and fostering an inclusive culture that values diversity and equal opportunity at every level of our operations.

Diversity and Equal Opportunity (405-1)		
Disclosure	Quantity	Units
% of female workers in the workforce	10.22	%
% of male workers in the workforce	89.78	%
Number of employees from indigenous communities and/or vulnerable sector*	37 - Single Parents but no solo parent IDs; 1 HIV	





Employee Management

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	25%	11%
PhilHealth	Y	4%	2%
Pag-ibig	Y	22%	19%
Parental leaves	Y	0%	31%
Vacation leaves	Y	97%	63%
Sick leaves	Y	85%	11%
Medical benefits (aside from PhilHealth)	Y	1,674 availment	
Housing assistance (aside from Pag- ibig)	N		
Retirement fund (aside from SSS)	Y	0%	1%
Further education support	Y	2%	0.2%
Company stock options	Y	0%	0%
Telecommuting	Y	50%	15%
Flexible-working Hours	Y	100%	19%

Learning and Development

The Company continued to strengthen employee learning and development through various capacity-building initiatives led by the QHSE Department. Among these was the establishment of the E-Learning Hub, which provided employees with more accessible and flexible learning opportunities on relevant topics related to quality, health, safety, environment, and operational awareness. In addition, regular e-learning sessions were conducted to promote continuous improvement and reinforce knowledge across the organization.

The Company also maximized existing engagement platforms such as Usapang HR, where different topics were discussed with the support of speakers from various departments. These sessions encouraged knowledge-sharing, cross-functional collaboration, and greater employee awareness of key organizational matters. Through these initiatives, the Company aims to foster a culture of continuous learning, professional development, and shared responsibility in achieving its sustainability and operational goals.

Employee Training and Development (404-1)		
Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	2,481	Hours
b. Male employees	22,509.50	Hours
Average training hours provided to employees		
a. Female employees	33.99	Hours/employee
b. Male employees	35.12	Hours/employee

ENERGY, EMISSIONS, AND ENVIRONMENTAL STEWARDSHIP

The Company's environmental performance reflected the impact of increased operational activity across its fleet and support facilities. Higher demand for services resulted in increased consumption of fuel and electricity, which in turn influenced overall emissions levels. While these trends are consistent with business growth, the Company continued to implement efficiency measures and cleaner energy initiatives to manage its environmental footprint, including the adoption of renewable energy solutions and operational controls aimed at reducing unnecessary energy use.

Greenhouse gas emissions reflected similar trends. Scope 1 emissions increased in line with fuel consumption, while Scope 2 emissions decreased, indicating improved efficiency in electricity use. Scope 3 emissions showed a marginal increase due to expanded indirect activities. These results highlight the Company's ongoing operational growth while underscoring the need for continued efficiency improvements.

Water consumption slightly decreased, reflecting improved efficiency and awareness. Waste management efforts continued to focus on segregation and proper disposal, with recyclable materials diverted where feasible.

To manage environmental impacts, the Company implemented the following initiatives

- Tug-to-Tug and Shoreline Connection Systems to reduce fuel consumption and emissions
- Solar power installation on seven (7) vessels to support renewable energy adoption
- Oil leak inspection and monitoring to prevent marine pollution
- Office energy conservation measures, including lights-off during lunch breaks and strict implementation of air-conditioning (AC) on/off schedules to optimize electricity use
- Environmental awareness campaigns to promote responsible resource use

Resource Management

Energy consumption within the organization *(302-1)*		
Disclosure	**Quantity**	**Units**
Energy consumption (diesel)	462,065	GJ
Energy consumption (electricity)	315,840	kWh
Energy consumption (renewable sources)	45.65	GJ
Energy consumption (gasoline)	454.71	GJ

Water consumption within the organization *(303-3, 303-5)*		
Disclosure	**Quantity**	**Units**
Water withdrawal	0	cum
Water consumption	37,860	cum
Water recycled and reused	0	cum

Hazardous Waste *(306-4)*		
Disclosure	**Quantity**	**Units**
Total weight of hazardous waste generated	33,500	kg
Total weight of hazardous waste transported	33,500	kg

Air Emissions : GHG *(305-1, 305-2,305-6)*		
Disclosure	**Quantity**	**Units**
Direct (Scope 1) GHG Emissions	33,077	Tonnes
Energy indirect (Scope 2) GHG Emissions	203	Tonnes
Indirect (Scope 3) GHG Emissions	0	Tonnes

ENHANCING SAFETY CULTURE AND OPERATIONAL VIGILANCE

In 2025, the Company maintained a strong focus on occupational health and safety, achieving 11,289,582 safe man-hours and recording zero fatalities and zero work-related ill-health cases. A total of 5 work-related injuries were reported during the year, consisting of 4 Lost Time Injuries (LTI) and 1 First Aid Case, compared to zero LTI in 2024.

Workplace Conditions, Labor Standards, and Human Rights		
Occupational Health and Safety (403-9)		
Disclosure	**Quantity**	**Units**
Safe Man-Hours	11,289,582	Man-hours
No. of work-related injuries	5	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	1,927	#

While the increase in reported injuries represents a deviation from the Company's Zero LTI objective, it is also indicative of enhanced incident reporting, improved monitoring systems, and strengthened safety governance, ensuring that all incidents—regardless of severity—are properly captured and addressed.

Notably, the Company achieved a 37% reduction in property damage incidents, decreasing from 8 cases in 2024 to 5 cases in 2025. This improvement reflects more effective implementation of risk control measures and increased operational vigilance across fleet and shore-based activities.

To support continuous improvement in safety performance, the Company implemented a comprehensive suite of programs focused on competency development, behavioral safety, and employee engagement:

- E-Learning Sessions were conducted to reinforce safety knowledge and standardize competencies across personnel.
- The rollout of the Tug Life Saving Rules established a critical risk management framework addressing high-risk activities, including Stop Work Authority, Energy Isolation, Machine Safety, Work Permit, Fall Prevention, Line of Fire, Wear the Right PPE, Navigation Safety, Fit for Duty, and Emergency Preparedness.
- A total of 1,927 safety drills were carried out to strengthen emergency preparedness and response capability.
- Engagement initiatives such as Safety Idol and Drill Olympics enhanced safety awareness and encouraged active participation among employees and crew.
- The Biannual KaMOSHtahan initiative fostered open communication, feedback, and shared accountability for safety performance.
- The 2025 Happiness Index results demonstrated improved workforce engagement, with Office personnel scoring 4.39/5 (+0.9%) and Crew scoring 3.9/5 (+1.8%), reinforcing the Company's recognition of the strong linkage between employee well-being and safe work practices.

Collectively, these initiatives contributed to the strengthening of the Company's safety culture, improved hazard recognition, and more disciplined execution of safety procedures. The reduction in property damage incidents further demonstrates progress in managing operational risks.

Moving forward, the Company remains committed to achieving its Zero LTI goal by enhancing targeted interventions, reinforcing critical risk controls, and sustaining high levels of workforce engagement and accountability in occupational health and safety.







Tug Life-Saving Rules: Strengthening a Culture of Safety at Sea

Harbor Star reinforced its commitment to operational safety through the Tug Life-Saving Rules, a program focused on preventing fatalities and serious injuries in tugboat operations. Developed from real-life incidents, industry standards, and company safety policies, the program highlights the most critical safety risks faced onboard and promotes non-negotiable life-saving behaviors for all personnel involved in operations.



To make the rules practical and relatable, each one was presented as a personal commitment using "I will always" and "I will never" statements. This approach helps strengthen safety awareness, individual accountability, and consistent safe behavior during high-risk tasks. By applying the program across crew, contractors, office-based employees, and visitors involved in operations, Harbor Star continues to promote a strong and shared culture of safety throughout the organization.

Fit@Work: Supporting a Healthier and More Resilient Workforce

Building on the Fit@Work Program launched in 2024, Harbor Star continued to strengthen its commitment to employee health and wellness as an important part of its sustainability strategy. The program remained focused on promoting a healthier, happier, and more resilient workforce through fitness activities, health-related initiatives, and improvements in employee living conditions. By sustaining these efforts, Harbor Star reinforces its recognition that employee well-being is essential to long-term organizational performance, safety, and sustainability.

Employee Wellness Through Fit@Work

Harbor Star continued to promote employee health and well-being through its **Fit@Work Program**, supporting a healthier and more resilient workforce. One of its key activities was the **2025 Virtual Fun Run – Collab Edition**, which brought together **office-based employees and crew members** in a shared wellness initiative.

Held from **May 15 to June 3**, the activity involved **28 pairs** of participants and encouraged fitness, teamwork, and engagement across the organization. The program reflects Harbor Star's continued commitment to fostering employee well-being and strengthening a culture of health and inclusion in the workplace.



TugFit: Supporting Rest and Recovery at Sea

Recognizing the vital role of rest in the health, well-being, and performance of seafarers, the TugFit initiative continued to focus on improving onboard accommodations across the fleet. Through this program, new beds and linens were provided to tugboats operating in Luzon, Visayas, and Mindanao, helping enhance crew comfort, sleep quality, and recovery while on duty.

The initiative reached 100% issuance, a significant improvement from 54.2% in 2024, reflecting Harbor Star's continued commitment to supporting the welfare of its crew through better living conditions on board. By improving rest and recovery at sea, the Company helps promote overall well-being, readiness for duty, and safer vessel operations

ADVANCING EXCELLENCE THROUGH STANDARDS AND STEWARDSHIP

Harbor Star continued to demonstrate its commitment to excellence by sustaining its internationally recognized management system certifications, reaffirming its adherence to the highest standards of quality, occupational health and safety, and environmental management. This achievement reflects the Company's strong culture of continuous improvement, compliance, and operational discipline across its operations.

A key milestone in this commitment was the continued maintenance of the following certifications:

- ISO 9001:2015 - Quality Management System
- ISO 14001:2015 - Environmental Management System
- ISO 45001:2018 - Occupational Health and Safety Management System

Further strengthening this accomplishment, the scope of certification was extended to **Harbor Star Subic Corp. (HSSC)** and **Harbor Star Zamboanga Branch**, demonstrating the Company's continued efforts to align more of its operations with internationally accepted management system standards. This expansion highlights Harbor Star's commitment to consistently applying quality, environmental, and occupational health and safety principles across its growing organization.

These certifications, together with the Company's Integrated Management System (IMS) Certification from DNV, reflect the effectiveness of Harbor Star's systems in promoting operational excellence, risk management, regulatory compliance, and responsible business practices.

Harbor Star's strong performance is also supported by its proactive approach to compliance and stewardship, as reflected in its clean record in occupational health and safety compliance and the absence of pending environmental cases. This underscores the Company's ongoing commitment to protecting its people, safeguarding the environment, and maintaining responsible operations.

As the maritime industry continues to evolve, Harbor Star remains focused on strengthening its capabilities through continuous learning, employee development, and operational improvement. By investing in its people and upholding global standards, the Company continues to reinforce its role as a responsible, forward-looking, and trusted maritime organization.

At Harbor Star, sustainability goes beyond environmental protection. It is reflected in the way the Company manages quality, ensures safety, promotes accountability, and pursues long-term excellence across all aspects of its operations.



DNV

MANAGEMENT SYSTEM CERTIFICATE

Certificate no.: C683006 | Initial certification date: 15 July 2003 | Valid: 11 June 2025 – 14 August 2027

This is to certify that the management system of
Harbor Star Shipping Services, Inc.
2224 A. Bonifacio 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.

Place and date: **Barendrecht, 11 June 2025**

For the issuing office:
DNV - Business Assurance
Zwolseweg 1, 2994 LB Barendrecht, Netherlands

Erie Kuek
Management Representative

Lack of fulfilment of conditions as set out in the Certification Agreement may render this Certificate invalid.
ACCREDITED UNIT: DNV Business Assurance B.V., Zwolseweg 1, 2994 LB, Barendrecht, Netherlands - TEL: +31(0)102922689. www.dnv.com/assurance



DNV

MANAGEMENT SYSTEM CERTIFICATE

Certificate no.: C683003 | Initial certification date: 14 August 2009 | Valid: 11 June 2025 – 14 August 2027

This is to certify that the management system of
Harbor Star Shipping Services, Inc.
2224 A. Bonifacio 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.

Place and date: **Barendrecht, 11 June 2025**

For the issuing office:
DNV - Business Assurance
Zwolseweg 1, 2994 LB Barendrecht, Netherlands

Erie Kuek
Management Representative

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DNV

MANAGEMENT SYSTEM CERTIFICATE

Certificate no.: C683007 | Initial certification date: 14 August 2009 | Valid: 11 June 2025 – 14 August 2027

This is to certify that the management system of
Harbor Star Shipping Services, Inc.
2224 A. Bonifacio 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 Environmental Management System standard:
ISO 14001:2015

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

Place and date: **Barendrecht, 11 June 2025**

For the issuing office:
DNV - Business Assurance
Zwolseweg 1, 2994 LB Barendrecht, Netherlands

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In 2025, Harbor Star Shipping Services, Inc. deepened its commitment to environmental stewardship, community partnership, and employee well-being through a series of targeted and meaningful CSR initiatives. Guided by the company's mission to uplift communities and protect the environment, Harbor Star focused on sustainable, people-centered programs that reinforced long-term social and ecological resilience. Across all initiatives, the company's approach emphasized continuity, inclusivity, and measurable impact—ensuring that each project contributed not only to immediate needs but also to a future-ready, empowered society.

Adopt-a-Mangrove Program and Community Outreach

Harbor Star continued its long-standing commitment to mangrove conservation by prioritizing the preservation and long-term survival of previously restored mangrove areas in Brgy. Banoyo, San Luis, Batangas. Shifting from expansion to sustained ecosystem management, the Company conducted regular cleanup drives, debris removal, and site inspections to protect mangrove stands from environmental stress and human activity. This approach ensured that the rehabilitated areas remained healthy, resilient, and able to support biodiversity.







Further strengthening this commitment, Harbor Star's Iloilo and Davao operations also participated in mangrove planting activities in September 2025. The Iloilo Branch joined the Philippine Coast Guard Marine Environmental Protection Unit (PCG MEPU) in a mangrove planting activity in Brgy. Barroc, Tigbauan, Iloilo on September 12, 2025, while Davao participated in a mangrove planting activity at Sitio Bigue, Brgy. Dawan, Mati City on September 26, 2025, where a total of **2,000 mangrove seedlings** were planted. These initiatives reflected the active involvement of branch personnel in coastal rehabilitation and reinforced Harbor Star's support for marine environmental protection, climate resilience, and biodiversity conservation.





Beyond ecological work, Harbor Star expanded community involvement through education sessions for local households and school groups. These efforts cultivated environmental awareness and strengthened community stewardship—empowering residents to take a more active role in protecting their natural resources.

A key milestone in 2025 was the strengthened engagement with 100 families of an Aeta community residing in the upland areas of Brgy. Banoyo, San Luis, Batangas. Harbor Star provided livelihood and skills development training, environmental education sessions, and support that enabled indigenous families to participate in conservation efforts while developing sustainable income opportunities. This deeper outreach marked a significant step toward inclusive, culturally sensitive community development.







International Coastal Cleanup 2025 – SM By the Bay

Harbor Star participated in the International Coastal Cleanup 2025 held at SM By the Bay, Mall of Asia Complex, Pasay City, Metro Manila on September 21, in support of this year's theme, "Clean Seas Against the Climate Crisis: Tayo ang Solusyon." The activity reflected the company's continuing commitment to marine protection, waste reduction, and collective action in addressing coastal pollution and climate-related environmental challenges.





Through the support of 68 volunteers, Harbor Star collected 28 waste sacks, equivalent to approximately 92 kg of waste. The collected materials included wood debris, plastics, aluminum cans, fabrics, styrofoam, and tiny trash. This effort helped reduce marine debris along the Manila Bay area and reinforced the importance of volunteerism, environmental stewardship, and shared responsibility in keeping coastal ecosystems clean and resilient.

Brigada Eskwela and School Development Support

Harbor Star's participation in the 2025 Brigada Eskwela program marked its second year of partnership with Bangkal High School in Makati City, reinforcing the company's commitment to nurturing educational spaces that foster growth and resilience.









The Company supported classroom repainting and campus cleaning efforts to create brighter, more conducive learning environments. Beyond facilities improvement, Harbor Star strengthened the school's "Go Green" initiative by equipping teachers and students with tools for hands-on learning in sustainability. Materials such as seeds, soil, vases, and gardening tools were provided to enrich herb and vegetable planting activities and to improve the school's Gulayan sa Paaralan Project. Steel matting was installed to reinforce planting areas and make them safer and more functional for daily use.

Employees also contributed school supplies and food packs for student volunteers, emphasizing shared community responsibility and the importance of supporting learners' well-being.

Impact on Communities and Stakeholders

Harbor Star's CSR initiatives in 2025 created meaningful and lasting impact across multiple sectors:

- Aeta Indigenous Community – Benefited from livelihood training, sustainability workshops, and holiday community support, empowering them to participate in environmental preservation while developing income opportunities.
- Residents of Brgy. Banoyo – Gained strengthened environmental stewardship roles and sustained engagement in mangrove conservation.
- Students and Teachers of Bangkal High School – Experienced enhanced learning environments, improved sustainability awareness, and increased access to educational resources.
- Harbor Star Employees – Received expanded mental health support that fostered resilience, productivity, and well-being.
- Celebrating Women's Month – Fostered a more inclusive and supportive workplace environment, empowering women to take on leadership roles and participate actively in company life. The health and wellness programs have contributed to the well-being of our female staff, enhancing their confidence and productivity. By sharing stories and voices on our social media platforms, we have also promoted awareness outside the company, inspiring other organizations and communities to support gender equality and women's empowerment.

Across all sectors, Harbor Star's programs uplifted communities, supported education, preserved the environment, and strengthened its workforce—embodying the company's belief in responsible and holistic corporate citizenship.

Looking Ahead: CSR Plans for 2026

In 2026, Harbor Star will continue to expand and enhance its CSR efforts with programs that address environmental sustainability, community health, and social development. Planned initiatives include:

- Continued mangrove care and coastal cleanup activities
- Broader environmental outreach to neighboring communities
- A medical mission in partnership with PhilHealth
- Support for senior citizens in local homes for the aged
- Further enhancement of employee mental health and wellness programs

These initiatives reflect Harbor Star's long-term commitment to building resilient communities, protecting natural ecosystems, and nurturing a healthy, empowered workforce. The Company remains steadfast in its mission to create positive, lasting change for the environment, society, and future generations.

Advancing Renewable Energy through Solar Power

Harbor Star continues to strengthen its commitment to environmental sustainability through investments in clean and renewable energy. One of its key initiatives is the operation of a solar power plant under Harbor Star Energy Corporation (HSEC), which harnesses sunlight through photovoltaic panels to generate clean electricity.



In 2025, the solar power facility generated 36,658,293 kWh of renewable electricity, which was supplied to the Wholesale Electricity Spot Market. This output reflects Harbor Star's continued contribution to the supply of lower-carbon electricity to the grid and supports the Company's broader commitment to environmental responsibility.

Over the last three years, the facility generated a total of 99,403,547 kWh of renewable electricity. Annual generation increased from 23,050,690 kWh in 2023 to 39,694,564 kWh in 2024, before settling at 36,658,293 kWh in 2025. While 2025 generation was lower than the previous year, it remained significantly higher than the 2023 level, demonstrating the continued contribution of the facility to renewable energy supply.

By producing electricity from solar energy, the facility helps reduce dependence on fossil fuel-based power generation and supports the country's transition to a cleaner and more sustainable energy mix. The initiative also contributes to energy security by adding renewable electricity to the grid and helping meet the growing demand for cleaner power.

Harbor Star's investment in renewable energy reflects the Company's long-term sustainability direction. Through this initiative, the Company creates value beyond its core maritime operations by supporting climate action, responsible energy production, and the expansion of renewable energy capacity in the Philippines.

Relationship with Local Communities

Harbor Star's tugboat, salvage, and oil spill response readiness activities may have direct and indirect impacts on local communities near ports, terminals, anchorage areas, coastal waters, and other marine operating areas.

For tugboat operations, Harbor Star supports safe berthing, unberthing, shifting, and towage of vessels. These operations provide positive impacts by improving navigational safety, reducing the risk of marine incidents, and supporting the continuous movement of goods and services through the ports. Possible negative impacts may include noise, vessel wake, air emissions, temporary restrictions in port waters, and minor pollution risks. These are managed through safe operating procedures, preventive maintenance, crew competency, oil leak inspections, proper waste handling, and coordination with port authorities, clients, the Philippine Coast Guard (PCG), and other relevant stakeholders.

For emergency response operations, Harbor Star maintains marine emergency support capabilities covering oil spill response readiness and salvage operations. During the reporting period, the company did not conduct an actual oil spill response operation; however, it continued to maintain readiness through equipment maintenance, personnel training, response planning, drills, and coordination with concerned authorities and clients. This readiness contributes positively to local communities by helping protect coastal resources, fisheries, port users, and nearby communities in the event of a pollution incident. During the same period, Harbor Star conducted one salvage operation in Palawan, which helped prevent the escalation of a marine casualty, reduce risks to navigation, and protect nearby coastal communities and marine resources. Potential negative impacts from emergency response activities may include temporary restrictions on navigation or fishing activities, noise, safety risks within the work area, and possible environmental risks depending on the vessel or cargo condition. These are managed through site assessment, coordination with authorities and stakeholders, use of competent personnel and suitable equipment, pollution risk monitoring, and implementation of safe emergency response and salvage

procedures.Overall, Harbor Star's marine operations contribute to safer maritime activities and the protection of coastal communities, while potential negative impacts are managed through operational controls, emergency preparedness, regulatory compliance, and stakeholder coordination.

GRI Content Index

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is presented and the references for Disclosures 102-40 to 10249 align with appropriate sections in the body of the report.

GRI Standard	Disclosure		Page Number(s), direct answers and/or URLs	Reason for Omission
GRI 101: Foundation 2016				
General Disclosures				
GRI 102: General Disclosures 2016	**Organizational Profile**			
	102-1	Name of the organization	Page 2	
	102-2	Activities, brands, products, and services	Page 2	
	102-3	Location of headquarters	Page 2	
	102-4	Location of operations	Refer to 17-A Page 3: Business Development and Updates	
	102-5	Ownership and legal form	Refer to 17-A Page 21: Holder	
	102-6	Markets served	Refer to 17-A Pages 11 Market, Pages 13-14: Government Regulations and Licenses	
	102-7	Scale of the organization	Pages 7, Refer to 17-A Page 15, Pages 17-20 Properties, Page 21 Holder	
	102-8	Information on employees and other workers	Refer to 17-A Pages 15 Employees	
	102-9	Supply chain	The company's key focus of the operation is providing maritime services. The company has a supplier/service provider accreditation process to ensure compliance with ISO standards and for sustainable development.	
	102-10	Significant changes to the organization and its supply chain		None to report
	102-11	Precautionary Principle or approach	Since the company is an IMS certified, we are using the ISO standards when planning our processes and projects balancing the three pillars of sustainability.	
	102-12	External initiative	See UN SDGs, Page 13-19	
	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	
	Ethics and Integrity			
	102-16	Values, principles, standards, and norms of behavior	Page 2 Mission, Vision and Values	
	Governance			
	102-18	Governance structure	Refer to 17-A Pages 36-42 Item 9: Directors and Executive Officers of the Issuer	
	Stakeholder Engagement			
	102-40	List of stakeholder groups	Page 4	
	102-41	Collective bargaining agreements		None to report
	102-42	Identifying and selecting stakeholders	Page 4	
	102-43	Approach to stakeholder engagement	Page 4	
	102-44	Key topics and concerns raised	Page 4	
	Reporting Practice			
	102-45	Entities included in the consolidated financial statements	Parent and Subsidiaries	
	102-46	Defining report content and topic Boundaries	Page 3	
	102-47	List of material topics	Page 3	
	102-48	Restatements of information		None to report
	102-49	Changes in reporting		None to report
	102-50	Reporting period	Page 1	
	102-51	Date of most recent report	2024	
	102-52	Reporting cycle	Annual	
	102-53	Contact point for questions regarding the report	Jay-R L. Castillo , QHSE and Oil Spill Response Manager	
	102-54	Claims of reporting in accordance with the GRI Standards	Page 1	
	102-55	GRI Content Index	Pages 17-19	
	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	Page 3	
	103-2	The management approach and its components	Pages 3-4, 12, Refer to 17-A Pages 15-17 Discussion on Risk; Page 11-12 Competition	
	103-3	Evaluation of the management approach	Page 6, Refer to 17-A Pages 11 Market	
GRI 201: Economic Performance 2016	201-1	Direct Economic Value Generated and Distributed	Page 5	
Environmental Performance				
Energy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 12	
	103-3	Evaluation of the management approach	Page 9	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Page 9	
Water				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 12	
	103-3	Evaluation of the management approach	Page 9	
GRI 303: Water 2016	303-3	Water withdrawal	Page 9	
Emission				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 12	
	103-3	Evaluation of the management approach	Page 9	
GRI 305: Air Emissions 2016	305-1	Direct (Scope 1) GHG Emissions	Page 9	
	305-2	Energy indirect (Scope 2) GHG Emissions	Page 9	
	305-3	Other indirect (Scope 3) GHG Emissions	Page 9	
Hazardous Wastes				

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 12	
	103-3	Evaluation of the management approach	Page 9	
GRI 302: Waste 2016	306-4	Hazardous Waste	Page 9	
Social Performance				
Employment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 12	
	103-3	Evaluation of the management approach	Pages 7-8	
GRI 401: Employment 2016	401-1	Employee Data	Page 7	
	401-2	Employee Benefits	Page 8	
Occupational Safety and Health				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 12	
	103-3	Evaluation of the management approach	Pages 10-11	
GRI 403: Occupational Health and Safety	403-9	Occupational Health and Safety	Page 10	
Training and Education				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 12	
	103-3	Evaluation of the management approach	Pages 8	
GRI 404 : Training and Education	404-1	Employee Training and Development	Page 8	
Diversity and Equal Opportunity				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 12	
	103-3	Evaluation of the management approach	Page 7	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity and Equal Opportunity	Page 7	
Local Communities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3, 4, 12	
	103-3	Evaluation of the management approach	Pages 13-16	
GRI 413 : Local Communities 2016	413-1	Significant Impacts on Local Communities	Page 16-17	

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

The following document has been received:

Receiving: DONNA ENCARNADO
Receipt Date and Time: May 15, 2026 09:30:45 AM

Company Information

SEC Registration No.: 0000152897
Company Name: HARBOR STAR SHIPPING SVCS. INC.
Industry Classification: I63200
Company Type: Stock Corporation

Document Information

Document ID: OST105152026811380174
Document Type: Notice of Inability to File AR or QR
Document Code: SEC_Form_17-L
Period Covered: December 31, 2025
Submission Type: As needed
Remarks: None

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

COVER SHEET

| | | |

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-L

NOTIFICATION OF INABILITY TO FILE ALL OR ANY PORTION OF SEC FORM 17-A OR 17-Q

Check One:

Form 17-A [**X**] Form 17-Q [ ]

Period-Ended Date of required filing.... **For the Fiscal Year Ended 31 December 2025**

Date of this report..... 15 May 2026

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates:.....

1. SEC Identification Number ..... **152897** 2. BIR Tax Identification No. **201-128-653-000**

3. **HARBOR STAR SHIPPING SERVICES, INC.** .
   Exact name of issuer as specified in its charter

4. **Philippines** .
   Province, country or other jurisdiction of incorporation

5. Industry Classification Code: [ ] (SEC Use Only)

6. **2224 A. Bonifacio St. corner President Osmeña Highway, Brgy. Bangkal, Makati City 1233**
   Address of principal office Postal Code

7. **(+632) 8886-3703** .
   Issuer's telephone number, including area code

8. .....
   Former name, former address, and former fiscal year, if changed since last report.

9. Are any of the issuer's securities listed on a Stock Exchange?

   Yes [X] No [ ]

   If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

   Philippine Stock Exchange **Common stock**

Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense. [✓]

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth day following the prescribed due date. [✓]

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable. [ ]

Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed.)

The Company could not file the SEC Form 17-A ("Annual Report") for the Fiscal Year Ended 31 December 2025 and its attachments, the Audited Financial Statements ("AFS") and "Sustainability Report" on the Deadline of Submission of Annual Report, 15 May 2026, due to the following factor:

1. **The Company's external auditor, Isla Lipana & Co./PWC Philippines is still in the process of reviewing, consolidating, and finalizing the Financial Statement; of which some of the crucial contents of the 17-A and Sustainability Report were derived from.**

Thus, the Company is constrained to defer the filing of the SEC 17-A to a later date, on or before the fifteen-day extension allowed by the SRC Rules.

Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification

Dany Cleo B. Uson
Chief Financial Officer
2224 A. Bonifacio corner Pres. Osmena Hi-way
Bangkal, Makati City,
Telephone number : 8886-3703
Fax number : 8887-2103

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes [**X**] No [ ] Reports: .....

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes [ ] No [**X**]

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

SIGNATURE

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HARBOR STAR SHIPPING SERVICES, INC.
Registrant's full name as contained in charter



CHARLENE O. ANG
Corporate Secretary
Signature and Title

Date: **15 May 2026**

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

The following document has been received:

Receiving: ICTD ERMD
Receipt Date and Time: May 20, 2026 01:48:54 PM

Company Information

SEC Registration No.: 0000152897
Company Name: HARBOR STAR SHIPPING SVCS. INC.
Industry Classification: I63200
Company Type: Stock Corporation

Document Information

Document ID: OST1052020268114538883
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2025
Submission Type: Parent
Remarks: None

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

COVER SHEET

SEC Registration Number

					1	5	2	8	9	7

Company Name

HARBOR STAR SHIPPING SERVICES, INC.

Principal Office (No./Street/Barangay/City/Town/Province)

2224 A BONIFACIO ST., COR. PRES. SERGIO OSMEÑA HIGHWAY, BANGKAL, MAKATI CITY 1233 PHILIPPINES

Form Type	Department requiring the report	Secondary License Type, if applicable
AFS	CRR	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.harborstar.com.ph	(+632) 8886-3703	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
116	Every Last Wednesday of May	12/31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Dany Cleo B. Uson	dbuson@harborstar.com.ph	(+632) 8886-3703	N/A

Contact Person's Address

2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233, Philippines

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designate

HARBOR STAR
SHIPPING SERVICES, INC.

ISO 9001 = ISO 14001
OHSAS 18001

MEMBER

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Harbor Star Shipping Services, Inc. ("the Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Isla Lipana & Co, the independent auditor, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

MR. GERONIMO P. BELLA JR.
PRESIDENT

MR. RICARDO RODRIGO P. BELLA
VICE PRESIDENT

MR. DANY CLEO B. USON
TREASURER

Signed this 12th day of May, 2026.

2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway,
Bangkal, Makati City, 1233, Philippines ● Tel. No.: (+632) 8886-3703
Fax No.: (+632) 8887-2103 ● www. harborstar.com.ph

HARBOR STAR
SHIPPING SERVICES, INC.

ISO 9001 = ISO 14001
OHSAS 18001

MEMBER

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

SUBSCRIBED AND SWORN TO BEFORE ME, this 14th day of May 2026, affiants exhibiting to me the following:

Name	Community Tax Certificate	Date / Place Issued
GERONIMO P. BELLA JR.	# 29023366	13 Jan 2026/ Makati City
RICARDO RODRIGO P. BELLA	# 29023368	13 Jan 2026/ Makati City
DANY CLEO B. USON	# 29023351	13 Jan 2026/ Makati City

Doc. No. 339;
Page No. 69;
Book No. VII;
Series of 2026.

ATTY. BLAS JOSHUA C. CORDOVA
Notary Public for Makati City
Appointment No. M-066
Until 31 December 2026
Roll of Attorney's No. 81887
PTR No. 10768432 / 06 Jan 2026 / Makati City
IBP No. 573409 / 26 Dec 2025 / PPLM
MCLE Compliance: VIII-0037522
2224 A. Bonifacio St. cor. President Osmena Highway, Bangkal, Makati City

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Harbor Star Shipping Services, Inc.
2224 A. Bonifacio St., cor. Pres. Osmeña Highway,
Bangkal, Makati City, Metro Manila

Report on the Audits of the Separate Financial Statements

Our Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of Harbor Star Shipping Services, Inc. (the "Parent Company") as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

What we have audited

The separate financial statements of the Parent Company comprise:

- the statements of financial position as at December 31, 2025 and 2024;
- the statements of total comprehensive income for the years ended December 31, 2025 and 2024;
- the statements of changes in equity for the years ended December 31, 2025 and 2024;
- the statements of cash flows for the years ended December 31, 2025 and 2024; and
- the notes to the separate financial statements, comprising material accounting policy information and other explanatory information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 28 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

Isla Lipana & Co.



Paul Chester U. See
Partner
CPA Cert. No. 104941
P.T.R. No. 0011425; issued on January 8, 2026 at Makati City
SEC A.N. (individual) as general auditors 1518-AR-1, Category A;
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2025 financial statements
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/P-010, effective until November 14, 2028

Makati City
May 12, 2026

Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Harbor Star Shipping Services, Inc.
2224 A. Bonifacio St., cor. Pres. Osmeña Highway,
Bangkal, Makati City, Metro Manila

We have audited the separate financial statements of Harbor Star Shipping Services, Inc. (the "Parent Company") as at and for the year ended December 31, 2025, on which we have rendered the attached report dated May 12, 2026.

In compliance with SRC Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of work performed by us, the Parent Company has 114 shareholders owning one hundred (100) or more shares each as at December 31, 2025.

Isla Lipana & Co.



Paul Chester U. See
Partner
CPA Cert. No. 104941
P.T.R. No. 0011425; issued on January 8, 2026 at Makati City
SEC A.N. (individual) as general auditors 1518-AR-1, Category A;
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2025 financial statements
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/P-010, effective until November 14, 2028

Makati City
May 12, 2026

pwc Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Harbor Star Shipping Services, Inc.
2224 A. Bonifacio St., cor. Pres. Osmeña Highway,
Bangkal, Makati City, Metro Manila

We have audited the separate financial statements of Harbor Star Shipping Services, Inc. (the "Parent Company") as at and for the year ended December 31, 2025, on which we have rendered the attached report dated May 12, 2026. The supplementary information shown in the Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration as required by Part I Section 5 of the Revised SRC Rule 68, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised SRC Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

Paul Chester See

Paul Chester U. See
Partner
CPA Cert. No. 104941
P.T.R. No. 0011425; issued on January 8, 2026 at Makati City
SEC A.N. (individual) as general auditors 1518-AR-1, Category A;
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2025 financial statements
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/P-010, effective until November 14, 2028

Makati City
May 12, 2026

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas,
1226 Makati City, Philippines
+63 (2) 8845 2728

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine group of member firms and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

Harbor Star Shipping Services, Inc.

Statements of Financial Position
As at December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
Assets			
Current assets			
Cash and cash equivalents	2	209,060,822	197,641,598
Trade and other receivables, net	3	413,681,430	482,396,182
Advances to related parties, net	22	886,727,418	858,748,725
Prepayments and other current assets	4	394,008,752	460,061,096
Total current assets		1,903,478,422	1,998,847,601
Non-current assets			
Property and equipment, net	6	2,594,230,646	2,575,223,631
Right-of-use assets, net	7	17,761,746	25,650,750
Computer software, net	8	6,524,693	8,556,758
Investment properties	9	69,983,207	69,983,207
Investments in subsidiaries and associates, net	5	193,503,973	193,503,973
Other non-current assets, net	10	318,333,490	226,645,949
Total non-current assets		3,200,337,755	3,099,564,268
Total assets		5,103,816,177	5,098,411,869
Liabilities and Equity			
Current liabilities			
Trade and other payables	11	571,241,095	587,960,552
Borrowings	12	355,380,801	877,538,090
Lease liabilities	7	7,906,195	7,253,871
Advances from related parties	22	247,531,228	93,893,791
Income tax payable		-	33,900,068
Total current liabilities		1,182,059,319	1,600,546,372
Non-current liabilities			
Borrowings, net of current portion	12	1,094,079,496	727,677,780
Lease liabilities, net of current portion	7	8,174,741	15,073,210
Trade payable, net of current portion	11	2,834,503	9,298,942
Deferred income tax liabilities, net	23	203,013,496	195,584,983
Retirement benefit obligation	21	199,931,741	177,070,556
Total non-current liabilities		1,508,033,977	1,124,705,471
Total liabilities		2,690,093,296	2,725,251,843
Equity			
Share capital	13	907,857,870	907,857,870
Share premium	13	121,632,762	121,632,762
Treasury shares	13	(37,614,990)	(37,614,990)
Revaluation surplus, net of tax	6	878,797,073	870,027,460
Fair value reserve on financial assets at fair value through other comprehensive income (FVOCI)	10	1,482,500	(160,000)
Retained earnings		541,567,666	511,416,924
Total equity		2,413,722,881	2,373,160,026
Total liabilities and equity		5,103,816,177	5,098,411,869

Harbor Star Shipping Services, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
Service income, net	15	2,227,403,934	2,442,789,272
Cost of services	16	(1,766,601,848)	(1,839,949,916)
Gross profit		460,802,086	602,839,356
General and administrative expenses	17	(416,730,427)	(434,027,161)
Reversal of (Provision for) impairment losses on trade and other receivables	3	12,021,466	(26,784,267)
Net reversal of impairment losses on property and equipment	6	15,990,006	35,524,682
Other income, net	19	67,420,430	106,101,010
Operating income		139,503,561	283,653,620
Finance cost	20	(134,852,761)	(148,636,061)
Income before income tax		4,650,800	135,017,559
Income tax expense	23	(16,137,451)	(52,081,711)
Net (loss) income for the year		(11,486,651)	82,935,848
Other comprehensive income (loss)			
Items that will not be subsequently reclassified to profit or loss			
Revaluation increment (decrement) on tugboats, net of tax	6	52,229,044	(67,646,388)
Revaluation gain on financial assets at FVOCI, net of tax	10	1,642,500	-
Remeasurements on retirement benefits, net of tax	21	(1,822,038)	3,877,984
Total other comprehensive income (loss)		52,049,506	(63,768,404)
Total comprehensive income for the year		40,562,855	19,167,444
(Loss) Earnings per share			
Basic and diluted	14	(0.01)	0.09

The notes on pages 1 to 52 are integral part of these separate financial statements.

Harbor Star Shipping Services, Inc.

Statements of Changes in Equity
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Share capital (Note 13)	Share premium (Note 13)	Treasury shares (Note 13)	Revaluation surplus, net of tax (Note 6)	Fair value reserve on financial assets at FVOCI	Retained earnings	Total equity
Balances at January 1, 2024	907,857,870	121,632,762	(37,614,990)	1,011,329,099	(160,000)	350,947,841	2,353,992,582
Comprehensive income (loss)							
Net income for the year	-	-	-	-	-	82,935,848	82,935,848
Other comprehensive income (loss)							
Revaluation decrement on tugboats, net of tax (Note 6)	-	-	-	(67,646,388)	-	-	(67,646,388)
Remeasurements on retirement benefits, net of tax (Note 21)	-	-	-	-	-	3,877,984	3,877,984
Total comprehensive income	-	-	-	(67,646,388)	-	86,813,832	19,167,444
Transfer of revaluation surplus through depreciation, net of tax	-	-	-	(47,236,331)	-	47,236,331	-
Transfer of revaluation surplus through disposal, net of tax	-	-	-	(26,418,920)	-	26,418,920	-
Balances at December 31, 2024	907,857,870	121,632,762	(37,614,990)	870,027,460	(160,000)	511,416,924	2,373,160,026
Comprehensive income (loss)							
Net loss for the year	-	-	-	-	-	(11,486,651)	(11,486,651)
Other comprehensive income (loss)							
Revaluation increment on tugboats, net of tax (Note 6)	-	-	-	52,229,044	-	-	52,229,044
Revaluation gain on financial assets at FVOCI, net of tax	-	-	-	-	1,642,500	-	1,642,500
Remeasurements on retirement benefits, net of tax (Note 21)	-	-	-	-	-	(1,822,038)	(1,822,038)
Total comprehensive income	-	-	-	52,229,044	1,642,500	(13,308,689)	40,562,855
Transfer of revaluation surplus through depreciation, net of tax	-	-	-	(43,459,431)	-	43,459,431	-
Balances at December 31, 2025	907,857,870	121,632,762	(37,614,990)	878,797,073	1,482,500	541,567,666	2,413,722,881

The notes on pages 1 to 52 are integral part of these separate financial statements.

Harbor Star Shipping Services, Inc.

Statements of Cash Flows
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
Cash flows from operating activities			
Income before income tax		4,650,800	135,017,559
Adjustments for:			
Depreciation and amortization	6, 8	446,333,783	422,514,051
Finance cost	20	134,852,761	148,636,061
Provision for impairment of input value-added tax	10, 17	49,880,765	15,571,336
Retirement benefit expense	21	23,833,196	20,264,121
Amortization of right-of-use assets	7	9,484,451	9,754,951
Loss on debt restructuring	12, 19	810,435	-
Loss on write-off of creditable withholding taxes	4, 19	-	11,220,363
Unrealized foreign exchange gain, net	24	(477,417)	(889,641)
(Gain) Loss on sale of property and equipment	6, 19	(1,111,250)	24,223,988
Dividend income	5, 19	(3,286,025)	(1,199,760)
Interest income	2, 3, 19	(3,972,678)	(218,496)
(Gain) Loss on write-off / reversal of assets/payables	19	(5,776,338)	2,083,046
(Reversal of) Provision for net impairment losses on trade and other receivables	3	(12,021,466)	26,784,267
Reversal of impairment loss on property and equipment, net	6	(15,990,006)	(35,524,682)
Operating profit before changes in assets and liabilities		627,211,011	778,237,164
(Increase) Decrease in:			
Trade and other receivables		80,397,218	(35,005,666)
Advances to related parties		(27,978,693)	93,982,194
Prepayments and other current assets		39,993,571	(171,616,462)
Other non-current assets		(139,378,306)	-
Increase (Decrease) in:			
Trade and other payables		51,615,321	94,078,548
Advances from related parties		153,637,437	46,236,318
Cash generated from operations		785,497,559	805,912,096
Interest received	2, 3, 19	3,972,678	218,496
Retirement benefits paid	21	(3,401,395)	(1,598,870)
Income taxes paid		(33,900,068)	-
Net cash provided by operating activities		752,168,774	804,531,722
Cash flows from investing activities			
Proceeds from disposal of property and equipment	6	3,106,786	19,046,378
Acquisition of property and equipment and computer software	6, 8	(444,333,159)	(461,034,027)
Net cash used in investing activities		(441,226,373)	(441,987,649)
Cash flows from financing activities			
Proceeds from borrowings	12	84,668,000	42,160,800
Payments of long-term borrowings	12	(229,387,620)	(227,323,650)
Proceeds from short-term loans	12	36,619,260	55,725,500
Payments of short-term loans	12	(36,619,260)	(55,725,500)
Payments of interest on short-term loans and borrowings	12	(147,869,285)	(143,383,021)
Payment for the principal portion of lease liabilities	7	(7,841,592)	(10,186,486)
Payment for the interest portion of lease liabilities	7	(1,218,349)	(1,392,938)
Dividend received	5, 19	3,286,025	1,199,760
Net cash used in financing activities		(298,362,821)	(338,925,535)
Net increase in cash and cash equivalents		12,579,580	23,618,538
Cash and cash equivalents at the beginning of year		197,641,598	174,014,318
Effect of foreign exchange rate changes on cash and cash equivalents		(1,160,356)	8,742
Cash and cash equivalents at the end of year	2	209,060,822	197,641,598

The notes on pages 1 to 52 are integral part of these separate financial statements.

Harbor Star Shipping Services, Inc.

Notes to the Separate Financial Statements
As at and for the years ended December 31, 2025 and 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. (HSSSI or the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 5, 1988. The primary and secondary purpose of the Parent Company is to invest, own, operate, venture into domestic and international maritime commerce, domestic and international manning recruitment, transport in and between ports of the Philippines, domestic and international port and terminal operations, construction and rehabilitation of marine facilities and real estate development.

In July 2012, the Parent Company commenced activities for an initial public offering (IPO) of its common shares in the Philippines. On October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the Parent Company completed its listing in the Philippine Stock Exchange (PSE) and became a public company (Note 13). The Parent Company did not have any follow on offering subsequent to its initial public offering.

As a public company, it is covered by Part I Section 2A(i) of the Revised Securities Regulation Code (SRC) Rule 68, and also covered by additional requirements under Revised SRC Rule 68, Part II.

As at December 31, 2025 and 2024, the Parent Company has 116 shareholders, 114 of which holds at least 100 common shares. For the year ended December 31, 2025, the Parent Company's major shareholders are its own directors holding 69.12% (2024 - 69.07%) of its total issued shares and the remaining 30.88% of total issued shares are held by the public (2024 - 30.93%).

The Parent Company's registered office, which is also its principal place of business, is located at 2224 A. Bonifacio St., cor. Pres. Osmeña Highway, Bangkal, Makati City, Metro Manila.

1.2 Significant developments

Acquisition of Astronergy Development Gensan Inc. (ADGI); Astronergy Development F1 Inc. (ADF1) and Astronergy Development F2 Inc. (ADF2)

On October 6, 2017, the Parent Company's Board of Directors (BOD) resolved to acquire 60% shareholdings of ADGI, an entity engaged in power generation through renewable energy through Harbor Star Energy Corporation (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 25 megawatt (MW), expandable to 75MW, solar power plant in General Santos. ADGI has been issued a Certificate of Commerciality (COC) by the DOE and has an existing Energy Regulatory Commission (ERC)-approved Power Purchase Agreement (PPA) with South Cotobato II Electric Cooperative, Inc. ("SOCOTECO II"). Under the PPA, SOCOTECO II will purchase all the energy output from the project. The construction of the initial 25MW solar power plant was completed in the second quarter of 2019.

ADF1 and ADF2 have their own ancillary permits and contracts to support the expansion of the 25MW ADGI solar power plant to 75MW.

ADGI's commercial production is deemed to have commenced when management determines that the completion of operational commissioning of plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be sustained. On July 27, 2019, ADGI started the commercial operation of its solar power plant in Sitio Changco, Brgy. Bawing, General Santos City, South Cotabato with a capacity of 25MW.

On December 3, 2019, ERC granted the Certificate of Compliance (COC No. 19-12-M-00188M) to ADGI after having found to comply with all the requirements in the 2014 Revised COC Rules, the Philippine Grid Code, the Philippine Distribution Code, the Wholesale Electricity Spot Market (WESM) Rules and related laws, orders and regulations. The COC shall be valid for a period of five (5) years, from December 31, 2019 to December 2, 2024, and its application for renewal shall be filed at least six (6) months before its expiration date. As at report date, renewal of the application is on-going.

In 2020, ADGI commenced commercial operations for the entire year. On January 26, 2022, SOCOTECO II and ADGI filed an Application on ERC Case No. 2013-2017 RC seeking the Commission's approval of their Renewable Energy Supply Agreement (RESA) for issuance of final authority and collection for the supply of power based on the RESA as at December 31, 2020. In 2020, ADGI has submitted to the ERC all documents to support their claims. As at reporting date, ADGI is awaiting for final ruling from the ERC.

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.

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. HSEAM further renewed their license on February 20, 2026 with no expiration in the license.

Harbor Star Construction Corporation (HSCC)

On March 17, 2021, the Parent Company subscribed to 29,999,999 shares of HSCC for a total amount of P29,999,997, which gave the Parent Company 100% controlling interest over HSCC.

On April 23, 2021, the SEC approved the Certificate of Incorporation of HSCC. HSCC's primary purpose is to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.

Hi-Energy Marine Services, Inc. (HEMSI)

On August 16, 2018, the Parent Company subscribed to 31% (218,464 shares) of the 705,924 authorized shares of HEMSI and paid 100% of the subscription amounting to P85,368,971. As a result, HEMSI became an associate.

HEMSI was incorporated and registered with the SEC on February 13, 2012 primarily to engage in towage, mooring, maritime commerce and navigation.

Kaibuok Star Shipyard Inc. (KSSI)

On June 6, 2023, the Parent Company has subscribed to 30% or equivalent to 16,500,000 of the 55,000,000 authorized shares of KSSI for a total amount of P16,624,025, which remains to be outstanding as at December 31, 2025. As a result, KSSI became an associate.

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.

Geopolitical Uncertainty

Subsequent to the reporting date, geopolitical tensions in certain regions escalated into armed conflict involving multiple countries. This increased volatility in global financial and commodity markets and disrupted certain trade routes and supply chains. Management has assessed the effects of these developments on the Parent Company's separate financial statements, including recoverability of assets, fair value measurements, provisions, contract enforceability, and liquidity risk.

Management determined that these events do not provide evidence of conditions that existed at year-end and were therefore treated as non-adjusting subsequent events. Based on information currently available, management has not identified a direct material impact on the Parent Company's financial position or results of operations.

However, the situation continues to evolve and may affect future performance and financial position, depending on its duration and wider economic effects. Management will continue to monitor developments and will reflect any material impacts in future reporting periods.

1.3 Approval of the Parent Company's separate financial statements

These separate financial statements have been reviewed and authorized for issuance by the Parent Company's BOD on May 12, 2026.

2 Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2025	2024
Cash in banks	184,173,255	146,048,431
Cash on hand	2,785,920	2,593,167
Cash equivalents	22,101,647	49,000,000
	209,060,822	197,641,598

Cash equivalents pertain to investments 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 4.90% and 5.38% for 2025 and 2024, respectively.

Interest income earned from cash in banks and cash equivalents for the year ended December 31, 2025 amounted to P3,931,749 (2024 - P183,923) (Note 19).

The carrying values of cash in banks and cash equivalents represent maximum exposure to credit risk. While cash and cash equivalents are also subject to impairment under 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:

	2025	2024
Trade receivables	338,409,128	389,850,062
Allowance for impairment loss on trade receivables	(76,107,254)	(88,128,110)
	262,301,874	301,721,952
Advances to officers, employees and others	164,597,542	180,649,676
Allowance for impairment loss on advances to officers, employees and others	(39,921,382)	(40,117,946)
	124,676,160	140,531,730
Unbilled revenue	26,690,345	40,142,500
Others	13,051	-
	413,681,430	482,396,182

Trade receivables are amounts due from customers for rendering harbor assistance and other marine services in the ordinary course of the business with an average credit term of 30 to 60 days.

Advances to employees represent outstanding balances with existing employees and regular collections are made through liquidation and salary deduction. As at December 31, 2025, advances to officers representing key management personnel and shareholders amounted to P23,387,770 (2024 - P19,363,715) (Note 22).

The carrying value of trade and other receivables as at December 31, 2025 and 2024 approximates their fair value as at reporting date.

Allowance for impairment

The Parent Company applies PFRS 9 simplified approach in measuring expected credit losses (ECL) for all trade receivables which uses a lifetime expected loss allowance.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of service fees over a period of 36 months before January 1 of every reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Parent Company has identified the gross domestic product (GDP) growth rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in such rates.

For advances to officers and others, and other receivables, the Parent Company applies a general approach in calculating ECL. The Parent Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on these financial assets since initial recognition.

The Parent Company's financial assets are categorized based on the Parent Company's collection experience with the counterparties as follows:

a. High performing - settlements are obtained from the counterparty following the terms of the contracts without much collection effort.
b. Underperforming - more than 60 days past due but expected to be collected after some reminders / follow-ups.
c. Credit impaired - more than 360 days past due and unlikely to be collected despite reminders / follow-ups.

On that basis, the allowance for impairment loss on trade receivables as at December 31 was determined as follows:

	High performing	Underperforming	Credit impaired	
	Current	Up to 6 months past due	Over 12 months past due	Total
Expected loss rate	Within 3% to 4%	Within 7% to 8%	100%	
December 31, 2025				
Trade receivables	85,675,392	188,692,665	64,041,071	338,409,128
Loss allowance	2,684,987	9,381,196	64,041,071	76,107,254
December 31, 2024				
Trade receivables	62,375,714	259,820,166	67,654,182	389,850,062
Loss allowance	2,183,150	18,290,778	67,654,182	88,128,110

Movements in the allowance for impairment loss on trade and other receivables for the years ended December 31 are as follows:

	2025	2024
January 1	128,246,056	101,461,789
(Reversal) Provision during the year	(12,021,466)	26,784,267
Write-off	(195,954)	-
December 31	116,028,636	128,246,056

In 2025, the Parent Company reversed its provision for impairment loss on trade receivables amounting to P12,021,466. In 2024, the Parent Company recognized net impairment loss on trade receivables amounting to P10,292,158 and provision for impairment loss on advances to inactive employees amounting to P16,492,109. These were charged to reversal of (provision for) impairment losses on trade and other receivables in the statements of total comprehensive income.

In 2025, the Parent Company directly written-off advances to employees amounting to P833,171 (2024 - P5,306,812) (Note 17).

In 2025, the Parent Company recognized interest income amounting to P40,929 (2024 - P34,573) due to the late payment of a third-party customer relating to the salvage services provided (Note 19).

Unbilled revenue pertains to revenue that has been recognized as earned but not yet billed to the customer from operations in relation to diving and other underwater services and construction projects of the Parent Company. As at reporting date, the costs incurred and estimated earnings in excess of billings on uncompleted contracts have not been invoiced and as such they represent a contract asset.

The Parent Company recognized contract assets of P26,690,345 as at December 31, 2025 (2024 - P40,142,500) for revenue accrued based on percentage of completion at year-end. The movements on contract assets are mainly attributable to the completed projects and additional accruals for unbilled costs.

Critical accounting estimate and assumptions

Recoverability of trade and other receivables

The allowance for impairment related to the Parent Company's trade and other receivables is based on assumptions about risk of default and expected loss rates. The Parent Company uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Parent Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed above.

Estimates and assumptions related to provision for impairment of trade and other receivables are continually evaluated based on historical experiences and other factors, including expectations of future events that may have a financial impact on the Parent Company and that are believed to be reasonable under the circumstances.

4 Prepayments and other current assets

Prepayments and other current assets as at December 31 consist of:

	Note	2025	2024
Construction advances		131,200,486	135,952,244
Input value-added tax (VAT), net of output VAT	10	121,837,807	183,380,656
Prepayments		81,201,254	93,822,421
Advances to suppliers		43,058,926	40,863,926
Prepaid income taxes		11,070,189	-
Refundable deposits		5,640,090	6,041,849
		394,008,752	460,061,096

Construction advances pertain to advances to suppliers, contractors and employees related to construction projects subject to liquidation. There were no provisions recognized during 2025 and 2024.

Prepayments consist of mainly unexpired hull and machinery insurance, motor car insurance, life and health insurance, and fuel which are expected to be utilized for a period of less than a year.

Advances to suppliers consist of advance payments on services to be performed within 12 months.

In 2024, the Parent Company wrote-off unsupported creditable withholding taxes (CWT) amounting to P11,220,363 (Note 19). There are no similar transactions in 2025.

5 Investments in subsidiaries and associates

As at December 31, 2025 and 2024, the Parent Company has the following investments in subsidiaries and associates:

	Relationship	% of interest held	Registered place of business / Country of incorporation	Main activity
Harbor Star Subic Corp. (HSSC)	Subsidiary	100%	Philippines	HSSC was incorporated on September 17, 2015 and registered in the Philippines primarily to engage in marine-related ancillary services such as harbor assistance, towage, lighterage, oil spill response and underwater marine services. Its registered address, which is also its principal place of business, is located at Units 9 and 10, Alava Quay, Waterfront Road, Subic Bay Freeport Zone, Subic, Zambales.
HSEC	Subsidiary	100%	Philippines	HSEC was incorporated on May 11, 2017 and registered in the Philippines primarily to engage in the production and sale of renewable energy. Its registered address is at 2224 A. Bonifacio St., cor. Pres. Osmeña Highway, Bangkal, Makati City, Metro Manila.
HSEAM	Subsidiary	100%	Myanmar	HSEAM was incorporated in Myanmar and registered on February 6, 2018 primarily engage in providing consultancy and support services, including, but not limited to, underwater, marine, maritime-related businesses in Myanmar. Its registered address, which is also its principal place of business is No. M6, Upper Padetharpin Road, FMI City, Hlaingtharyar Township, Yangon, Myanmar.

	Relationship	% of interest held	Registered place of business / Country of incorporation	Main activity
Peak Flag SDN BHD (Peak Flag)	Subsidiary	45%	Malaysia	Peak Flag was incorporated and registered in Malaysia, primarily to carry on the business of providing tugboat harbor assist / marine support services. Its registered address, which is also its principal place of business, is at Suite N-6-04, The Gamuda Biz Suites, No.12, Persiaran Anggerik Vanilla 31/99 Seksyen 31, Kota Kemuning 40460 Shah Alam, Selangor.
HSCC	Subsidiary	100%	Philippines	HSCC was incorporated on April 23, 2022 and registered in the Philippines primarily to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works. Its registered address, which is also its principal place of business is located at 2224 A. Bonifacio St., cor. Pres. Osmeña Highway, Bangkal, Makati City, Metro Manila.
Great Eastern Tug Corporation (GETC)	Associate	20%	Philippines	GETC was incorporated and registered with the Philippine SEC on September 9, 2002, primarily to own, charter in/out, operate and manage tugboats or domestic services. Its registered address, which is also its principal place of business, is located at 11F Marc 2000 Tower, 1973 Taft Avenue, Malate, Manila.
HEMSI	Associate	31%	Philippines	HEMSI was incorporated and registered with the Philippine SEC on February 13, 2012, primarily to engage in towage, ocean towage, mooring, maritime commerce and navigation. Its registered address, which is also its principal place of business, is located at Bldg. No. 1811 CUO 14 Studio Zen Taft Ave. St. Zone 03, Brgy. 36, Pasay City, Philippines.
KSSI	Associate	20%	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.

Investments in subsidiaries and associates as at December 31, 2025 and 2024 consist of:

	Amount
Subsidiaries	
HSEC	46,875,000
HSCC	29,999,997
Peak Flag	7,205,724
HSEAM	2,526,782
HSSC	1,277,500
	87,885,003
Associates	
HEMSI	85,368,972
KSSI	16,499,998
GETC	3,750,000
	105,618,970
	193,503,973

Set out below is the summarized financial information of Peak Flag at December 31 which is accounted for using the cost method.

	2025	2024
Total current assets	97,804,614	127,828,021
Total non-current assets	404,831,114	376,183,989
Total current liabilities	247,723,889	249,208,783
Total non-current liabilities	83,920,153	78,363,556
Equity	170,991,685	176,439,671
Total revenue/income	168,055,476	171,941,552
Total expenses	(176,241,746)	(80,170,948)
Total (loss) income for the year	(24,510,591)	91,770,604
Total comprehensive (loss) income	(24,510,591)	138,409,424
Net cash provided by operating activities	48,136,838	65,349,650
Net cash (used in) provided by financing activities	(28,074,490)	21,943,138

The summarized individual financial information of the associates were not presented because based on management's assessment, the said information and the investments in associates are not material to the Parent Company's business operations and separate financial statements.

In 2025, the Parent Company received dividend income from HEMSI amounting to P3,972,678 (2024 - P1,199,760 from GETC) (Note 19).

Critical accounting judgments

(a) Determining control over investments with ownership of less than half of an entity's total equity

The Parent Company follows the guidance of PFRS 10, "Consolidated Financial Statements" in determining if control exists for investments with ownership of less than half of its total equity. In making this judgment, the Parent Company considers the power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the BOD, or power to cast the majority of votes at meetings of the BOD.

Having a significant influence based on the percentage ownership, the Parent Company initially considered Peak Flag as an associate. However, effective January 1, 2014, the Parent Company has gained control over the key economic decisions and policies affecting Peak Flag under the duly signed amended shareholders' agreement including majority board representation. Consequently, based on management's judgment and continuous assessment of the Parent Company, Peak Flag is considered as a subsidiary as at December 31, 2025 and 2024.

(b) Impairment of investments in subsidiaries and associates

The Parent Company's investments in subsidiaries and associates are carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those management assessments and judgment could have a significant effect on the carrying value of investments in subsidiaries and associates and the amount and timing of recorded provision for any period.

As at December 31, 2025 and 2024, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its investment in subsidiaries and associates may not be recoverable.

6 Property and equipment, net

Details and movements of property and equipment, net as at and for the years ended December 31 are as follows:

	Tugboats (at revalued amount)	Land	Barges	Building and building improvements	Transportation equipment	Diving, oil spill, and other equipment	Furniture, fixtures and leasehold improvements	Construction equipment	Construction-in-progress	Total
Cost										
January 1, 2024	20,997,087,482	39,556,011	660,264,650	108,439,299	75,416,497	280,661,807	3,927,924	25,377,407	22,953,529	22,213,684,606
Additions	252,396,927	-	122,112,199	5,975,927	6,499,777	38,837,280	42,704	20,246,965	42,306,446	488,418,225
Reclassification	-	-	72,975,686	-	-	-	-	-	-	72,975,686
Disposals	(826,509,351)	-	-	-	(2,066,958)	(5,884,694)	-	-	-	(834,461,003)
Revaluation	(1,033,143,650)	-	-	-	-	-	-	-	-	(1,033,143,650)
December 31, 2024	19,389,831,408	39,556,011	855,352,535	114,415,226	79,849,316	313,614,393	3,970,628	45,624,372	65,259,975	20,907,473,864
Additions	197,342,277	-	22,841,048	908,929	22,171,190	43,731,689	749,973	20,534,237	67,931,258	376,210,601
Disposals	-	-	-	-	(9,041,786)	(609,929)	-	-	-	(9,651,715)
Revaluation	443,486,653	-	-	-	-	-	-	-	-	443,486,653
December 31, 2025	20,030,660,338	39,556,011	878,193,583	115,324,155	92,978,720	356,736,153	4,720,601	66,158,609	133,191,233	21,717,519,403
Accumulated depreciation										
January 1, 2024	(18,768,375,990)	-	(510,405,866)	(71,776,750)	(62,492,769)	(224,489,895)	(3,805,200)	(18,740,317)	-	(19,660,086,787)
Depreciation	(270,405,949)	-	(90,102,267)	(14,854,159)	(6,698,778)	(35,342,902)	(111,467)	(1,629,229)	-	(419,144,751)
Disposals	784,866,974	-	-	-	2,066,958	4,156,705	-	-	-	791,090,637
Reclassification	-	-	(22,582,480)	-	-	-	-	-	-	(22,582,480)
Revaluation	942,948,466	-	-	-	-	-	-	-	-	942,948,466
Impairment reversal, net	35,524,682	-	-	-	-	-	-	-	-	35,524,682
December 31, 2024	(17,275,441,817)	-	(623,090,613)	(86,630,909)	(67,124,589)	(255,676,092)	(3,916,667)	(20,369,546)	-	(18,332,250,233)
Depreciation	(286,410,692)	-	(101,310,067)	(7,431,256)	(6,575,120)	(29,246,703)	(163,918)	(9,146,417)	-	(440,284,173)
Disposals	-	-	-	-	7,046,250	57,321	-	-	-	7,103,571
Revaluation	(373,847,928)	-	-	-	-	-	-	-	-	(373,847,928)
Impairment reversal, net	15,990,006	-	-	-	-	-	-	-	-	15,990,006
December 31, 2025	(17,919,710,431)	-	(724,400,680)	(94,062,165)	(66,653,459)	(284,865,474)	(4,080,585)	(29,515,963)	-	(19,123,288,757)
Net book values										
December 31, 2025	2,110,949,907	39,556,011	153,792,903	21,261,990	26,325,261	71,870,679	640,016	36,642,646	133,191,233	2,594,230,646
December 31, 2024	2,114,389,591	39,556,011	232,261,922	27,784,317	12,724,727	57,938,301	53,961	25,254,826	65,259,975	2,575,223,631

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:

	2025	2024
As at January 1		
Cost	2,910,302,641	2,762,356,530
Accumulated depreciation	(1,955,949,663)	(1,882,083,837)
Beginning net book values	954,352,978	880,272,693
Years ended December 31		
Opening net carrying amount	954,352,978	880,272,693
Additions	197,342,277	252,396,927
Disposal		
Cost	-	(104,450,816)
Accumulated depreciation	-	98,033,665
Depreciation	(228,464,784)	(207,424,173)
Impairment loss	-	(35,513,870)
Reversal of impairment loss	15,990,006	71,038,552
Closing net book values	939,220,477	954,352,978
As at December 31		
Cost	3,107,644,918	2,910,302,641
Accumulated depreciation	(2,168,424,441)	(1,955,949,663)
Net book values	939,220,477	954,352,978

The movements of revaluation surplus in equity for the years ended December 31 are as follows:

	Note	2025	2024
January 1		1,160,036,613	1,348,438,799
Revaluation increment (decrement)		69,638,725	(90,195,184)
Amortization of revaluation increment through depreciation		(57,945,908)	(62,981,776)
Amortization of revaluation increment through asset disposal		-	(35,225,226)
December 31, gross of tax		1,171,729,430	1,160,036,613
Tax rate		25%	25%
Deferred income tax liability	23	(292,932,357)	(290,009,153)
December 31, net of tax		878,797,073	870,027,460

As at December 31, 2025, certain tugboats with a net carrying value of P1,819,928,082 (2024 - P2,023,241,594) were valued at P1,905,556,813 (2024 - P1,968,571,092) by accredited independent appraisers. The tugboats were revalued based on both market and cost approach due to the specialized nature of the properties. The fair value hierarchy of these assets is Level 2 for market approach and Level 3 for cost approach. The net revaluation increment of the tugboats for the years ended December 31 are as follows:

	2025	2024
Revaluation increment	136,089,420	134,661,267
Decrease in prior year revaluation increment	(66,450,695)	(224,856,451)
Impairment reversal	15,990,006	35,524,682
	85,628,731	(54,670,502)

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:

	2025	2024
Tugboats	1,801,223,070	1,580,560,623
Barges	98,570,090	168,217,867
Transportation equipment (other marine vehicles)	6,370,463	11,285,965
	1,906,163,623	1,760,064,455

In 2025, the Parent Company sold certain fully depreciated property and equipment for a total consideration of P455,000 which resulted in gain on disposal of the same amount (Note 19).

In 2025, the Parent Company acquired a new vehicle amounting to P5,351,786, inclusive of VAT and net of withholding tax. This acquisition was paid through a trade-in of an old vehicle with a carrying amount of P1,995,536 and a finance loan from bank amounting to P2,700,000 (Note 12) resulting in a gain of P656,250 (Note 19).

In 2024, the Parent Company sold certain property and equipment with a net book value of P43,370,366 for a total consideration of P19,146,378 which resulted to a loss on disposal amounting to P24,223,988 (Note 19). As at December 31, 2024, P100,000 of the total consideration remains uncollected and recorded as advances to employees (Note 3).

In 2024, the Parent Company acquired one tugboat from a third party amounting to P102,007,400. No similar transaction in 2025. As at December 31, 2025, the Parent Company's unpaid acquisitions of property and equipment amounted to P28,945,478 (2024 - P93,050,491) which is considered as non-cash investing activity.

In 2024, at the end of the finance lease agreement with DBP Leasing Corporation, the Parent Company exercised its option to purchase the Barge Queen Jade (Corvus). The Parent Company obtained ownership over the asset and reclassified the net carrying value of P50,393,206 from right-of-use asset (Note 7) to property and equipment, net.

Construction-in-progress as at December 31, 2025 and 2024 mainly comprise of condominium property and warehouse being prepared for its intended use.

Depreciation for the years ended December 31 were charged to:

	Notes	2025	2024
Cost of services	16	418,474,093	390,283,185
General and administrative expenses	17	21,810,080	28,861,566
		440,284,173	419,144,751

Critical accounting estimates

(a) Useful lives of property and equipment at revalued amounts

The Parent Company's management determines the estimated useful lives for its property and equipment at revalued amounts based on the period over which the assets are expected to be available for use. The Parent Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

If the actual useful lives of the tugboats differ by +/- 10% from management's estimates, the carrying amount of these tugboats as at December 31, 2025 would have been P62,656,330 higher or P76,579,959 lower (2024 - P60,403,643 higher or P73,826,674 lower). If the actual useful lives of the property and equipment at cost differ by +/- 10% from management's estimates, the carrying amount of property and equipment at cost, net as at December 31, 2025 would have been P9,142,546 higher or P11,174,223 lower (2024 - P8,174,430 higher or P9,990,971 lower). The range used was based on the management's assessment where potential impact to operations might occur.

(b) Revaluation of tugboats

The Parent Company carries its tugboats at appraised value, with changes in fair value being recognized directly in equity under revaluation surplus. In practice, the Parent Company reviews the fair value of its tugboats annually.

The Parent Company considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimates on recent market transactions on arm's length terms at the end of each reporting period. However, it is reasonably possible, on the basis of existing knowledge, that changes in estimates would impact the recorded cost of services and property and equipment at revalued amount.

The Parent Company engaged independent valuation specialists in determining the fair value of its tugboats as at December 31, 2025 and 2024. Management deems that the revalued amounts of tugboats not subjected to the independent appraisal in 2025 and 2024 are still approximate the fair value as at reporting dates with these tugboats only recently acquired at substantially comparable prices.

The fair value of tugboats was determined using both market approach and cost approach. Under the market approach, an estimate was made using prices and other relevant information based on market transactions of comparable assets. Prices were derived from market listings of identical tugboats. Under the cost approach, an estimate was made of the current cost of reproduction and/or replacement of the property in accordance with prevailing market prices for materials, equipment and labor, among others. Prices were derived from available dealers and manufacturers. If certain materials are of foreign origin, pricing process considered import costs including freight and handling. Adjustments are then made to reflect depreciation resulting from physical deterioration plus any functional and economic obsolescence taking into account age and condition.

c) Useful lives of property and equipment at cost

The Parent Company's management determines the estimated useful lives for its property and equipment at cost based on the period over which the assets are expected to be available for use. The Parent Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

Critical accounting judgement

Impairment of property and equipment at cost

The Parent Company's property and equipment, except for tugboats, is carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessments and judgments could have a significant effect on the carrying value of property and equipment and the amount and timing of recorded provision for any period.

As at December 31, 2025 and 2024, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its property and equipment, except for tugboats, may not be recoverable.

7 Leases

The Parent Company has entered into long-term and short-term lease agreements in 2025 and 2024.

Long-term lease agreements

(a) Office space and warehouse lease

(i) The Parent Company entered into two (2) operating lease agreements for its Cebu and Davao branch office space. The Cebu Branch office is located at Unit No. 1 Benley Building, J. de Veyra Street, North Reclamation Area, Cebu City. The latest renewal was on February 15, 2025 until February 14, 2027 and was accounted for under PFRS 16. As at December 31, 2025, the required security deposit amounted to P67,541 (2024 - P50,400). This is presented as refundable deposits under other non-current assets and prepayments and other current assets (Notes 10 and 4) in the statements of financial position in 2025 and 2024, respectively.

(ii) The Davao Branch office is located at DR 2 Ground Floor Building 1, Insular Village One Commercial Area, Lanang, Davao City. The latest renewal was on April 1, 2025 until March 31, 2028 and was accounted for under PFRS 16. As at December 31, 2025 and 2024, the required security deposit amounted to P51,000. This is presented as refundable deposits under other non-current assets and prepayments and other current assets (Notes 10 and 4) in the statements of financial position in 2025 and 2024, respectively.

(iii) The Parent Company entered into an operating lease agreement for a 200 square meter warehouse space in SOS Mabini Storage Facility, Mabini, Batangas. The lease term initially covers a period of one (1) year from January 9, 2019 to January 4, 2020 which was subsequently renewed for three (3) consecutive years to end on January 4, 2024. The lease agreement has been renewed for another year until December 31, 2024. No further renewal was made thereafter.

(iv) In 2023, the Parent Company entered into one (1) operating lease agreement for Iloilo branch office space which is located at Unit No. 4, Ground Floor, Sea Eagle Boulevard, Brgy. Libertad, Lapuz, Iloilo City. The lease term of the Iloilo Branch office covers a period of two (2) years from March 1, 2023 to February 28, 2024, subject to renewal upon agreement by both parties. The lease agreement has been renewed for another five (5) years until February 28, 2029.

(b) Barge Queen Jade

The Parent Company entered into a lease agreement covering Barge Queen Jade with the Development Bank of the Philippines (DBP) on February 27, 2014. The lease term covers a period of 10 years with an annual interest rate of 6%. The first monthly lease payment commenced on September 15, 2014 until August 15, 2024. The lease agreement required the Parent Company to pay a lease guarantee deposit amounting to P4,301,032 at the inception of the contract which will be applied as final payment at the end of the lease term. The lease guarantee deposit was classified as part of the right-of-use asset upon adoption of PFRS 16 as it will be applied as final payment at the end of the lease term. In 2024, the Parent Company exercised its option to purchase, resulting in the transfer of ownership to the Parent Company (Note 6).

(c) Construction equipment

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.

(d) Land

On October 21, 2023, the Parent Company entered into a memorandum of agreement for the transfer of rights, title, and interest over a 5.3450-hectare parcel of land in Bauayan Island, Poblacion San Vicente, Palawan. Under the agreement, the Parent Company will have the right to possess, occupy and use the property during the pendency of the agreement and until execution of the deed of assignment and transfer of rights upon full payment by the end of the lease term. Considering these provisions in the contract, the Parent Company assessed that this agreement qualifies as a finance lease under PFRS 16, Leases.

On December 12, 2018, the Parent Company made its first downpayment amounting to P3.0 million and was initially recognized as leasehold rights. The second downpayment amounting to P1.0 million was made on October 3, 2023, followed by the first monthly installment of P500,000 which started on December 23, 2023. The Parent Company shall make 51 monthly payments afterwards.

As a result of such, the Parent Company recognized a right-of-use asset relating to parcel of land amounting to P26,953,066 upon commencement of the first monthly payment in December 2023, P3.0 million of which was reclassified from leasehold rights (Note 10). As of December 31, 2025, the Parent Company has unpaid lease payments amounting to P6,000,000 (2024 - nil) and was presented under trade and other payables (Note 11).

(i) Amounts recognized in the statements of financial position

Right-of-use assets and lease liabilities are presented as separate line items in the statements of financial position. The carrying amount of right-of-use asset and its movement as at and for the years ended December 31 are as shown below:

	Office space and warehouse	Construction equipment	Barge Queen Jade	Land	Total
Cost					
January 1, 2024	6,225,222	-	72,975,686	26,953,066	106,153,974
Additions	1,181,177	4,751,087	-	-	5,932,264
Retirement	(3,581,728)	-	-	-	(3,581,728)
Reclassification	-	-	(72,975,686)	-	(72,975,686)
December 31, 2024	3,824,671	4,751,087	-	26,953,066	35,528,824
Additions	1,595,447	-	-	-	1,595,447
At December 31, 2025	5,420,118	4,751,087	-	26,953,066	37,124,271
Accumulated amortization					
At January 1, 2024	5,482,608	-	20,804,723	-	26,287,331
Amortization (Notes 16 and 17)	843,004	395,924	1,777,757	6,738,266	9,754,951
Retirement	(3,581,728)	-	-	-	(3,581,728)
Reclassification	-	-	(22,582,480)	-	(22,582,480)
At December 31, 2024	2,743,884	395,924	-	6,738,266	9,878,074
Amortization (Notes 16,17)	888,970	2,375,543	-	6,219,938	9,484,451
At December 31, 2025	3,632,854	2,771,467	-	12,958,204	19,362,525
Net book value					
December 31, 2025	1,787,264	1,979,620	-	13,994,862	17,761,746
December 31, 2024	1,080,787	4,355,163	-	20,214,800	25,650,750

Movements of lease liabilities for the years ended December 31 are as follows:

	2025	2024
At January 1	22,327,081	26,581,303
Additions	1,595,447	5,039,355
Principal payments	(7,841,592)	(9,293,577)
Interest payments	(1,218,349)	(1,392,938)
Interest expense	1,218,349	1,392,938
At December 31	16,080,936	22,327,081
Current	7,906,195	7,253,871
Non-current	8,174,741	15,073,210
	16,080,936	22,327,081

The Parent Company made an initial down payment of P892,857 for the finance lease agreement on the construction equipment in 2024. No similar transaction in 2025.

(ii) Amounts recognized in the statements of total comprehensive income

Details of amounts recognized in the statements of total comprehensive income for the years ended December 31, related to the long-term lease agreements above are as follows:

	Notes	2025	2024
Amortization expense of right-of-use assets	16, 17	9,484,451	9,754,951
Expense relating to short-term lease	16, 17	57,013,847	64,447,896
Interest expense on lease liabilities	20	1,218,349	1,392,938
		67,716,647	75,595,785

The total cash outflows for capitalized leases for the year ended December 31, 2025 amounted to P9.06 million (2024 - P10.69 million).

(iii) Discount rate

The lease payments for the lease agreements are discounted at 5.42% to 6.76% in 2025 (2024 - 3.13% to 6.76%), which is the Parent Company's range of incremental borrowing rate, being the rate that the Parent Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(iv) Extension and termination options

Extension and termination options are included in the lease agreements of the Parent Company. These are used to maximize the operational flexibility in terms of managing the assets used in the Parent Company's operations. The extension and termination options held are exercisable upon mutual agreement by both parties unless specifically stated that extension and termination is at the option of the lessee.

Short-term lease agreements

(a) Office space

The Parent Company has various operating lease agreements covering office spaces for provincial branches for periods ranging from six (6) months to one (1) year which can be extended or renewed upon mutual agreement by both parties.

(b) Other variable lease agreements

The Parent Company also entered into various operating lease agreements with third parties for rental of generator set, equipment, boats, truck, car, housing and other items as the need arises during the normal course of its business operations. The lease term covers a period ranging for one (1) day to less than one (1) year.

Rent expenses from the foregoing lease agreements recognized in profit or loss for the years ended December 31 are as follows:

	Notes	2025	2024
Cost of services	16	53,403,746	58,312,133
General and administrative expenses	17	3,610,101	6,135,763
		57,013,847	64,447,896

These short-term lease agreements require the Parent Company to pay the refundable deposits which are presented within prepayments and other current assets in the statement of financial position. As at December 31, 2025 and 2024, refundable deposits amounted to P5.64 million and P6.04 million, respectively, (Note 4).

These lease agreements were considered as short-term and low value lease under PFRS 16, Leases, because the lease term is less than 12 months.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The total cash outflows for the long-term and short-term leases for the year ended December 31, 2025 amounted to P66.07 million (2024 - P75.13 million).

Critical accounting estimates and judgment

(a) Incremental borrowing rate of lease liabilities

Payments for leases of the Parent Company are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Parent Company uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Parent Company uses the government bond yield, adjusted for the (1) credit spread specific to the Parent Company and (2) security using the right-of-use asset. The discount rates applied by the Parent Company are disclosed above.

(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 Parent Company considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Parent Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Parent Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Parent Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

(c) Extension and termination options of lease agreements

Extension and termination options are included in a number of property and equipment leases of the Parent Company. These are used to maximize operational flexibility in terms of managing the assets used in the Parent Company's operations. The majority of extension and termination options held are exercisable only by the Parent Company and not by the respective lessor.

Extension options are considered in the bareboat charter lease agreement of the Parent Company based on the letter of intent.

(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.

8 Computer software, net

The details and movements of computer software, net as at and for the years ended December 31 are as follows:

	Note	2025	2024
Cost			
At January 1		50,809,439	45,404,201
Additions		4,017,545	5,405,238
At December 31		54,826,984	50,809,439
Accumulated amortization			
At January 1		42,252,681	38,883,381
Amortization	17	6,049,610	3,369,300
At December 31		48,302,291	42,252,681
Net book values		6,524,693	8,556,758

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, 2025 and 2024.

9 Investment properties

As at December 31, 2025 and 2024, the Parent Company's investment properties consist of parcels of land in various locations, which are held for capital appreciation are measured at cost.

There were no movements in investment properties for the years ended December 31, 2025 and 2024.

The estimated fair value of the investment properties in Lemery, Batangas as at December 31, 2025 and 2024 amounted to P527.08 million based on identified market prices. As at December 31, 2025 and 2024, the Palawan and Oriental Mindoro land have an estimated fair value of P362.33 million and P309.98 million, respectively.

The value of the land was estimated through Market Approach. This is a comparative approach that considers the sales of similar or substitute assets and related market data. In general, an asset being valued is compared with similar items that have been transacted in the market of that are listed or offered for sale, with appropriate adjustment to reflect different properties or characteristics, such as location, size, shape, characteristics of the lot, and present and prospective use.

Direct operating expenses amounting to P13.90 million, pertaining to the payment for the security, permit application, consultation fee and other expenses of Lemery and Palawan property, were incurred for the year ended December 31, 2025 (2024 - P4.61 million). There was no income earned related to the investment properties for the years ended December 31, 2025 and 2024.

Critical accounting judgment

Impairment of investment properties

The carrying value of the Parent Company's investment properties is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of investment properties and the amount and timing of recorded provision for any period.

As at December 31, 2025 and 2024, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its investment properties may not be recoverable.

10 Other non-current assets, net

Other non-current assets as at December 31, consist of:

	Note	2025	2024
Input VAT, net of output VAT		472,037,475	332,777,710
Allowance for impairment of input VAT		(156,822,526)	(106,941,761)
Input VAT, net		315,214,949	225,835,949
Financial assets at fair value through other comprehensive income (FVOCI)		3,000,000	810,000
Refundable deposits	7	118,541	-
		318,333,490	226,645,949

The movements in allowance for impairment of input VAT for the years ended December 31 are as follows:

	Note	2025	2024
January 1		106,941,761	91,370,425
Provision for impairment	17	49,880,765	15,571,336
December 31		156,822,526	106,941,761

The movements in the equity investments for the years ended December 31 is as follows:

	2025	2024
Cost		
January 1 and December 31	970,000	970,000
Fair value adjustments		
January 1	(160,000)	(160,000)
Recognition of gain in revaluation	2,190,000	-
December 31	2,030,000	(160,000)
Financial assets at FVOCI	3,000,000	810,000

Movements of the accumulated fair value gains on equity investments recognized by the Parent Company in other comprehensive income for the years ended December 31 are as follows:

	Note	2025	2024
January 1		(160,000)	(160,000)
Fair value gain		2,190,000	-
Deferred tax	23	(547,500)	-
		1,642,500	-
		1,482,500	(160,000)

Critical accounting estimate

Recoverability of input VAT

Allowance for impairment of input VAT is maintained at a level considered adequate to provide for potentially unrecoverable tax claims from excess input VAT. An evaluation of the recoverability of the excess input VAT, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to the evaluation of its future utilization, in determining provision for impairment of input VAT. A change in the provision would impact the Parent Company's recorded carrying value of input VAT and provision for impairment.

Further, based on management assessment, out of the total carrying amount of input VAT as at December 31, 2025, P121,837,807 presented under prepayments and other current asset (Note 4) in the statement of financial position (2024 - P183,380,656), will be realized in the next 12 months after reporting date. The remaining balance of amounting to P315,214,949 presented under other non-current assets will be realizable beyond 12 months after the reporting date (2024 - P225,835,949).

Management believes that the net carrying amount of input VAT is recoverable based on the long-term business plans of the Parent Company.

11 Trade and other payables

Trade and other payables as at December 31 consist of:

	Note	2025	2024
Current			
Trade payables		310,981,555	347,763,056
Advances from officers and employees		65,515,111	38,460,111
Accrued expenses			
Fuel		56,289,818	61,011,304
Tug assistance		45,469,757	45,469,757
Construction costs		20,519,002	20,519,002
Interest	12	19,442,050	22,743,477
Accrued service discount		8,119,863	8,006,311
Employee-related costs		7,356,206	5,898,817
Others		10,546,667	9,902,101
Payable to government agencies		15,903,894	17,957,831
Others		11,097,172	10,228,785
		571,241,095	587,960,552
Non-current			
Trade payable, net of current portion		2,834,503	9,298,942

Trade payables are generally non-interest bearing and are settled in 30 to 90 days term.

In 2021, the Parent Company entered into a purchase agreement with a foreign supplier for the purchase of tugboat with an upfront payment of 50% and the remaining balance to be settled in 36 monthly installment payment bearing an interest rate of 5.25% per annum. This was fully settled in 2024.

In 2024, the Parent Company entered into another purchase agreement with the same foreign supplier for the purchase of an additional tugboat. An upfront payment of P74,500,000 was made and the remaining balance is to be settled in 36 monthly installment payments from June 2024 until May 2027, with an interest of 7.25% per annum. There were no similar transactions in 2025.

As at December 31, 2025, P2,834,503 (2024 - P9,298,942) is classified as trade payable, non-current in the statements of financial position.

For the year ended December 31, 2025, total interest expense on trade payables amounted to P912,942 (2024 - P1,694,429) (Note 20).

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made for professional fees, and delivered goods and services not yet billed by suppliers as of reporting period. Accruals are made based on prior month’s billings and/or contracts and are normally settled within 12 months from the reporting period. Accrued construction costs pertain to unliquidated expenses of employees in relation to the construction projects of the Parent Company. Other accrued expenses mainly composed of outstanding payable to insurance companies and unliquidated business expenses arising from normal operations which are expected to be settled in the subsequent year.

The Parent Company has outstanding advances from officers amounting to P63,116,097 in 2025 (2024 - P36,061,097) (Note 22) which is part of advances from officers and employees.

12 Short-term loans and borrowings

Details of short-term loans and borrowings as at December 31 are as follows:

	2025	2024
Current portion	355,380,801	877,538,090
Non-current portion	1,094,079,496	727,677,780
	1,449,460,297	1,605,215,870

(a) Long-term borrowings

The movement in borrowings for the years ended December 31 are as follows:

	Notes	2025	2024
January 1		1,605,215,870	1,794,218,801
Cash transactions			
Proceeds from new borrowings		84,668,000	42,160,800
Payments		(229,387,620)	(227,323,650)
Non-cash transactions			
Loss on debt restructuring	19	810,435	-
Amortization of discount and premium on debt restructuring	20	(11,846,388)	(3,840,081)
December 31		1,449,460,297	1,605,215,870

On October 16, 2020, the Parent Company availed of the Credit Assistance and Recovery (CARE) Program of Rizal Commercial Banking Corporation (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 P1.29 billion with the principal amount payable in 48 monthly installments of P11.13 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 October 6, 2025, the Parent Company entered into a loan restructuring agreement with RCBC whereby the loan term was extended for another five (5) years, ending on July 20, 2027. No other changes or additions were made to the previously existing loan provisions. A loss on debt restructuring amounting to P810,435 was recognized in 2025.

On October 7, 2021, the Parent Company entered into a loan restructuring agreement with CTBC Bank (Philippines) Corp. whereby outstanding promissory notes were consolidated into one (1) promissory note with the principal amount of P477.3 million. The interest rate previously ranging from 4.88% to 7.00% was revised to three (3) month BVAL plus 3.50% 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 payments 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 DBP whereby outstanding promissory notes were consolidated into one (1) promissory note with the principal amount of P496.6 million. The interest rate, ranging from 5.25% to 5.50%, was revised to 6.50%. The principal amount of the long-term borrowing amounting to P496.6 million is to be settled on December 29, 2028 in 24 quarterly payments starting March 30, 2023.

The restructured loan agreement with DBP requires compliance by the Parent Company to various covenants including, among others, the maintenance of financial ratios as follow:

- maintaining, at all times, during the entire term of the loan a total debt-to-equity ratio of 70:30;
- not permit the ratio of its current assets to current liabilities to be less than 1.0:1.0 at any time; and
- not permit the ratio of its net operating income to total debt service to be less than 1.0:1.0 at any time.

On April 30, 2025, the Parent Company entered into a three (3) year loan agreement with a local bank for a principal amount of P30,000,000 with an interest rate of 10%. The principal and interest amount are payable in 36 monthly amortization commencing April 30, 2028 until maturity of the loan. On September 15, 2025, the Parent Company entered into another three (3) year loan agreement with a local bank for a principal amount of P4,668,000 with an interest rate of 8.5% to finance the purchase of two (2) vehicles. The principal and interest amount are payable in 36 monthly amortization commencing September 15, 2028 until maturity of the loan. On October 5, 2025, the Parent Company entered into a five (5) year loan agreement with a local bank for a principal amount of P50,000,000 with an interest rate of 15%.

In 2025 and 2024, the Parent Company is compliant with all its debt covenants.

As at December 31, 2025, the Parent Company's long-term borrowings bear annual interest rate ranging from 5.25% to 15.00% (2024 - 8.5% to 15.00%) are payable in various installments maturing on various dates from 2025 to 2028. These are secured by chattel mortgages to certain Parent Company-owned tugboats, transportation equipment and barges (Note 6).

Total interest expense from borrowings charged through profit or loss in the statements of total comprehensive income for the year ended December 31, 2025 amounted to P132,721,470 (2024 - P145,548,694).

(b) Short-term loans

The movements in short-term loans for the years ended December 31 are as follows:

	2025	2024
January 1	-	-
Cash transactions		
Proceeds	36,619,260	55,725,500
Payments	(36,619,260)	(55,725,500)
Ending balance	-	-

On April 30, 2024, the Parent Company entered into a new short-term loan agreement with a director for a principal amount of JPY15,000,000 or P5,725,500 for working capital. The loan bears an interest rate of 8.50% per annum and is payable monthly starting on the same date. The principal amount of loan was fully settled in 2024.

In 2024, the Parent Company entered into various short-term loans with a third-party creditor for a total principal of P50,000,000. The loan bears an average interest rate of 1.50% per month which was fully settled as at December 31, 2024.

In 2025, the Parent Company entered into a new loan agreement with a director and shareholder for a principal of P16,619,260 (including JPY15,000,000 or P5,569,260) 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 2025.

In 2025, the Parent Company entered into various short-term loans with a third-party creditor for a total principal of P20,000,000. The loan bears an average interest rate of 1.50% per month which has been fully settled as at December 31, 2025.

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, 2025 and 2024, hence, no borrowing costs are capitalized.

The movements in interest payable for the years ended December 31 are as follows:

	Notes	2025	2024
January 1		22,743,477	16,737,723
Interest expense	20	144,567,858	149,388,775
Interest payments		(147,869,285)	(143,383,021)
December 31	11	19,442,050	22,743,477

(c) Net debt reconciliation

Detailed analysis of net debt and the movements in net debt for the years ended December 31 are presented below:

	Notes	2025	2024
Cash	2	209,060,822	197,641,598
Borrowings, current portion	12	(355,380,801)	(877,538,090)
Borrowings, net of current portion	12	(1,094,079,496)	(727,677,780)
Interest payable	11	(19,442,050)	(22,743,477)
Lease liabilities, current portion	7	(7,906,195)	(7,253,871)
Lease liabilities, net of current portion	7	(8,174,741)	(15,073,210)
Net debt		(1,275,922,461)	(1,452,644,830)

13 Paid-in capital

As at December 31, 2025 and 2024, the Parent Company's authorized share capital amounting to P2 billion is composed of 2 billion shares with P1 par value 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, 2025 and 2024	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 P121.63 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.

On September 5, 2017, the SEC issued an order, in favor of the Parent Company, authorizing the issuance of 302,619,290 common shares with a par value of P1.00 per share, as stock dividends to stockholders of record as at 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, 2025 and 2024.

14 Earnings per share

Basic earnings per share is calculated by dividing the net income by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury shares, if any.

(Loss) Earnings per share for the years ended December 31 is calculated as follows:

	2025	2024
Net (loss) income for the year	(11,486,651)	82,935,848
Weighted average number of common shares	894,586,870	894,586,870
Basic and diluted (loss) earnings per share	(0.01)	0.09

The basic and diluted earnings per share are the same for each year presented as there are no potential dilutive common shares.

15 Service income, net

The components of service income, net for the years ended December 31 are:

	2025	2024
Harbor assistance, net of discounts	1,346,247,495	1,495,117,643
Oil spill response services	189,775,434	370,968,090
Lighterage services	129,914,002	43,555,702
Salvage income	124,648,184	6,623,380
Construction revenue	108,449,496	215,483,604
Towing services	47,758,783	37,481,818
Others	280,610,540	273,559,035
	2,227,403,934	2,442,789,272

Harbor assistance pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port. The amount of service income recognized for the year ended December 31, 2025 is net of discounts amounting to P82.26 million (2024 - P112.35 million).

Others consist of income generated from diving and other underwater services, among others. All of the above revenues are considered as one business segment of the Parent Company.

16 Cost of services

The components of cost of services for the years ended December 31 consist of:

	Notes	2025	2024
Fuel and lubricants		494,575,094	452,532,428
Depreciation	6	418,474,093	390,283,185
Personnel costs	18	254,210,440	362,990,730
Outside services		147,420,987	110,974,831
Charter hire		124,994,350	93,179,778
Insurance		85,274,687	73,161,260
Supplies and construction materials		76,980,592	163,713,343
Rent	7	53,403,746	58,312,133
Repairs and maintenance		20,074,571	32,113,786
Transportation and travel		18,436,905	21,271,484
Port expense		12,827,497	10,424,514
Taxes and licenses		10,772,423	18,137,723
Professional fees		6,141,355	9,496,872
Amortization of right-of-use assets	7	3,264,513	2,235,346
Communication, light and water		3,001,524	3,643,155
Others		36,749,071	37,479,348
		1,766,601,848	1,839,949,916

Others are mainly composed of expenses such as post, courier and handling charges, commission, and other expenses.

17 General and administrative expenses

The components of general and administrative expenses for the years ended December 31 consist of:

	Notes	2025	2024
Personnel costs	18	186,543,552	170,578,393
Provision for impairment of input VAT	10	49,880,765	15,571,336
Taxes and licenses		33,264,866	50,045,235
Transportation and travel		27,528,776	29,434,233
Representation and entertainment		24,430,711	31,940,143
Depreciation	6	21,810,080	28,861,566
Supplies		14,381,359	35,684,709
Professional and management fees		8,926,773	12,533,191
Security services		8,385,982	7,508,542
Communications, light and water		7,954,040	7,418,690
Amortization of right-of-use assets	7	6,219,938	7,519,605
Amortization of computer software	8	6,049,610	3,369,300
Rent	7	3,610,101	6,135,763
Repairs and maintenance		2,838,769	2,626,278
Insurance		2,268,691	202,600
Advertising and promotions		2,077,943	640,224
Registration and membership fees		1,632,953	2,741,031
Write-off of advances to employees	3	833,171	5,306,812
Others		8,092,347	15,909,510
		416,730,427	434,027,161

Others are mainly composed of expenses such as directors' fee, membership fees, postage, courier, bank service charges, penalties and fines, and other expenses.

18 Personnel cost

The components of personnel cost for the years ended December 31 consist of:

	Notes	2025	2024
Cost of services			
Salaries and wages		102,866,050	207,863,371
Crew expense		30,942,450	31,738,534
Retirement benefits	21	17,055,631	14,676,588
Tug and barge operations		15,221,816	17,851,553
Other employee benefits		88,124,493	90,860,684
	16	254,210,440	362,990,730
General and administrative expenses			
Salaries and wages		153,306,761	138,113,015
Retirement benefits	21	6,777,565	5,587,533
Other employee benefits		26,459,226	26,877,845
	17	186,543,552	170,578,393
		440,753,992	533,569,123

Other employee benefits mainly pertain to employer's share on statutory contributions and insurance.

19 Other income, net

The components of other income, net for the years ended December 31 consist of:

	Notes	2025	2024
Income from other services		34,324,820	-
Income from recharges from a related party	22	11,883,019	-
Gain (Loss) on write-off/reversal of assets/payables		5,776,338	(2,083,046)
Interest income	2, 3	3,972,678	218,496
Gain (Loss) on sale of property and equipment	6	1,111,250	(24,223,988)
Insurance claims		-	129,226,460
Dividend income	5	3,286,025	1,199,760
Loss on write-off of CWT	4	-	(11,220,363)
Foreign exchange (loss) gain, net	24	(54,621)	8,957,519
Loss on debt restructuring	12	(810,435)	-
Others		7,931,356	4,026,172
		67,420,430	106,101,010

Income from other services pertains to the reimbursement from consumables, fresh water and fuel deliveries.

Insurance claims pertain to reimbursements from insurance companies for the damages on the tugboats incurred by the Parent Company in previous years.

Others pertain to recharges including wreckage, caretaking services and non-routine special projects provided by the Parent Company to its customers which do not fall under regular service income.

20 Finance cost

The components of finance cost for the years ended December 31 consist of:

	Notes	2025	2024
Interest expense on loans	12	132,721,470	145,548,694
Interest expense on trade payables	11	912,942	1,694,429
Interest expense on lease liabilities	7	1,218,349	1,392,938
		134,852,761	148,636,061

21 Retirement benefits

The Parent Company has an unfunded, non-contributory and actuarially computed retirement benefit plan which provides a retirement benefit in accordance with the local conditions and practices in the Philippines. Under the Plan, the normal retirement age is 60 with a minimum of five years of service.

The retirement benefit obligation is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement benefit is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation report of the Parent Company prepared by the independent actuary is for the year ended December 31, 2025.

The following are the details of the Parent Company's defined benefit plan:

	Note	2025	2024
Retirement benefit obligation		199,931,741	177,070,556
Retirement benefit expense	18	23,833,196	20,264,121
Retirement benefit loss (gain), net of tax - recognized in other comprehensive income		1,822,038	(3,877,984)

The Parent Company does not have any plan assets.

The movements in the liability recognized in the statements of financial position as at December 31 are as follows:

	2025	2024
January 1	177,070,556	163,575,951
Current service cost	13,129,316	12,392,658
Interest cost	10,703,880	7,871,463
Benefits paid	(3,401,395)	(1,598,870)
Remeasurement (gain) loss due to:		
Experience adjustments	(4,686,275)	(5,081,481)
Changes in financial assumptions	7,115,659	(89,165)
December 31	199,931,741	177,070,556

The amounts recognized in profit or loss for the years ended December 31 are as follows:

	Note	2025	2024
Current service cost		13,129,316	12,392,658
Net interest cost		10,703,880	7,871,463
Retirement benefit expense	18	23,833,196	20,264,121

The amounts of remeasurement loss (gain) on defined benefit obligation recognized in other comprehensive income for the years ended December 31 are as follows:

	Note	2025	2024
Remeasurement loss (gain) due to:			
Experience adjustments		(4,686,275)	(5,081,481)
Changes in financial assumptions		7,115,659	(89,165)
		2,429,384	(5,170,646)
Deferred income tax	23	(607,346)	1,292,662
Remeasurement loss (gain), net of tax		1,822,038	(3,877,984)

Movements in cumulative other comprehensive income related to retirement benefit obligation for the years ended December 31 presented as part of retained earnings in the statements of financial position are as follows:

	Note	2025	2024
January 1		11,955,026	8,077,042
Remeasurement (loss) gain for the year		(2,429,384)	5,170,646
Deferred income tax effect	23	607,346	(1,292,662)
December 31		10,132,988	11,955,026

Shown below is the maturity analysis of the undiscounted benefit payments at December 31:

	2025	2024
Less than one (1) year	116,954,450	77,595,898
More than one (1) year to five (5) years	27,332,938	61,498,497
More than five (5) years to 10 years	66,696,717	49,068,976
More than 10 years to 15 years	103,183,160	84,931,461
More than 15 years to 20 years	92,686,909	70,186,594
More than 20 years	222,572,600	156,538,797
Total expected payments	629,426,774	499,820,223

The average duration of the defined benefit obligation at the end of the reporting period is 8.48 years (2024 - 7.97 years)

There are no unusual or significant risks to which the Plan exposes the Parent Company.

Demographic assumptions

Demographic assumptions, such as mortality rates, are set having regard to the latest trends in life expectancy (including expectations for future improvements), plan experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension plan. The assumptions used in 2025 are consistent with those applied in 2024.

Assumptions regarding future mortality experience are set based on advice from published statistics and experience within the industry.

Critical accounting estimate

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pension include the discount rate and future salary increase. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Parent Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Parent Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation.

The significant actuarial assumptions used by the Parent Company for the years ended December 31 are as follows:

	2025	2024
Discount rate	6.40%	6.11%
Salary growth rate	6.00%	5.00%

The sensitivity of the defined benefit obligation at December 31 to changes in the significant weighted principal assumptions is:

	2025			2024		
	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 rate	1%	(8,398,820)	9,664,085	1%	(7,338,336)	8,406,933
Salary growth rate	1%	10,623,047	(9,448,196)	1%	9,335,619	(8,332,560)

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 PUC method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

22 Related party transactions and balances

The table below summarizes the Parent Company's transactions with its related parties for the years ended December 31:

	Terms and conditions	2025	2024
(a) 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.	18,769,583	32,983,169
Subsidiary		(22,171,999)	(31,880,682)
(b) Recharges			
Subsidiary	These are recharges for services rendered by the Parent Company based on agreed prices. These are unsecured, collectible in cash, non-interest bearing, and are due and demandable.	53,163,001	31,493,832
(c) Advances to			
Subsidiary	Reimbursements to related parties are billed at cost and collectible on demand. These receivables are unsecured, collectible in cash and non-interest bearing.	54,193,276	28,878,940
(d) Advances from			
Subsidiary	Reimbursements to related parties are billed at cost and payable on demand. These payables are unsecured and non-interest bearing.	(121,628,304)	(21,525,431)

The table below summarizes the outstanding balances with related parties as at December 31:

	Terms and conditions	2025	2024
Advances to related parties:			
Subsidiaries	These unsecured, non-interest bearing, due on demand and are collected in cash.	886,727,418	858,748,725
Officers and shareholders	These are unsecured, non-interest bearing and are subject to liquidation.	23,387,770	19,363,715
		910,115,188	878,112,440
Advances from related parties:			
Subsidiary	These unsecured, interest bearing, due and	247,531,228	93,893,791
Officers	demandable payables are paid in cash.	63,116,097	36,061,097
		310,647,325	129,954,888

For the years ended December 31, 2025 and 2024, no provision for impairment of receivable from related parties.

Key management compensation and benefits

Key management compensation and benefits for the years ended December 31 consist of:

	Terms and conditions	2025	2024
Salaries and short-term employee benefits	Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in accordance with the Parent Company's payroll period. These were fully paid at reporting date.	81,171,113	78,267,188
Retirement benefits	Retirement benefits are determined and payable in accordance with policies disclosed in Note 27.13. These will be settled upon the retirement of key management.	6,037,261	7,414,088
Professional fees	Professional fees are paid to a director holding key position in the Parent Company.	440,000	655,250
		87,648,374	86,336,526

As at December 31, 2025 and 2024, amounts due to and from key management personnel are reflected as part of advances to and from officers (Notes 3 and 11) and retirement benefit obligation (Note 21).

The Parent Company has not provided share-based payments, termination benefits or other long-term benefits other than retirement benefits to its key management personnel for the years ended December 31, 2025 and 2024.

23 Income tax expense

Income tax expense for the years ended December 31 are as follows:

	2025	2024
Current	26,058,773	78,047,582
Deferred	(9,921,322)	(25,965,871)
	16,137,451	52,081,711

PAS 12, Income Taxes, requires current and deferred taxes to be measured with reference to the tax rates and laws, as enacted or substantively enacted by the end of the reporting period.

Deferred income tax (DIT) liabilities, net as at December 31 consist of

	2025	2024
DIT assets:		
Retirement benefit obligation	49,982,935	44,267,639
Allowance for impairment of receivables	29,056,148	32,061,514
Impairment loss on tugboats	12,632,497	16,629,998
Premium on loans	882,627	2,781,790
Unrealized foreign exchange loss, net	-	63,445
	92,554,207	95,804,386
DIT liabilities:		
Revaluation increment on property and equipment	(292,932,357)	(290,009,153)
Discount on loans	(1,349,551)	(287,117)
Lease liabilities, net	(682,384)	(1,093,099)
Fair value reserve on financial assets at FVOCI	(547,500)	-
Unrealized foreign exchange gain, net	(55,911)	-
	(295,567,703)	(291,389,369)
DIT liabilities, net	(203,013,496)	(195,584,983)

The maturity of DIT assets and liabilities are as follows:

	2025	2024
DIT assets:		
Expected to be recovered within 12 months	29,056,148	32,124,959
Expected to be recovered more than 12 months	63,498,059	63,679,427
	92,554,207	95,804,386
DIT liabilities:		
Expected to be settled within 12 months	(682,384)	(1,093,099)
Expected to be settled more than 12 months	(294,885,319)	(290,296,270)
	(295,567,703)	(291,389,369)
	(203,013,496)	(195,584,983)

DIT assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

DIT assets are recognized for tax loss carry-forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. The details of unrecognized DIT assets on minimum corporate income tax (MCIT) for the years ended December 31, 2024, which could be carried forward on an annual basis and credited against normal income tax payable within three (3) immediately succeeding years from the period when the MCIT was paid is presented below:

Year of incurrence	Year of expiration	Amount
2021	2024	3,688,060
Derecognized during the year		(3,688,060)
		-

Realization of the future tax benefits related to the DIT assets is dependent on many factors, including the Parent Company's ability to generate taxable income within the MCIT period. Management has considered these factors in reaching its conclusion on the realizability of the DIT assets. The Parent Company had not recognized DIT assets in prior years in respect of its MCIT as it did not expect that future taxable profits will be available against which these can be utilized.

The movements in the Parent Company's net DIT liabilities for the years ended December 31 are as follows:

	Notes	2025	2024
January 1		(195,584,983)	(242,806,990)
DIT credited to profit or loss		9,921,322	25,965,871
DIT (charged) credited to other comprehensive income	6, 10, 21	(17,349,835)	21,256,136
December 31		(203,013,496)	(195,584,983)

The reconciliation between income tax expense computed at the statutory income tax rate and the actual income tax expense as shown in the statements of total comprehensive income for the years ended December 31 is summarized as follows:

	2025	2024
Income tax expense at statutory tax rate of 25%	1,162,700	33,754,390
Adjustments to income tax resulting from:		
Non-deductible expenses	16,533,460	18,661,747
Limitation on interest expense	245,734	11,495
Non-taxable income	(821,506)	(299,940)
Interest income subjected to final tax	(982,937)	(45,981)
Actual income tax expense	16,137,451	52,081,711

Critical accounting estimate

Recoverability of DIT assets

The recognition of DIT assets depends on management's assessment of adequate future taxable income against which the temporary differences can be applied. The Parent Company reviews the carrying amounts of DIT assets at the end of each reporting period and recognizes the amount to the extent that it is probable that sufficient taxable profit will allow all or part of its DIT assets to be utilized. The Parent Company's management believes that the DIT assets other than NOLCO and MCIT at the end of each reporting period will be fully realized.

24 Foreign currency denominated monetary assets and liabilities

The Parent Company's foreign currency monetary assets and liabilities at December 31 are as follows:

	In USD	In JPY	In MYR	In EUR
2025				
Assets				
Cash	584,264	1,596,959	-	-
Trade and other receivables	1,338,923	-	-	-
	1,923,187	1,596,959	-	-
Liabilities				
Trade and other payables	(65,551)	(1,557,270)	(136,570)	(120,880)
Net foreign currency assets (liabilities)	1,857,636	39,689	(136,570)	(120,880)
Year-end exchange rates	58.79	0.38	14.54	69.25
Philippine Peso equivalent	109,210,416	14,907	(1,985,726)	(8,371,524)
2024				
Assets				
Cash	349,159	723,258	-	-
Trade and other receivables	1,692,836	-	-	-
	2,041,995	723,258	-	-
Liabilities				
Trade and other payables	(96,244)	(41,146,347)	(126,101)	-
Net foreign currency assets (liabilities)	1,945,751	(40,423,089)	(126,101)	-
Year-end exchange rates	57.85	0.37	12.99	60.47
Philippine Peso equivalent	112,551,967	(14,843,358)	(1,637,699)	-

Foreign exchange (loss) gain, net presented under other income, net in the statements of total comprehensive income for the years ended December 31 consists of:

	Note	2025	2024
Realized foreign exchange (loss) gain, net		(532,038)	8,067,878
Unrealized foreign exchange gain, net		477,417	889,641
	19	(54,621)	8,957,519

25 Critical accounting estimates, assumptions and judgments

In preparing the Parent Company's separate financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying separate financial statements are based upon management's evaluation of the relevant facts and circumstances as at the date of the separate financial statements.

The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed hereafter.

(a) Critical accounting estimates and assumptions

- Recoverability of trade and other receivables (Note 3)
- Impairment of investments in subsidiaries and associates (Note 5)
- Useful lives of property and equipment (Note 6)
- Revaluation of tugboats (Note 6)
- Incremental borrowing rate of lease liability (Note 7)
- Retirement benefit obligation (Note 21)
- Recoverability of input VAT (Note 10)
- Recoverability of DIT assets (Note 23)

(b) Critical judgments in applying the Parent Company's accounting policies

- Determining control over investments with ownership of less than half of the entity's total equity (Note 5)
- Impairment of property and equipment (Note 6)
- Impairment of investment properties (Note 9)
- Determine lease term (Note 7)
- Extension and termination options of lease agreements (Note 7)
- Purchase option (Note 7)

26 Financial risk and capital management

26.1 Financial risk management

The Parent Company's BOD has the overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The Parent Company's risk management policies are established to identify and manage the Parent Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Parent Company's activities.

The main risks arising from the use of financial instruments are market risk, credit risk and liquidity risk. The Parent Company's BOD reviews and approves the policies for managing each of these risks.

26.2 Components of financial assets and liabilities

(a) Financial assets

The Parent Company's financial assets as at December 31 are as follows:

	Notes	2025	2024
Cash and cash equivalents	2	209,060,822	197,641,598
Trade receivables, gross	3	338,409,128	389,850,062
Unbilled revenue	3	26,690,345	40,142,500
Advances to officers	22	23,387,770	19,363,715
Advances to related parties	22	886,727,418	858,748,725
Refundable deposits	4, 10	5,758,631	6,041,849
Financial assets at FVOCI	10	3,000,000	810,000
		1,493,034,114	1,512,598,449

Trade receivables are presented gross of allowance for impairment amounting to P76,107,254 as at December 31, 2025 (2024 - P88,128,110) (Note 3).

Advances to employees amounting to P96,559,247 as at December 31, 2025 (2024 - P115,189,717) are considered non-financial assets as these are mainly subject to liquidation (Note 3).

The other components of prepayments and other current assets and non-current assets are considered non-financial assets.

(b) Financial liabilities

The Parent Company's financial liabilities as at December 31 are as follows:

	Notes	2025	2024
Trade and other payables	11	537,652,702	558,782,661
Advances from related parties	22	247,531,228	93,893,791
Borrowings	12	1,449,460,297	1,605,215,870
Lease liabilities	7	16,080,936	22,327,081
		2,250,725,163	2,280,219,403

As at December 31, trade and other payable above exclude the following, which are considered as non-financial liabilities

	Note	2025	2024
Accrued construction cost	11	20,519,002	20,519,002
Payable to government agencies	11	15,903,894	17,957,831
		36,422,896	38,476,833

26.3 Market risk

(a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most transactions are carried out in Philippine Peso, which is the Parent Company's functional currency. Exposures to currency exchange rates arise from the Parent Company's overseas transactions, which are primarily denominated in United States Dollar (USD), Japanese Yen (JPY), Malaysian Ringgit (MYR) and Euro (EUR). The Parent Company also maintains US Dollar-denominated bank accounts. Further, the Parent Company has JPY payables from foreign suppliers for the purchase of certain tugboats (Note 11). To mitigate the Parent Company's exposure to foreign currency risk, non-Philippine Peso cash flows are monitored on a regular basis.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of significant foreign currencies on the Parent Company's income before tax. There is no impact on the Parent Company's equity other than those already affecting the net income.

	2025			2024		
	Effect on income before tax					
Currency	Change in exchange rate	Increase	Decrease	Change in exchange rate	Increase	Decrease
USD	+/-1.63%	1,755,466	(1,755,466)	+/-4.47%	4,815,734	(4,815,734)
JPY	+/-2.29%	333	(333)	+/-6.56%	(1,042,916)	1,042,916
MYR	+/-11.96%	(212,066)	212,066	+/-7.63%	(116,076)	116,076
EUR	+/-14.52%	(17,552)	17,552	-	-	-

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 30 days from reporting date, by which management is expected to receive or settle the Parent Company's most significant financial assets or liabilities, respectively.

(b) Price risk

The Parent Company is exposed to equity securities price risk because of the Parent Company's proprietary shares in golf and country club classified as FVOCI in the statements of financial position.

At December 31, 2025 and 2024, the Parent Company's exposure to price risk is not considered significant.

(c) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial assets and liabilities will fluctuate because of changes in market interest rates.

The Parent Company is exposed to interest rate risk from its loan from CTBC (Note 12). The Parent Company paid floating interest using the published Bloomberg Valuation Service (BVAL) plus a basis point spread of 3.5% or a minimum of 5.25%. In 2025, the Parent Company paid 8.98% interest rate (2024 - 8.73%).

At December 31, 2025, if the reference rates has increased/decreased by a total of 29 basis points (2024 - 51 basis points), pre-tax profit or loss would have been P0.72 million (2024 - P1.56 million) lower/higher and equity account will be P0.54 million (2024 - P1.17 million) lower/higher. The annual volatility is considered to be reasonable based on observation of current market rates.

The Parent Company's borrowings from other banks are subject to fixed rates and are measured at amortized cost, hence not subject to repricing and independent of changes in market interest rates.

26.4 Credit risk

Credit risk arises from cash deposited in banks and financial institutions, as well as credit exposures on amounts receivable from customers, related parties and other parties. The Parent Company provides services only to recognized, creditworthy third parties. Individual risk limits are set based on internal ratings in accordance with limits set by the BOD. The utilization of credit limits is regularly monitored. In addition, the Parent Company's receivables are monitored on an ongoing basis and stringent collection policy enforced resulting in an insignificant exposure to bad debt.

The aging analysis of the Parent Company's financial assets that are exposed to credit risks are as follows:

	Notes	Gross amount	High performing	Underperforming	Credit impaired
December 31, 2025					
Cash in banks and cash equivalents	2	206,274,902	206,274,902	-	-
Trade receivables, gross	3	338,409,128	85,675,392	176,626,482	76,107,254
Unbilled revenue	3	26,690,345	26,690,345	-	-
Advances to related parties	22	886,727,418	886,727,418	-	-
Refundable deposits	4, 10	5,758,631	5,758,631	-	-
		1,463,860,424	1,211,126,688	176,626,482	76,107,254
December 31, 2024					
Cash in banks and cash equivalents	2	195,048,431	195,048,431	-	-
Trade receivables, gross	3	389,850,062	62,375,714	239,346,238	88,128,110
Unbilled revenue	3	40,142,500	40,142,500	-	-
Advances to related parties	22	858,748,725	858,748,725	-	-
Refundable deposits	4, 10	6,041,849	6,041,849	-	-
		1,489,831,567	1,162,357,219	239,346,238	88,128,110

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 2025 and 2024.

Credit quality of fully performing financial assets

(a) High performing

(i) Cash in banks and cash equivalents

To minimize credit risk exposure, the Parent Company deposits its cash in the following banks:

	2025	2024
Universal banks	179,388,030	168,392,411
Commercial banks	26,886,872	26,656,020
	206,274,902	195,048,431

The remaining item in cash presented in the statements of financial position pertains to cash on hand amounting to P2,785,920 as at December 31, 2025 (2024 - P2,593,167) (Note 2).

(ii) Trade receivables

There is no concentration of credit risk with respect to trade receivables as the Parent Company has a large number of customers. To minimize credit risk, the Parent Company transacts only with counterparties with good credit standing. As at December 31, 2025, trade receivables amounting to P85,675,392 (2024 - P62,375,714) are fully performing thus, collectible.

(iii) Advances to related parties

Advances to related parties amounting to P886,727,418 as at December 31, 2025 (2024 - P858,748,725) that are neither past due nor impaired consist primarily of various charges and advances for working capital purposes. These advances are fully recoverable as at December 31, 2025 and 2024.

(iv) Refundable deposits

Refundable deposits amounting to P5,758,631 as at December 31, 2025 (2024 - P6,041,849) pertain to deposits made to lessors for the lease of the Parent Company's office space and warehouse, which are refundable at the end of the respective lease term.

(b) Underperforming

Underperforming trade receivables as at December 31, 2025 amounting to P176,626,482 (2024 - P239,346,238) are related to a number of independent customers with no recent history of default. Management has assessed based on credit worthiness and existing relationship with customers and historical experience that these accounts are deemed fully collectible.

(c) Credit impaired

As at December 31, 2025, trade receivables amounting to P76,107,254 (2024 - P88,128,110) were impaired and have been fully provided for with allowance for impairment. The individually impaired receivable from customers relate to customers that are in unexpectedly difficult economic situations. These trade receivables were assessed by management as non-recoverable.

26.5 Liquidity risk

The Parent Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows.

The table below analyzes the Parent Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Amounts disclosed in the table are the contractual undiscounted cash flows.

	Notes	Gross amount	Due and demandable	Less than 3 months	3 to 12 months	More than one year
December 31, 2025						
Trade and other payables*	11	537,652,702	473,739,181	52,835,363	8,243,655	2,834,503
Advances from related parties	22	247,531,228	247,531,228	-	-	-
Borrowings		1,427,327,993	-	58,993,782	267,745,219	1,100,588,992
Future interest payable on borrowings		233,725,396	-	15,476,718	78,645,445	139,603,233
Lease liabilities	7	16,080,936	-	2,018,796	5,887,400	8,174,740
Future interest payable on lease liabilities		1,097,551	-	234,344	513,418	349,789
		2,463,415,806	721,270,409	129,559,003	361,035,137	1,251,551,257
December 31, 2024						
Trade and other payables*	11	558,782,661	499,214,603	44,255,452	6,013,664	9,298,942
Advances from related parties	22	93,893,791	93,893,791	-	-	-
Borrowings		1,595,237,178	-	63,688,145	798,577,223	732,971,810
Future interest payable on borrowings		205,044,402	-	33,604,412	74,033,218	97,406,772
Lease liabilities	7	22,327,081	-	1,848,460	5,405,411	15,073,210
Future interest payable on lease liabilities		2,206,120	-	333,087	831,338	1,041,695
		2,477,491,233	593,108,394	143,729,556	884,860,854	855,792,429

**Excludes accrued construction cost and payable to government agencies.*

The Parent Company expects to settle above financial liabilities in accordance with their contractual maturity.

Historically, maturing obligations are funded by cash flows from operating activities hence there are no perceived liquidity risks. Loans may be obtained only when there is material capital expenditure.

26.6 Capital management

The primary objective of the Parent Company's capital management is to safeguard the Parent Company's ability to continue its operations on a going concern basis in order to provide adequate return to its shareholders and maintain optimal capital structure to reduce cost of capital and lessen the need to obtain long-term borrowings and maximize shareholder value.

The Parent Company manages its capital structure and makes the adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at December 31, 2025 and 2024.

The Parent Company monitors capital on the basis of the carrying amount of equity as presented in the face of the statements of financial position. The Parent Company's goal is to manage a debt-to-equity ratio not exceeding 2:1.

As at December 31, the Parent Company's debt-to-equity ratio calculated as follows:

	2025	2024
Total debt	2,039,616,831	2,224,802,445
Total equity	2,413,722,881	2,373,160,026
Debt-to-equity ratio	0.85:1	0.94:1

As at December 31, 2025 and 2024, the Parent Company has complied with the debt covenants on financial ratios.

The Parent Company computes its total debt as at December 31 as follows:

	Notes	2025	2024
Trade and other payables	11	574,075,598	597,259,494
Borrowings	12	1,449,460,297	1,605,215,870
Lease liabilities	7	16,080,936	22,327,081
		2,039,616,831	2,224,802,445

The Parent Company computes its total equity as at December 31 as follows:

	Notes	2025	2024
Share capital	13	907,857,870	907,857,870
Share premium	13	121,632,762	121,632,762
Treasury shares	13	(37,614,990)	(37,614,990)
Fair value reserve on financial assets at FVOCI	10	1,482,500	(160,000)
Revaluation surplus, net of tax	6	878,797,073	870,027,460
Retained earnings		541,567,666	511,416,924
		2,413,722,881	2,373,160,026

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 20% of their listed issued and outstanding shares to be held by public. The Parent Company is compliant with respect to this requirement as at December 31, 2025 and 2024.

27 Summary of material accounting policies

The material accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

27.1 Basis of preparation

The separate financial statements of the Parent Company have been prepared in accordance with PFRS Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards,
- PAS Standards, and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy, and adopted by the SEC.

These separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of property and equipment - tugboats and fair value measurement of FVOCI.

The Parent Company has prepared these separate financial statements for its use and for filing with the Bureau of Internal Revenue.

The Parent Company also prepares its consolidated financial statements in accordance with PFRS Accounting Standards for the Parent Company and its subsidiaries (collectively “the Group”). The consolidated financial statements of the Group can be obtained from the Parent Company’s business address in Makati City (Note 1) and its official website.

Users of the separate financial statements should read these together with the Group’s consolidated financial statements as at and for the years ended December 31, 2025 and 2024 in order to obtain full information on the financial position, results of operations and changes in the financial position of the Group as a whole.

The preparation of separate financial statements in conformity with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Parent Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are summarized in Note 25.

Changes in accounting policies and disclosures

(a) New standards, and amendments and interpretations to existing standards adopted by the Parent Company

The Parent Company has applied the following relevant amendments for the first time for their annual reporting period commencing January 1, 2025:

- Amendments to PAS 21 - Lack of Exchangeability

  In August 2023, the International Accounting Standards Board (IASB) amended International Accounting Standards (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 Company does not expect these amendments to have a material impact on its operations or separate financial statements.

  The amendments must be applied retrospectively in accordance with PAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

The amendments listed above did not have any impact on the amounts recognized in prior and current periods and are not expected to significantly affect future periods.

There are no new standards, and other amendments and interpretations to existing standards effective for reporting periods commencing January 1, 2025 that are considered relevant to the Parent Company.

(b) New standards, and amendments and interpretations to existing standards not yet adopted by the Parent Company

Certain new accounting standards, and amendments and interpretations to accounting standards have been published that are effective after December 31, 2025 reporting periods and have not been early adopted by the Parent Company. The Parent Company's assessment of the impact of those that are relevant is set out below.

(i) 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 PFRS 9 and PFRS 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 cashflows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Parent Company does not expect these amendments to have a material impact on its operations or separate financial statements.

(ii) PFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after January 1, 2027)

Issued in May 2025, PFRS 19 allows for certain eligible subsidiaries of parent entities that report under PFRS Accounting Standards to apply reduced disclosure requirements.

The amendments to existing standards are not expected to have a material impact on the Parent Company's separate financial statements.

(iii) 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 separate 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 separate financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Parent Company's separate financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of PFRS 18 will have no impact on the Parent Company's net profit, the Parent Company expects that grouping items of income and expenses in the statement of total comprehensive income into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Parent Company has performed, the following items might potentially impact operating profit:
  - Foreign exchange differences currently aggregated in the line item 'other income, net' in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.
- The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation.
- The Parent Company does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
  - management-defined performance measures;
  - a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss - this break-down is only required for certain nature expenses; and
  - for the first annual period of application of PFRS 18, a reconciliation for each line item in the statement of total comprehensive income between the restated amounts presented by applying PFRS 18 and the amounts previously presented applying PAS 1.
- From a cash flow statement perspective, there will be changes to how interest received and interest paid are presented. Interest paid will be presented as financing cash flows and interest received as investing cash flows, which is a change from current presentation as part of operating cash flows.

The Parent Company will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

There are no other new standards and interpretations and amendments to existing standards effective after January 1, 2025, that are considered to be relevant or have a material impact on the separate financial statements.

27.2 Business combination

The Parent Company 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 Parent Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Parent Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

27.3 Investments and other financial instruments

The Parent Company recognizes a financial instrument in the statement of financial position, when and only when, the Parent Company becomes a party to the contractual provisions of the instrument.

27.3.1 Financial assets

(a) Classification

The Parent Company classifies its financial assets in the following categories:

- those to be measured subsequently at FVOCI; and
- those to be measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets measured at FVOCI include financial assets at FVOCI, while financial assets measured at amortized cost include cash and cash equivalents, trade and other receivables, advances to related parties and refundable deposits.

(b) Impairment of financial assets

The Parent Company assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment loss is recognized in profit or loss and the carrying amount of the asset is reduced through the use of an allowance. The Parent Company applies the ECL model to measure the impairment for all financial assets at FVOCI and at amortized costs.

The Parent Company calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. ECL are measured through an allowance at an amount equal to:

- the 12-month ECL (that result from those default events on the financial instrument that are possible within
  12 months after the reporting date); or
- full lifetime ECL (that result from all possible default events over the life of the financial instrument).

The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of loss is recognized as net impairment losses on financial assets in the statements of total comprehensive income. When a receivable remains uncollectible after the Parent Company has exerted all legal remedies, it is written off against the allowance account for receivables. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Reversal of previously recorded impairment provision IS based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of the amounts previously written off are credited to general and administrative expenses in profit or loss.

27.3.2 Financial liabilities

As at December 31, 2025 and 2024, the Parent Company's financial liabilities are limited to other financial liabilities at amortized cost.

The Parent Company's trade and other payables (excluding accrued construction cost, payable to government agencies and unearned revenue), due to related parties, short-term loans and borrowings, and lease liabilities are classified under other financial liabilities at amortized cost.

27.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Parent Company or the counterparty.

The Parent Company has right to offset intercompany payables and receivables as at December 31, 2025 and 2024. Total intercompany receivables offset against payables amounts to P226,847,468 in 2025 (2024 - P130,977,231).

27.5 Fair value measurement

The Parent Company's financial asset at FVOCI with quoted market price is valued using Level 1 of the fair value hierarchy as the quoted market price used is the current bid price. Financial assets at FVOCI is measured using inputs based on unadjusted quoted prices in active markets for identical assets or liabilities. Other relevant policies on financial asset at FVOCI are disclosed in Note 27.3.

The Parent Company has no other significant financial assets and liabilities carried at fair value.

For non-financial assets, the Parent Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently.

The Parent Company's tugboats are valued using Level 2 of the fair value hierarchy as these are measured using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. The fair value of tugboats using (1) market approach where valuation made was based on market prices of identical and comparable tugboats; and (2) cost approach where valuation performed are based on cost of reproduction of new vessel, accumulated depreciation, character and utility of the vessel (Note 6).

The Parent Company determines the fair value of its investment properties, which is carried at cost (Note 9), using Level 2 of the fair value hierarchy by direct comparison approach with reference to open market of similar properties with consideration of the location, property size, physical features and economic factors.

The Parent Company has no other significant non-financial assets and liabilities carried at fair value.

27.6 Prepayments and other assets

Input VAT are recognized as assets in the period such input VAT become available as tax credits to the Parent Company and carried over to the extent that it is probable that the benefit will flow to the Parent Company.

A provision for unrecoverable input VAT is established when there is objective evidence that the Parent Company will not be able to recover the claims. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within general and administrative expenses.

Leasehold rights 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.

27.7 Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for using the cost method. Under this method, investments are recognized at cost and income from investment are recognized in profit or loss only to the extent that the Parent Company (as investor) receives distribution from accumulated profit of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

The Parent Company determines at each reporting date whether there is any objective evidence that an investment in a subsidiary or in an associate is impaired. If this is the case, the Parent Company calculates the amount of impairment as the difference between the carrying value and recoverable amount of the subsidiary and associate and an allowance is set up for any substantial or permanent decline in the carrying value of the investment.

Investment in subsidiaries is derecognized when it loses its control over an entity. Loss of control triggers remeasurement of the residual holding to fair value. Any difference between the fair value and carrying amount is a gain or loss on the disposal, recognized in profit or loss.

Investment in associates is derecognized when the Parent Company loses significant influence over an associate as a result of full or partial disposal. Thereafter, the Parent Company shall account for the investment in accordance with PFRS 9, Financial Instrument: Recognition and Measurement.

27.8 Property and equipment

All property and equipment are carried at cost less accumulated depreciation and any impairment except for tugboats which are carried at revalued amounts.

Tugboats are initially recognized at cost. Subsequently, tugboats are carried at revalued amounts, which is the fair value at date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The Parent Company engages external, independent and qualified valuers to determine the fair value of the Parent Company's tugboats once every 3 years. Increases in the carrying amounts arising on revaluation of tugboats are recognized, net of tax, in other comprehensive income and revaluation surplus, net of tax, in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Each year, the Parent Company transfers from revaluation surplus reserve to retained earnings, the difference between the depreciation charges calculated based on the revalued amount and the depreciation charge based on the assets' historical cost.

The profit or loss on disposal of a revalued asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset. On disposal of the revalued asset, the relevant revaluation surplus included in equity is transferred directly to retained earnings.

All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Parent Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which these are incurred.

Dry docking cost represents major inspection and overhaul costs and are depreciated to reflect consumption benefits which are to be replaced or restored by the subsequent dry docking generally every two (2) years. The Parent Company has included these dry-docking expenses as part of tugboat component.

Depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives (in years), as follows:

Tugboats	30 to 40
Barges	10 to 37
Building and building improvements	10 to 30
Transportation equipment	5
Diving and oil spill equipment	3 to 5
Furniture, fixtures and leasehold improvements	3 to 4
Construction equipment	5

Construction in-progress is stated at cost. This includes the cost of construction and other direct costs. Construction in-progress is not depreciated until such time as the relevant assets are completed and are available for use. Tugboats under construction is classified as property and equipment at cost and subsequently transferred to Property and equipment at revalued amounts upon completion.

Leasehold improvements are amortized over the estimated useful life of the improvements, which is shorter than the lease term, considering the renewal option.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 27.10).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the statement of financial position. Any gains and losses on disposals of an asset at cost are determined by comparing proceeds with carrying amount and are recognized in profit or loss.

27.9 Investment properties

Investment properties consist of land in various locations. Land is initially recognized at cost and subsequently carried at cost less any impairment losses. Land is not depreciated.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation and commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.-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.

27.10 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as land and investment in subsidiaries and associates, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property and equipment, right-of-use asset, investment properties, input VAT and investment in subsidiaries and associates, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized in profit or loss as part of general and administrative expenses.

When impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of an impairment loss are credited to the provision account in profit or loss.

27.11 Borrowings and borrowing cost

(a) Borrowings

Borrowings are measured initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Where the terms of a financial liability are modified, a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate. If the modification of the terms of borrowings is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on extinguishment. If the modification of the terms of borrowings is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

(b) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

All other borrowing costs are recognized in profit or loss in the period in which these are incurred.

27.12 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

DIT is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Specifically, DIT is provided on the temporary difference between the carrying amount of the revalued property and equipment and its tax base. Any taxable temporary difference reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the tax rate applicable to the taxable amount derived from the sale of a non-depreciable capital or ordinary asset or the tax rate applicable during the years the asset is utilized.

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 Parent Company re-assesses at each reporting date the need to recognize a previously unrecognized DIT asset, if any.

DIT assets and liabilities are derecognized when the related temporary difference are realized or settled.

27.13 Employee benefits

The Parent Company provides short-term, retirement and terminal benefits to its employees. The Parent Company did not grant any stock options or share based payments to its officers and employees.

(a) Other short-term employee benefits

Short-term employee benefit obligations are measured on and 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 PUC method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in unrestricted earnings in the period in which these arise.

(c) Termination benefits

The Parent Company recognizes termination benefits at the earlier of the following dates: (a) when the Parent Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

27.14 Equity

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 share premium account.

Where the Parent Company acquires its own equity instruments (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Parent Company'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 Parent Company's equity holders.

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the separate financial statements in the period in which the dividends are approved by the Parent Company's BOD.

27.15 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the separate financial statements of the Parent Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The separate 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.

27.16 Revenue recognition

Revenue is measured based on the consideration specified in a contract with customer. The Parent Company recognizes revenue when it transfers control over service to a customer.

(a) Sale of services

The Parent Company provides (i) harbor assistance, (ii) lighterage services (iii) towing services and (iv) salvage income. These services recognized over time are provided on a time-basis or as a fixed-price contract, net of any subsequent discounts. Discounts are considered as part of the transaction price when granting such is highly probable. Contract terms of services are generally range from less than a year. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

(b) Income from construction contracts

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 Parent Company recognizes on a net basis when it satisfies its promise to facilitate the service over a period of time when it is not a principal in a contract. For all the construction contracts, the Parent Company does not control the service before as it is transferred to the customer. The Parent Company is also not solely responsible for the service and discretion in establishing contract prices. The indicators therefore support that the Parent Company is not the principal for the construction contracts.

The Parent Company uses the 'percentage of completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These are presented as inventories, prepayments or other assets, depending on their nature.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately in profit or loss as part of cost of construction contracts, with a corresponding credit to allowance. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract.

Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins will be recognized in the year in which the changes are determined.

Progress payments received under the construction contracts are deducted from contract assets as the contract is completed. Progress payments received before corresponding work has been performed (or in excess of percentage of completion) are presented as advances from customers under trade and other payable in the statement of financial position.

(c) Financing components

The Parent Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Parent Company does not adjust any of the transaction prices for the time value of money.

(d) Contract assets and liabilities

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 Parent Company exceed the total payments received to date, a contract asset is recognized. If the total payments received to date exceed the performance obligation fulfilled, a contract liability is recognized and is presented as unearned revenue. The contract assets are transferred to receivables when the Parent Company's rights to the contract consideration become unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Other income

(a) Interest income

Interest income is recognized in profit or loss on a time-proportion basis using the effective interest method. Interest income from cash in banks and short-term placements are presented net of final taxes paid and withheld.

(b) Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.

(c) Other income

Other income is recognized in profit or loss when earned.

27.17 Costs and expenses

Costs and expenses are recognized:

i on the basis of a direct association between the costs incurred and the earning of specific items of income;
ii on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or
iii immediately and as incurred (i.e. when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position).

Costs and expenses are presented in the profit or loss according to their function.

27.18 Leases where the Parent Company is a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that is based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Parent Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

ii. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally amortized over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Parent Company is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the underlying asset's useful life.

iii. Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise car rental and storage fee.

27.19 Earnings (Loss) per share

(a) Basic

Basic earnings (loss) per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Parent Company and held as treasury shares. In a capitalization or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

(b) Diluted

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Parent Company has two possible categories of dilutive potential common shares: convertible debt and share options. The Parent Company has no convertible debt nor share options as at December 31, 2025 and 2024.

27.20 Events after the reporting date

Post year-end events that provide additional information about the Parent Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

28 Supplementary information required by the Bureau of Internal Revenue (BIR)

The following information required by Revenue Regulations No. 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(a) Output VAT

Output VAT declared for the year ended December 31, 2025 and the revenues upon which the same was based consist of:

	Gross amount of receipts	Output VAT
Sale of services		
Zero-rated	1,526,865,473	-
Exempt Sales		
Subject to 12% VAT	700,538,461	84,064,615
	2,227,403,934	84,064,615

Zero-rated sales of services consist of export sales and those rendered to persons or entities whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

(b) Input VAT

Movements in input VAT for the year ended December 31, 2025 are as follows:

	Amount
January 1	
Input VAT	494,229,658
Deferred input VAT	19,144,934
Total	513,374,592
Add: Domestic purchase of goods other than capital goods	92,314,008
Purchase of capital goods exceeding P1 million	2,666,633
Importation of goods other than capital goods	2,922,651
Purchase of capital goods not exceeding P 1million	1,300,501
Domestic purchases of services	46,250,731
Less: Applied against output VAT	(82,408,074)
End of year	576,421,042

(c) Importations

The total landed cost of imports and the amount of custom duties and tariff fees paid for the year ended December 31, 2025 follows:

Landed cost of imports	24,355,422
Customs duties and tariff rates	198,313

The above customs duties and tariff rates are lodged under taxes and licenses account in cost of services.

(d) Excise tax

The Parent Company has no activities related to manufacture or production of certain specific goods or articles subject to excise tax for domestic sale or consumption or for any other disposition for the year ended December 31, 2025.

(e) Documentary stamp tax

The Parent Company paid documentary stamp tax related to loan restructuring amounting to P6,846,813 for the year ended December 31, 2025.

(f) All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2025 consist of:

	Amount
License and permit fees	19,724,144
Real property taxes	2,538,347
Gross receipt tax	1,883,674
Others	19,891,124
	44,037,289

The local and national taxes are lodged under taxes and licenses account in cost of services and general and administrative expenses.

(g) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2025 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	16,646,569	866,290	17,512,859
Expanded withholding tax	21,773,959	2,441,064	24,215,023
	38,420,528	3,307,354	41,727,882

In 2025, the total amount of creditable withholding tax claimed against the income tax due was P37,128,962, while no prior year excess credits applied.

(h) Tax assessments and cases

On June 5, 2024, the Parent Company received a Letter of Authority (LOA) from the BIR to examine the Parent Company's books and other accounting records for all 2023 internal revenue taxes. The submission of BIR Requirements or Access Records Request is still ongoing as at December 31, 2025.

The Parent Company has no tax cases nor litigation and/or prosecution in courts or bodies outside of the BIR as at and for the year ended December 31, 2025.

Harbor Star Shipping Services, Inc.
2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway
Bangkal, Makati City

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2025
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, beginning of the year		471,027,037
Add: Category A: Items that are directly credited to Unappropriated retained earnings		
Reversal of Retained earnings appropriation/s	-	
Effect of restatements or prior-period adjustments	-	
Others	-	-
Less: Category B: Items that are directly debited to Unappropriated retained earnings		
Dividend declaration during the reporting period	-	
Retained earnings appropriated during the reporting period	-	
Effect of restatements or prior-period adjustments	-	
Others	-	-
Unappropriated Retained Earnings, as adjusted		471,027,037
Add/Less: Net Income for the current year		(11,486,651)
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(1,482,579)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	(1,482,579)
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	660,674	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	660,674
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of investment property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	-
Adjusted net income/loss		(12,308,556)
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others	-	-
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(10,692,396)	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and setup of service concession asset and concession payable	(410,715)	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others	-	(11,103,111)
Total Retained Earnings, end of the year available for dividend declaration		447,615,370

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

The following document has been received:

Receiving: DONNA ENCARNADO
Receipt Date and Time: August 13, 2026 01:43:12 PM

Company Information

SEC Registration No.: 0000152897
Company Name: HARBOR STAR SHIPPING SVCS. INC.
Industry Classification: I63200
Company Type: Stock Corporation

Document Information

Document ID: OST108132026811780818
Document Type: QUARTERLY_REPORT
Document Code: SEC_Form_17-Q
Period Covered: June 30, 2026
Submission Type: Amendment
Remarks: None

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

COVER SHEET

SEC Registration Number

					1	5	2	8	9	7

Company Name

H	A	R	B	O	R		S	T	A	R		S	H	I	P	P	I	N	G		S	E	R	V	I	C	E	S	,
I	N	C	.		A	N	D		I	T	S		S	U	B	S	I	D	I	A	R	I	E	S						

Principal Office (No./Street/Barangay/City/Town/Province)

2	2	2	4		A		B	O	N	I	F	A	C	I	O		S	T	.	,		C	O	R	.				
P	R	E	S	.		S	E	R	G	I	O		O	S	M	E	Ñ	A		H	I	G	H	W	A	Y	,		
B	A	N	G	K	A	L	,		M	A	K	A	T	I		C	I	T	Y		1	2	3	3						
P	H	I	L	I	P	P	I	N	E	S																			

Form Type	Department requiring the report	Secondary License Type, if applicable
17-Q	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@harborstar.com.ph	(+632) 8886-3703	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
113	every last Wed. of May	12/31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Dany Cleo B. Uson	dbuson@harborstar.com.ph	(+632) 8886-3703	N/A

Contact Person's Address

2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233, Philippines

Note: In case of death, resignation, or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2026**

2. Commission identification number **152897**

3. BIR Tax Identification No. **201-128-653-000**

4. Exact name of issuer as specified in its charter **HARBOR STAR SHIPPING SERVICES INC.**

5. Province, country or other jurisdiction of incorporation or organization **Philippines**

6. Industry Classification Code: | (SEC Use Only)

7. Address of issuer's principal office Postal Code

2224 A. Bonifacio St., cor. Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233

8. Issuer's telephone number, including area code **(+632)-8886-3703**

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**894,586,870**
Treasury	**13,271,000**

11. Are any or all of the securities listed on a Stock Exchange?
Yes [**X**] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange **Common stock**

12. Indicate by check mark whether the registrant:

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

Yes [**X**] No [ ]

(b) has been subject to such filing requirements in the past 90 days

Yes [**X**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The summary financial data as at and for the period ended June 30, 2026 are based on the interim unaudited financial statements as at and for the three months ended June 30, 2025 of Harbor Star Shipping Services, Inc. and its subsidiaries (the "Group"). The financial statements for the annual and interim period are prepared in accordance with Philippine Financial Reporting Standards ("PFRS").

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

	For the Quarter Ended June 30,		
	2026 (Unaudited)	**2025** (Unaudited)	**% Change**
Service income, net	764,943,863	632,788,716	20.88%
Cost of Services	576,087,188	465,623,506	23.72%
General and Admin. Expenses	102,985,448	113,052,229	(8.90%)
Other Income (Charges), net	39,892,392	65,588,261	(39.18%)
Net Income (Loss) Before Income Tax	45,978,835	(11,475,280)	500.68%

Service Income, Net

The Group recorded total net service income of PHP 764.94 million for the three-month period ended June 30, 2026, representing an increase of 20.88% from PHP 632.79 million reported net income for the same period in 2025 (Note 16).

Cost of Services

The Group's total cost of services for the three-month period ended June 30, 2026 increased by 23.72% or PHP 110.46 million from PHP 465.62 million in 2025 to PHP 576.09 million in 2026. The increase was mainly attributable to higher supplies, fuel and lubricant costs resulting from the increase in oil prices. (Note 17).

General and Administrative Expenses

The Group's general and administrative expenses for the three-month period ended June 30, 2026 decreased by 8.90% or PHP 10.07 million from PHP 113.05 million as of June 30, 2025, to PHP 102.99 million as of June 30, 2026 mainly due to higher taxes and license, depreciation, professional fees, membership and others (Note 18).

Other Charges, Net

The other charges, net decrease by 39.18% or PHP 25.70 million from PHP 65.59 million as of June 30, 2025 to PHP 39.89 million as of June 30, 2026 which is mainly due to the interest expense on borrowings and loans.

Net Income (Loss) Before Tax

The Group reported a pre-tax net income of PHP 45.98 million for the three-month period ended June 30, 2026, compared to a pre-tax net loss of PHP 11.48 million for the same period in 2025. This translates to an improvement of PHP 57.45 million, primarily driven by higher revenues from salvage services. Consequently, the Group's pre-tax results improved by 500.68% year-on-year.

Financial Condition

	As of June 30, 2026 (Unaudited)	As of December 31, 2025 (Audited)
Total Assets	7,063,326,932	7,242,550,075
Total Liabilities	4,566,940,492	4,828,898,916
Total Equity	2,496,386,440	2,413,651,159

Cash and Cash Equivalent

The account has decreased by 29.21% or PHP 101.98 million from PHP 349.15 million as of December 31, 2025 to PHP 247.17 million as of June 30, 2026. The decrease was mainly due to payments made to the supplier from recurring activities and settlements of short-term borrowings used to finance working capital requirements (Note 4).

Trade and Other Receivables, Net

The account has increased by 8% or PHP 102.21 million from PHP 1.28 billion as of December 31, 2025 to PHP 1.38 billion as of June 30, 2026 mainly due to higher trade receivables arising from operating activities (Note 5).

Prepayments and Other Current Assets

The account has decreased by 13.07% or PHP 55.33 million from PHP 423.44 million as of December 31, 2025 to PHP 368.11 million as of June 30, 2026 mainly due lower refundable deposits, increase in input tax and utilization of certain prepaid expenses. (Note 6).

Property and Equipment at Cost, Net

The account has decreased by 3.28% or PHP 150.27 million from PHP 4.59 billion as of December 31, 2025 to PHP 4.44 billion as of June 30, 2026 mainly due to depreciation recognized during the period (Note 9).

Trade and Other Payables

The account has decreased by 18.07% or PHP 161.47 million from PHP 893.53 million as of December 31, 2025 to PHP 732.06 million as of June 30, 2026. The decrease was mainly due to settlement of trade payables related to operations, advances from employees and payable to government agencies and others (Note 13).

Borrowings, Current Portion

The account has decreased by 5.16% or PHP 117.59 million from PHP 2.28 billion as of December 31, 2025 to PHP 2.16 billion as of June 30, 2026 due to loan repayments and additional loan availments for the period (Note 14).

Borrowings, net of current portion

The account has increased by 1.44% or PHP 16.06 million from PHP 1.12 billion as of December 31, 2025 to PHP 1.13 billion as of June 30, 2026 due to availment of additional loan for the period (Note 14).

Retained earnings (Deficit)

The account has a surplus of PHP 97.08 million, from PHP 353.20 million as of December 31, 2025 to PHP 450.28 million as of June 30, 2026. The increase was mainly attributable to the net income generated by the Group during the six-month period ended June 30, 2026.

Discussion and Analysis of Material Events and Uncertainties

As at and for the periods ended June 30, 2026, and December 31, 2025:

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

Comparative Key Performance Indicators

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

Financial Soundness Indicator	**June 30 2026** (Unaudited)	**June 30 2025** (Unaudited)	**December 31 2025** (Audited)	**December 31 2024** (Audited)
Current Ratio	0.68:1	1.00:1	0.64:1	0.99:1
Quick Ratio	0.55:1	0.75:1	0.51:1	0.78:1
Debt-to-Equity Ratio	1.69:1	2.18:1	2.00:1	2.22:1
Asset-to-Equity Ratio	2.83:1	3.18:1	3.00:1	3.22:1
Interest Coverage Ratio	1.98:1	0.87:1	1.44:1	2.26:1
Net Profit Margin Ratio	5.56%	(2.85%)	1.70%	6.20%
Gross Profit Margin Ratio	24.69%	26.42%	25.10%	29.20%

Financial Risk Management Objectives and Policies

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

PART II – OTHER INFORMATION

There are no disclosures not reported under SEC Form 17-C.

SIGNATURES

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

Issuer: **HARBOR STAR SHIPPING SERVICES, INC.**

GERONIMO P. BELLA JR.
Chairman and President

Date signed:

DANY CLEO B. USON
Chief Financial Officer

Date signed:

HARBOR STAR SHIPPING SERVICES, INC. AND ITS SUBSIDIARIES
17Q Unaudited Financial Statements with
Supplemental Schedules for the
Securities and Exchange Commission
June 30, 2026

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A Map Showing the Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-Subsidiaries and Associates

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration

Aging of Trade and Other Receivables, net

Harbor Star Shipping Services, Inc. and Subsidiaries

Consolidated Statements of Financial Position
(All Amounts in Philippine Peso)

	Notes	June 30, 2026 (Unaudited) Consolidated	December 31, 2025 (Audited) Consolidated
ASSETS			
Current assets			
Cash and cash equivalents	4	247,174,103	349,150,939
Trade and other receivables, net	5	1,380,138,465	1,277,927,033
Advances to Related parties		-	-
Prepayments and other current assets	6	368,109,966	423,444,160
Total current assets		**1,995,422,534**	**2,050,522,132**
Non-current assets			
Property, plant and equipment at cost, net	9	4,435,108,486	4,585,375,462
Right-of-use assets, net		30,971,739	31,390,861
Computer software, net	10	7,221,363	7,416,360
Investment properties	11	106,100,873	69,983,207
Investment in subsidiaries and associates	7	138,600,619	152,534,964
Other non-current assets, net	12	349,901,320	345,327,089
Total non-current assets		**5,067,904,398**	**5,192,027,943**
Total assets		**7,063,326,932**	**7,242,550,075**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	732,064,711	893,534,850
Borrowings, current portion	14	2,162,678,744	2,280,270,137
Lease liabilities, current portion	14	21,312,916	8,262,916
Advances from related parties	20	11,515,682	18,292,929
Income tax payable		4,541,272	8,244,854
Total current liabilities		**2,932,113,326**	**3,208,605,686**
Non-current liabilities			
Non-current portion of trade payable	13	-	2,834,504
Borrowings, net of current portion	14	1,131,946,143	1,115,884,389
Lease liability, non-current	14	32,964,678	32,921,821
Deferred income tax liabilities, net		268,623,512	267,359,683
Retirement benefit obligation		201,292,833	201,292,833
Total non-current liabilities		**1,634,827,167**	**1,620,293,230**
Total liabilities		**4,566,940,492**	**4,828,898,916**
Equity			
Share capital	15	907,857,870	907,857,870
Additional paid-in-capital		121,632,762	121,632,762
Revaluation surplus, net of tax	8	976,901,991	976,901,992
Cumulative translation difference		(31,816)	-31,816
Fair value reserve on available-for-sale financial assets		1,482,500	1,482,500
Treasury stock	15	(37,614,990)	-37,614,990
Retained earnings		450,281,083	353,200,639
		2,420,509,400	2,323,428,957
Non-controlling interest		75,877,040	90,222,202
Total equity		**2,496,386,440**	**2,413,651,159**
Total liabilities and equity		**7,063,326,932**	**7,242,550,075**

See accompanying Notes to Financial Statements

Harbor Star Shipping Services, Inc. and its Subsidiaries

Consolidated Statements of Total Comprehensive Income – Unaudited
(All Amounts in Philippine Peso)

	Notes	Quarter Ending June 30		Six Months Ended June 30	
		2026 Unaudited	2025 Unaudited	2026 Unaudited	2025 Unaudited
Service income, net	16	764,943,863	632,788,716	1,375,615,067	1,293,694,183
Cost of services	17	(576,087,188)	(465,623,506)	(1,002,128,368)	(931,671,435)
Gross profit (loss)		**188,856,675**	**167,165,210**	**373,486,699**	**362,022,748**
General and administrative expenses	18	(102,985,448)	(113,052,229)	(217,175,992)	(210,048,663)
Other income, net		30,779,225	3,747,639	47,377,259	4,954,467
Operating profit (loss)		**116,650,452**	**57,860,620**	**203,687,966**	**156,928,552**
Finance cost					
Interest expense		(58,802,429)	(66,315,847)	(103,776,958)	(127,920,563)
Foreign exchange gains (losses), net		1,890,316	(3,020,053)	6,084,138	(3,803,352)
		(56,912,113)	**(69,335,900)**	**(97,692,821)**	**(131,723,915)**
Share in profit (loss) of associate		(13,759,503)	-	(13,759,503)	-
Profit before income tax		**45,978,835**	**(11,475,280)**	**92,235,642**	**25,204,637**
Income tax expense	21	(3,423,750)	(6,568,505)	(9,500,369)	(7,787,714)
Profit (Loss) for the year		**42,555,085**	**(18,043,785)**	**82,735,273**	**17,416,923**
Profit (loss) attributable to:					
Owners of the parent		40,688,527	(35,999,248)	68,390,112	(538,541)
Non-controlling interest		1,866,559	17,955,464	14,345,162	17,955,464
		42,555,085	**(18,043,785)**	**82,735,273**	**17,416,923**
Earnings per share					
Basic and diluted	15	**0.045**	**(0.040)**	**0.076**	**(0.001)**

See accompanying Notes to Financial Statements

Harbor Star Shipping Services, Inc. and its Subsidiaries

Consolidated Statements of Changes in Equity - Unaudited
For the Six Months Ended June 30, 2026 and 2025
(All Amounts in Philippine Peso)

	Share Capital	Treasury Stock	Additional Paid-in Capital	Revaluation Surplus, Net of Tax	Cumulative Translation Differences	Fair Value Reserve on Available-For- Sale Financial Assets	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Balances at January 1, 2026	907,857,870	(37,614,990)	121,632,762	976,901,992	(31,816)	1,482,500	353,200,639	2,323,428,957	90,222,202	2,413,651,159
Net Income for the period	-	-	-	-	-	-	97,294,617	97,294,617	-	97,294,617
Depreciation transfer of revaluation surplus	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	(14,559,335)	(14,559,335)
Balances at June 30, 2026	**907,857,870**	**(37,614,990)**	**121,632,762**	**976,901,992**	**(31,816)**	**1,482,500**	**450,495,255**	**2,420,723,574**	**75,662,867**	**2,496,386,440**
Balances at January 1, 2025	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
Net Income for the period	-	-	-	-	-	-	17,416,923	17,416,923	-	17,416,923
Depreciation transfer of revaluation surplus	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	(3,469,038)	-	-	(3,469,038)	-	(3,469,038)
Non-controlling interest	-	-	-	-	-	-	-	-	-	-
Balances at June 30, 2025	**907,857,870**	**(37,614,990)**	**121,632,762**	**948,829,194**	**(9,537,639)**	**(160,000)**	**265,481,536**	**2,196,488,733**	**96,388,595**	**2,292,877,328**

See accompanying Notes to Financial Statements

Harbor Star Shipping Services, Inc. and its Subsidiaries

Consolidated Statements of Cash Flows - Unaudited
For the Six Months Ended June 30, 2026 and 2025
(All amounts in Philippine Peso)

	Notes	Six Months Ended March 31	
		2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		106,794,985	19,938,009
Adjustments for:			
Depreciation and amortization	17, 18	237,884,036	296,718,574
Interest expense		103,776,958	128,064,695
Bad debts		-	-
Provision for Income Tax		(9,500,369)	-
Unrealized foreign exchange loss(gain) - net	18	-	-
Interest income		(1,405,681)	(740,940)
Operating income before working capital changes		437,549,931	443,980,338
Decrease (increase) in:			
Trade and other receivables	5	(105,830,412)	(35,149,900)
Prepayments and other current assets	6	56,895,200	(95,798,490)
Increase (decrease) in trade and other payables	13	(164,304,635)	135,845,440
Net cash generated from operations		224,310,083	448,877,388
Retirement obligation paid		-	-
Interest paid		(103,776,958)	(128,064,695)
Income taxes paid		(3,703,582.64)	(34,784,497.00)
Interest received		1,405,681	740,940
Net cash flows from (used in) operating activities		**118,235,223**	**286,769,136**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment	8, 9	(83,984,716)	(267,921,019)
Intangible asset		(2,592,457)	(2,924,154)
Investment Property		(36,117,666)	-
Decrease (increase) in:			
Investment in Subsidiaries		(625,000)	-
Advances to related parties	20	(370,642,486)	(14,865,479)
Other noncurrent assets	12	(5,000,000)	-
Net cash flows from (used in) investing activities		**(498,962,325)**	**(285,710,652)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of:			
Interest-bearing loans and borrowings	14	(101,529,642)	(108,177,718)
Lease liabilities	14	13,092,857	(2,553,560)
Increase (decrease) in advances from related parties	20	367,187,051	-
Net cash flows from (used in) financing activities		**278,750,266**	**(110,731,278)**
EFFECTS OF EXCHANGE RATE CHANGES IN CASH		-	12,119
NET INCREASE (DECREASE) IN CASH	4	(101,976,837)	(109,660,675)
CASH AT BEGINNING OF THE PERIOD	4	349,150,939	383,247,257
CASH AT END OF THE PERIOD	**4**	**247,174,103**	**273,586,581**

1. Business Information

1.1 General Information

Harbor Star Shipping Services, Inc. (the "Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission ("SEC") on July 5, 1988, primarily to engage in harbor assistance (docking and undocking), ship salvage, towage, lighterage, and specialized cargo handling operations and other marine services.

In July 2012, the Parent Company commenced activities for an initial public offering ("IPO") of its common shares in the Philippines. On October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the Parent Company completed its listing in the Philippine Stock Exchange ("PSE") and became a public company. The Parent Company did not have any follow-on offering subsequent to its initial public offering.

As a public Company, the Parent Company is covered by Part I Section 2A(i) of the Securities Regulation Code (SRC) Rule 68, as amended on October 20, 2011 and also covered by additional requirements under SRC Rule 68, as amended, Part II.

As at June 30, 2026, the Parent Company has 113 shareholders, 111 of which holds at least 100 common shares (2025 - 115). The Parent Company's major shareholders are its own directors holding 69.80% of its total issued shares and the remaining 30.20% of total issued shares as at June, 2026 and 2025 and are held by the public.

The Group's registered office, which is also its principal place of business, is located at 2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233, Philippines.

1.2 Significant Developments

Acquisition of ASTRONERGY Development Gensan Inc. (ADGI), ASTRONERGY Development F1 Inc. (ADF1), and ASTRONERGY Development F2 Inc. (ADF2)

On October 6, 2017, the Parent Company's Board of Directors ("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 Harbor Star Energy Corporation ("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 City. ADGI has been issued a Certificate of Commerciality by the DOE and has an existing ERC-approved Power Purchase Agreement ("PPA") with South Cotabato II Electric Cooperative, Inc. ("SOCOTECO II"). Under the PPA, SOCOTECO-II will purchase all the energy output from the project. On March 15, 2018, the Parent Company's BOD resolved to acquire the following shares of stocks through HSEC, its subsidiary:

- 40% additional shareholdings of ADGI
- 100% shareholdings of ASTRONERGY Development F1 Inc. (ADF1)
- 100% shareholdings of ASTRONERGY Development F2 Inc. (ADF2)

On April 12 and October 18, 2018, HSEC acquired the remaining 25% and 15% shareholdings of ADGI which represents 250,000 and 150,000 shares of stock, respectively for a total of PHP 75,108,479. The acquisition resulted in the reversal of Non-Controlling Interest ("NCI") and a charge to retained

earnings amounting to PHP 18,695,948 and PHP 83,342,728, 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 PHP 147,453,712. 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 PHP 20,559,425 is presented net of cash from acquired subsidiary of PHP 50,000 for a net cash paid of PHP 20,509,425 in the consolidated statement of cash flows for the year ended December 31, 2017. In 2018, the cash paid was subsequently adjusted by PHP 20,161,428 due to adjustments in purchase price.

Cash paid for the acquisition of 100% of ADF1 and ADF2 amounting to PHP 147,053,712 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 PHP 2,000,000 divided into 2,000,000 shares with a par value of PHP 1 each to PHP 600,000,000 divided into 600,000,000 shares with a par value of PHP 1. Subsequently, HSEC, the parent company of ADGI subscribed to an additional 300,000,000 shares with a par value of PHP 1 for a total of P300,000,000. HSEC has settled PHP 92,000,000 from the subscribed amount through application of its advances of deposit for future subscription.

On December 3, 2019, Energy Regulatory Commission ("ERC") granted the Certificate of Compliance (COC No. 19-12-M-00188M) to ADGI after having found to comply with all the requirements in the 2014 Revised COC Rules, the Philippine Grid Code, the Philippine Distribution Code, the Wholesale Electricity Spot Market ("WESM") Rules and related laws, orders and regulations. The COC shall be valid for a period of five (5) years, from December 31, 2019 to December 2, 2024, and its application for renewal shall be filed at least six (6) months before its expiration date.

In 2020, ADGI commenced commercial operations for the entire year. On January 26, 2021, SOCOTECO II and ADGI filed an Application on ERC Case No. 2013-2017 RC seeking the Commission's approval of their Renewable Energy Supply Agreement ("RESA") for issuance of final authority and collection for the supply of power based on the RESA as at December 31, 2020. In 2020, ADGI has submitted to the ERC all documents to support their claims. As at reporting date, ADGI is waiting 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 PHP 154,207,159 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 PHP 1,354,522 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% or 218,464 shares of the 705,924 authorized shares of Hi-Energy Marine Services, Inc. ("HEMSI") and paid 100% of the subscription amounting to PHP 85,368,971. 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 PHP 29,999,997, 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 PHP 16,624,025. The total subscribed amount is presented as part of investment in associates.

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 June 30, 2026 and December 31, 2025, the consolidated financial statements include the Parent Company and its Subsidiaries, namely: Harbor Star Subic Corp. ("HSSC"), Harbor Star Energy Corporation ("HSEC"), Peak Flag SDN BHD ("Peak Flag"), ASTRONERGY Development Gensan Inc. ("ADGI"), ASTRONERGY Development F1, Inc. ("ADF1"), ASTRONERGY Development F2, Inc. ("ADF2"), Harbor Star East Asia (Myanmar) Limited ("HSEAM"), and Harbor Star Construction Corp. ("HSCC"). In both reporting period, they are collectively referred to as the "Group".

The principal activities of the subsidiaries and associate are set out below.

	Relationship	% of interest held		Registered place of business/ Country of incorporation	Main activity
		2026	2025		
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 St., cor. Pres. Osmeña Highway, Bangkal, Makati City, 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 or 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., cor. Pres. Osmeña Highway, Bangkal, Makati City, Metro Manila.

	Relationship	% of interest held		Registered place of business/ Country of incorporation	Main activity
		2026	2025		
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. ADF1 has not started commercial operations as at June 30, 2026 and December 31, 2025. Its registered address, which is also its principal place of business, is at 2224 A. Bonifacio St., cor. Pres. Osmeña Highway, Bangkal, Makati City, Metro Manila.
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. ADF2 has not started commercial operations as at June 30, 2026 and December 31, 2025. Its registered address, which is also its principal place of business, is at 2224 A. Bonifacio St., cor. Pres. Osmeña Highway, Bangkal, Makati City, Metro Manila.
Harbor Star East Asia (Myanmar) Limited (“HSEAM”)	Subsidiary	100%	100%	Myanmar	During 2018, HSSSI acquired 97% ownership of Harbor Star East Asia (Myanmar) Limited, an entity providing consultancy and support services including underwater, marine and maritime related business. Its registered address, which is also its principal place of business is at No. M6, Upper Padetharpin Road, FMI City, Hlaingtharyar Township, Yangon, Myanmar.
Harbor Star Construction Corporation (“HSCC”)	Subsidiary	100%	100%	Philippines	HSCC was incorporated on April 23, 2021, and registered in the Philippines primarily to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works. Its registered address, which is also its principal place of business is located at 2224 A. Bonifacio St., cor. Pres. Osmeña Highway, Bangkal, Makati City, Metro Manila.

	Relationship	% of interest held		Registered place of business/ Country of incorporation	Main activity
		2026	2025		
Hi-Energy Marine Services, Inc. ("HEMSI")	Associate	31%	100%	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 CUD 14 Studio Zen Taft Avenue St. Zone 03 Brgy. 36, Pasay City.
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. As at June 30, 2026 and December 31, 2025, KSSI has not yet commenced operations.

Critical accounting judgments

(a) Determining control over investments with ownership of less than half of the entity's total equity

The Parent Company follows the guidance of Philippine Financial Reporting Standards ("PFRS") 10 "Consolidated Financial Statements" in determining if control exists for investments with ownership of less than half of its total equity. In making this judgment, the Parent Company considers the power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the Board of Directors ("BOD"), or power to cast the majority of votes at meetings of the BOD.

Having a significant influence based on the percentage ownership, the Parent Company initially considered Peak Flag as associate. However, effective January 1, 2014, the Parent Company has gained control over the key economic decisions and policies affecting Peak Flag under the duly signed amended shareholders' agreement including majority board representation. Consequently, based on management's judgment and continuous assessment of the Parent Company, Peak Flag is considered a subsidiary as at June 30, 2026 and December 31, 2025.

(b) Non-controlling interest

Set out below are the summarized financial information of Peak Flag, a subsidiary, that has non-controlling interest to the Group. The amounts disclosed are before intercompany eliminations.

	June 30, 2026	December 31, 2025
Total current assets	112,131,402	97,804,614
Total non-current assets	409,333,683	404,831,114
Total current liabilities	261,012,198	247,723,889
Total non-current liabilities	63,379,089	83,920,153
Equity	197,073,798	170,991,685
Total revenue	70,457,820	168,055,476
Total expense	(44,375,708)	(176,241,746)
Total income (loss) for the year	26,082,112	(24,510,591)
Total comprehensive income (loss) for the year	26,082,112	(24,510,591)
Net cash provided by operating activities	24,688,257	48,136,838
Net cash provided by (used in) financing activities	(4,643,044)	(28,074,490)

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards ("PFRS"). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards ("PAS"), interpretations of the Philippine Interpretations Committee ("PIC"), Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC") which have been approved by the Financial Reporting Standards Council ("FRSC") and adopted by the SEC.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property and equipment - tugboats and fair value measurement of financial assets at fair value through other comprehensive income.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Changes in accounting policies and disclosures

a. New and amended standards and interpretations adopted by the Group

There are a number of new accounting standards, amendments and interpretations that have been published that are mandatory for June 30, 2026 reporting period.

Interest Rate Benchmark Reform Phase 2 - Amendments to PFRS 9 PAS 39, PFRS 7, PFRS 4 and PFRS 16 (Effective January 1, 2021)

In August 2020, the IASB made amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.

- The hedge accounting reliefs will allow most PAS 39 or PFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.

COVID-19-Related Rent Concessions - Amendments to PFRS 16 (Effective June 1, 2020)

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to PFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The Group has no lease concessions as at June 30, 2026.

None of these standards, amendments and interpretations have a significant impact on the Group's financial statements.

b. New standards, amendments and interpretations not ye adopted by the Group

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2020. Management will adopt the following relevant pronouncements in accordance with their transitional provisions. None of those standards are expected to have a significant impact on the consolidated financial statements of the Group, but the more relevant ones are set out:

Classification of Liabilities as Current or Non-current - Amendments to PAS 1 (Effective January 1, 2023)

The narrow-scope amendments to PAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Property, Plant and Equipment: Proceeds before intended use - Amendments to PAS 16 (Effective January 1, 2022)

The amendment to PAS 16 Property, Plant and Equipment (PP&E) prohibit an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Reference to the Conceptual Framework - Amendments to PFRS 3 (Effective January 1, 2022)

Minor amendments were made to PFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities

and contingent liabilities within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

Annual Improvements to PFRS Standards 2018 - 2020 (Effective January 1, 2022)

The following improvements were finalized in May 2020:

- PFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- PFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- PFRS 1 First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.

Disclosure of Accounting Policies - Amendments to PAS 1 and PFRS Practice Statement 2 (Effective January 1, 2023)

The IASB amended PAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended PFRS Practice Statement 2, Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Definition of Accounting Estimates - Amendments to PAS 8 (Effective January 1, 2023)

The amendment to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to PAS 12 (Effective January 1, 2023)

The amendments to PAS 12 Income Taxes require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets.

The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were

considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

None of these standards are expected to have a significant impact on the financial statements of the Group.

Consolidation

a. Business combination

The Group applies the purchase or acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

b. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has a right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Intercompany transactions, balances and unrealized gain on transactions between Parent Company and its subsidiaries are eliminated.

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group surrenders control to a related party within the Group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized within equity.

c. Associate

An associate is an entity over which the Group can exert significant influence, but which is neither a subsidiary nor a joint venture. Investment in associate is initially recognized at cost and subsequently accounted for using the equity method.

Under the equity method, the carrying amount of the investment in associate is increased or decreased to recognize the Group's share of the net earnings (losses) and other comprehensive income of the associates after the date of acquisition. The Group's share in the net earnings (losses) and other comprehensive income of the associates is recognized in the Group's profit or loss. Items that have been directly recognized in the associates' equity are recognized in equity of the Group. Distributions received from the associates reduce the carrying amount of the investment.

If the Group's share in net losses of associates equals or exceeds its interest in the associates, the Group will discontinue recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those net earnings only after its share of the earnings equals the share of losses not recognized.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit (loss) of an associate' in profit or loss.

Investment in associate is derecognized when the risk and rewards of ownership have been transferred or extinguished. When the investment in associate is derecognized, its cost and related impairment, if any, are eliminated from the accounts.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred (including the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire) over the fair value of the Group's share of the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less from date of acquisition. Deposits held at call with banks earn interest at the prevailing bank interest rate. These are carried at amortized cost.

Investments and other financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity. The Group recognizes a financial instrument in the consolidated statements of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets

a. Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group only holds financial assets classified as financial assets at amortized cost as at June 30, 2026 and December 31, 2025 which comprise cash and cash equivalents, trade and other receivables, deposit bond, advances to related parties, refundable deposits and financial assets at fair value through other comprehensive income in the consolidated statements of financial position.

b. Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

c. Measurement

At initial recognition, the Group measures a financial asset at its fair value.

Subsequent to initial recognition, measurement depends on the Group's business model for managing the asset and cash flow characteristic of the asset. For financial assets at amortized cost, interest income, if any, from these financial assets is included within other income in the statement of total comprehensive income using the effective interest rate method. Impairment losses are presented as separate line item in profit or loss.

Where the Group's management has elected to present fair value gains and losses on investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

d. Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment loss is recognized in profit or loss and the carrying amount of the asset is reduced through by an allowance. The Group applies the ECL model to measure the impairment for all financial assets at FVOCI and at amortized costs.

The Group calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. ECL are measured through an allowance at an amount equal to:

- the 12-month ECL (that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

- full lifetime ECL (that result from all possible default events over the life of the financial instrument).

Financial liabilities

a. Classification

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and other financial liabilities. As at June 30, 2026 and December 31, 2025, the Group's financial liabilities are limited to other financial liabilities at amortized cost.

The Group's trade and other payables (excluding payable to government agencies, unliquidated expenses, and unearned income), advances from related parties, short-term loans and borrowings, finance lease liabilities and lease liabilities are classified under other financial liabilities at amortized cost.

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include accrued expenses. These are included in current liabilities except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

b. Initial recognition and derecognition

Financial liabilities are initially recognized at fair value of the consideration received plus directly attributable transaction costs. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

c. Subsequent measurement

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by considering any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

The Parent Company have a right to offset intercompany payables and receivables as at June 30, 2026. Total intercompany receivables offset against payables amounts to PHP249,632,506.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's financial asset at FVOCI with quoted market price is valued using Level 1 of the fair value hierarchy.

The Group has no other significant financial assets and liabilities carried at fair value.

The carrying amount of significant financial assets and liabilities, except borrowings approximates their fair value as the impact of discounting is not considered significant considering that the remaining significant financial assets and liabilities generally have short term maturity.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined based on the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The Group's tugboats are valued using Level 2 of the fair value hierarchy. The fair value of tugboats was determined using cost approach where valuation performed are based on cost of reproduction of new vessel, accumulated depreciation, character, and utility of the vessel (Note 8).

The Group determines the fair value of its investment properties, which is carried at cost (Note 11), using Level 2 of the fair value hierarchy by direct comparison approach with reference to open market of similar properties with consideration of the location, property size, physical features, and economic factors.

The Group has no other significant non-financial assets and liabilities carried at fair value.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, these are classified as current assets. If not, these are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method, less provision for impairment.

The carrying amount of the receivable is reduced by an allowance account, and the amount of loss is recognized within general and administrative expenses in profit or loss. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written off against the allowance account for receivables. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of the amounts previously written off are credited to general and administrative expenses in profit or loss.

Prepayment and other assets

Prepayments are recognized in the consolidated statement of financial position if payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts.

Other assets consist substantially of input value-added taxes ("VAT") and leasehold rights.

Input VAT are recognized as assets in the period such input VAT become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group.

A provision for unrecoverable input VAT is established when there is objective evidence that the Group will not be able to recover the claims. The carrying amount of the asset is reduced by an allowance account and the amount of the loss is recognized in profit or loss within general and administrative expenses.

Leasehold rights are recognized at cost which approximates purchase price or total consideration. Leasehold rights with definite life are amortized over the period of the contract while leasehold rights that have indefinite life, are carried at cost less impairment, if any.

Prepayments and other assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve months after the reporting period which are classified as non-current assets.

Prepayments are derecognized in the consolidated statement of financial position upon receipt of goods or services, through amortization over a certain period and use or consumption.

Input VAT are derecognized when applied against output or when written off.

Property, plant and equipment

All property, plant and equipment are carried at cost less accumulated depreciation and any impairment except for tugboats which are carried at revalued amounts.

Tugboats are initially recognized at cost. Subsequently, tugboats are carried at revalued amounts, which is the fair value at date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The Group engages external, independent and qualified valuers to determine the fair value of the Group 's tugboats once every 3-5 years. The increase of the carrying amount of an asset as a result of a revaluation is credited directly to equity (under the heading 'revaluation surplus'), unless it reverses a revaluation decrease previously recognized as an expense, in which case it is credited in profit or loss. A revaluation decrease is charged directly

against any related revaluation surplus, with any excess being recognized as an expense in profit or loss.

Each year, the Group transfers from revaluation surplus reserve to retained earnings the difference between the depreciation charges calculated based on the revalued amount and the depreciation charge based on the assets' historical cost.

The profit or loss on disposal of a revalued asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset. On disposal of the revalued asset, the relevant revaluation surplus included in equity is transferred directly to retained earnings.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which these are incurred.

Dry docking cost represents major inspection and overhaul costs and is depreciated to reflect consumption benefits which is to be replaced or restored by the subsequent dry docking generally every two (2) years. The Group has included these dry-docking expenses as part of tugboat component. Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives (in years), as follows:

Tugboats	30 to 40
Barges	10 to 37
Building and building 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. Tugboats under construction is classified as "Property, plant and equipment at cost" and subsequently transferred to "Property and equipment at revalued amounts" upon completion. Leasehold improvements are amortized over the estimated useful life of the improvements, which is shorter than the lease term, considering the renewal option.
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the consolidated statement of financial position. Any gains and losses on disposals of an asset as cost are determined by comparing proceeds with carrying amount and are recognized in profit or loss.

Computer software

Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. These costs will be amortized over its estimated useful lives of five (5) years from the start of its use. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Computer software is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and the related accumulated amortization

are removed from the consolidated statement of financial position. Any gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit or loss.

Investment property

Investment property is recognized as an asset, when it is probable that the future economic benefits that are associated with the investment property will flow to the Group and the cost of the asset can be measured reliably.

Investment properties consist of land in various locations. Land is initially recognized at cost and subsequently carried at cost less any impairment losses. Land is not depreciated.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation and commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is it carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant, and equipment up to the date of change in use.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Gains or loss on derecognition of an investment property is calculated as the difference between any disposal proceeds and the carrying amount of the related asset and is recognized in profit or loss in the year of derecognition.

Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as land, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property, plant and equipment, computer software, investment properties, input VAT, investment in associate and leasehold rights, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized in profit or loss as part of general and administrative expenses.

When impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of an impairment loss are credited to the provision account in profit or loss.

Trade and other payables

Trade and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets or expenses are recognized. These are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

These are derecognized when extinguished or when the obligation is discharged, cancelled, or has expired.

Borrowings and borrowing cost

a. Borrowings

Borrowings are measured initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowings are derecognized when the obligation is settled, paid, or discharged.

A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Where the terms of a financial liability are modified, a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate. If the modification of the terms of borrowings is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on extinguishment. If the modification of the terms of borrowings is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Where the terms of the borrowings are renegotiated, a gain or loss is recognized in the profit or loss, which is measured as the difference between the carrying amount of the financial liability and the

b. Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period that is required to complete and prepare the asset for its intended use.

All other borrowing costs are recognized in profit or loss in the period in which these are incurred.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the consolidated statement of financial position.

Current and deferred income tax

The tax expense for the year comprises deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax ("DIT") is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the DIT liability arises from the initial recognition of goodwill. DIT liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for DIT liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

DIT assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Specifically, DIT is provided on the temporary difference between the carrying amount of the revalued property, plant and equipment and its tax base. Any taxable temporary difference reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the tax rate applicable to the taxable amount derived from the sale of a non-depreciable capital or ordinary asset or the tax rate applicable during the years the asset is utilized.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group re-assesses at each reporting date the need to recognize a previously unrecognized DIT asset, if any.

DIT assets and liabilities are derecognized when the related temporary difference are realized or settled.

Employee benefits

The Group provides short-term, retirement and terminal benefits to its employees. The Group did not grant any stock options or share based payments to its officers and employees.

a. Other short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

b. Retirement benefit obligations

Defined benefit plans are defined as an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in unrestricted earnings in the period in which these arise.

Past service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in personnel cost (Note 18) in profit or loss.

c. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Share capital

Common shares, recognized at par value, are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

When the shares are issued at a premium, the difference between the proceeds and the par value is credited to the “Additional paid-in capital” account. When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at fair value of the share issued or fair value of the liability settled, whichever is more reliably determinable.

Where any member of the Group purchases the Group’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group’s equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group’s equity holders.

Retained earnings

Retained earnings represent the accumulated profit or loss arising from the operations of the Group and reserves for remeasurement on retirement benefit obligation less any dividends declared by the Parent Company.

Appropriation of retained earnings is recognized based on the provisions of the Corporation Code of the Philippines and by approval of the Parent Company's BOD. The Parent Company's BOD releases retained earnings from the appropriation when the purpose of such appropriation has been completed.

Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's BOD.

Foreign currency transactions and translation

a. Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency.

b. Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. All foreign exchange gains and losses except for foreign exchange loss on borrowings are presented in profit or loss within other income (expense), net. Foreign exchange gains and losses from borrowings are presented as part of finance cost in profit or loss.

c. Subsidiary

The results and financial position of the subsidiary, (which has no currency of a hyperinflationary economy), that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
ii. Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
iii. All resulting exchange differences are recognized as cumulative translation differences as a separate line item under equity.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with customer. The Group recognizes revenue when it transfers control over service to a customer.

a. Sale of services

The Group provides (i) harbor assistance, (ii) lighterage services (iii) towing services and (iv) salvage income. These services are provided on a time-basis or as a fixed-price contract, net of any subsequent discounts. Discounts are considered as part of the transaction price when granting such is highly probable. Contract terms of services are generally range from less than a year.

Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

b. Revenue on generation and sale of solar energy

The Group is engaged in the generation and sale of solar energy. Revenue is recognized monthly based on the transmission of solar energy to its sole customer. Revenue is recognized when the solar energy is delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue is also recognized based on the price agreed with the 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 15 days.

c. Revenue/Income on construction contracts

combination of assets that are closely interrelated or interdependent in terms of their design and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the accounting period.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the ‘percentage of completion method’ to determine the appropriate amount to recognize in each period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These are presented as inventories, prepayments, or other assets, depending on their nature.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately in profit or loss as part of cost of construction contracts, with a corresponding credit to allowance. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract.

Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins will be recognized in the year in which the changes are determined.

Progress payments received under the construction contracts are deducted from contract assets as the contract is completed. Progress payments received before corresponding work has been performed (or in excess of percentage of completion) are presented as advances from customers under trade and other payable in the consolidated statement of financial position.

The Group recognizes on a net and gross basis when it satisfies its promise to facilitate the service over a period when it is not a principal in a contract and acting as the principal in a contract, respectively. The Group is not the principal for construction contracts, wherein the Group does not control the service before it is transferred to a customer and the Group is also is not solely responsible for the service and discretion in establishing contract prices.

d. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

e. Contract assets and liabilities

Services are normally billed to the customer one month in advance. The customer pays the fixed amount based on the billing. If the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognized. If the total payments received to date exceed the performance obligation fulfilled, a contract liability is recognized and is presented as unearned revenue. The contract assets are transferred to receivables when the Group's rights to the contract consideration become unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Other income

a. Interest income

Interest income is recognized in profit or loss on a time-proportion basis using the effective interest method. Interest income from cash in banks and short-term placements is presented net of final taxes paid and withheld.

b. Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.

Costs and expenses

Costs and expenses are recognized:

i Based on a direct association between the costs incurred and the earning of specific items of income;
ii on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or
iii immediately and as incurred (i.e. when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statement of financial position).

Costs and expenses are presented in the profit or loss according to their function.

Leases where Group is a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

a. Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- adjusts specific to the lease (i.e., term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

b. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset's useful life.

c. Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

d. Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Earnings per share

a. Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Parent Company and held as treasury shares. In a capitalization or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for

the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Parent Company has two possible categories of dilutive potential common shares: convertible debt and share options. The Parent Company has no convertible debt nor share options as at June 30, 2026 and December 31, 2025.

Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Group's consolidated financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as at the date of the consolidated financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results.

These estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

As at June 30, 2026, there were no judgments, seasonal or cyclical aspects that materially affect the operations of the Group.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	June 30, 2026	December 31, 2025
Cash on hand	2,987,816	2,880,020
Cash in banks	181,433,287	276,462,937
Cash equivalents	62,753,000	69,807,982
	247,174,103	**349,150,939**

Interest income earned from cash in banks and cash equivalents as at June 30, 2026 and December 31, 2025 amounted to PHP 945,657 and PHP 5,285,192, respectively.

The carrying values of cash and cash equivalents represent maximum exposure to credit risk other than cash on hand. While cash and cash equivalents are also subject to the impairment of PFRS 9, the identified impairment loss was immaterial.

5. Trade and Other Receivables, Net

Trade and other receivables, net consist of:

	June 30, 2026	December 31, 2025
Trade receivables	1,702,459,365	1,572,523,066
Advances to officers and employees	110,648,500	171,963,204
Others	591,791	4,441,586
	1,813,699,656	1,748,927,856
Allowance for impairment losses	(460,997,752)	(497,691,168)
Unbilled Revenues	27,436,560	26,690,345
	1,380,138,465	**1,277,927,033**

Trade receivables are amounts due from customers for rendering harbor assistance and other marine services and solar energy fee in the ordinary course of the business with an average credit term of 30 to 60 days.

Advances to employees represent outstanding balances with existing employees and regular collections are made through liquidation and salary deduction.

The carrying value of trade and other receivables as at June 30, 2026 and December 31, 2025 approximates its fair value as at reporting date.

Allowance for impairment

The Group applies PFRS 9 simplified approach in measuring expected credit losses (ECL) which uses
a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in such rates.

Movements in the provision for impairment are as follows:

	June 30, 2026	December 31, 2025
Beginning balances	497,691,168	452,990,359
Provision for impairment of trade and other receivables	-	42,126,015
Recovery	-	-
Write-off	(36,693,416)	(195,954)
Cumulative translation adjustment	-	2,770,748
Ending balances	**460,997,752**	**497,691,168**

6. Prepayments and Other Current Assets

Prepayments and other current assets consist of:

	June 30, 2026	December 31, 2025
Construction advances	29,993,294	131,200,486
Advances to suppliers	59,103,133	57,406,812
Prepayments	109,904,062	97,265,754
Input value-added tax (VAT), net	163,300,386	122,689,630
Refundable deposits	5,809,090	14,881,478
	368,109,966	**423,444,160**

Construction advances pertain to advances to suppliers, contractors and employees related to construction projects subject to liquidation.

Allowance for construction receivables pertain to uncollectible portion of uncompleted projects.

Prepayments consist mainly of hull and machinery insurance, motor car insurance, life and health insurance, fuel and charter hire of tugboats which is expected to be utilized for a period of less than a year.

Advances to supplier consist of advance payments on services to be performed within 12 months.

7. Investment in Associates

Investment in associates consist of:

	Note	June 30, 2026	December 31, 2025
GETC	1.3	19,906,360	20,120,195
KSSI	1.3	16,624,025	16,624,025
HEMSI	1.3	101,745,236	115,790,744
		137,975,621	152,534,964

The movements of investment in associate as at June 30, 2026 and December 31, 2025 are as follows:

	June 30, 2026	December 31, 2025
Beginning of period	152,534,964	147,460,440
Share in net profit	(13,759,503)	8,360,548
Dividends	(799,840)	(3,286,024)
Ending of period	**137,975,621**	**152,534,964**

GETC

The movement of investment in GETC are as follows:

	June 30, 2026	December 31, 2025
Beginning of period	20,120,195	19,275,755
Dividends Received	(799,840)	–
Share in net profit	286,005	844,440
Ending of period	**19,606,360**	**20,120,195**

Set out below is the summarized financial information of GETC:

	June 30, 2026	December 31, 2025
Net assets	98,031,798	100,600,974
Group's share in %	20%	20%
Group share in net assets	**19,606,360**	**20,120,195**

HEMSI

The movement of investment in HEMSI are as follows:

	June 30, 2026	December 31, 2025
Beginning of period	115,790,744	111,560,660
Share in net profit	(14,045,508)	7,516,108
Dividends received	–	(3,286,024)
Ending of period	**101,745,236**	**115,790,744**

Set out below is the summarized financial information of HEMSI:

	June 30, 2026	December 31, 2025
Net assets	168,953,005	214,261,095
Group's share in %	31%	31%
Group's share in net assets	52,375,431	66,420,939
Goodwill	49,369,805	49,369,805
Carrying amount	101,745,236	115,790,744

8. Property, plant and Equipment, Net

Details of property and equipment, net amounts are as follows:

	June 30, 2026	December 31, 2025
Beginning		
Cost	24,482,419,479	23,555,041,131
Cumulative Translation Adjustment	56,049,135	15,157,193
Accumulated depreciation	(19,953,093,152)	(18,973,153,019)
Net carrying amount	4,585,375,462	4,597,045,297
Opening net carrying amount	4,585,375,462	4,597,045,297
Additions	83,984,716	448,335,357
Disposal		
Cost	-	(9,651,715)
Accumulated depreciation	-	7,103,571
Revaluation increments		
Cost	-	488,694,714
Accumulated depreciation	-	(402,114,625)
Impairment Loss	-	(225,230)
Reversal of Impairment	-	21,648,375
Depreciation	(234,251,693)	(606,352,224)
Translation Adjustments	-	40,891,942
Closing net carrying amount	4,435,108,485	4,585,375,462
At June 30		
Cost	24,566,404,195	24,482,419,479
Accumulated depreciation	(20,187,344,845)	(19,953,093,152)
Cumulative Translation Adjustments	56,049,135	56,049,135
Net carrying amount	**4,435,108,485**	**4,585,375,462**

Useful lives of property and equipment at revalued amounts

The Group's management determines the estimated useful lives for its property and equipment at revalued amounts based on the period over which the assets are expected to be available for use. The Parent Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

An increase/decrease in the estimated useful life would impact the recorded net carrying amounts of property and equipment at revalued amounts with a corresponding increase/decrease in the profit for the year as a result of lower/higher depreciation expense charged through profit or loss.

Revaluation of tugboats

The Group carries its tugboats at appraised value, with changes in fair value being recognized directly in equity under revaluation surplus. The Group reviews the fair value of its tugboats periodically every 3 to 5 years.

The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimates on recent market transactions on arm's length terms at the end of each reporting period. However, it is reasonably possible, based on existing knowledge, that changes in estimates would impact the recorded cost of services and property and equipment at revalued amount.

The Group engaged an independent valuation specialist in determining the fair value of some of its tugboats as at December 31, 2025. Management deems that the revalued amounts of tugboats not subjected to the independent appraisal in 2025 still approximate the fair value as at reporting dates with a significant number of tugboats only recently acquired at substantially comparable prices. The Group is considering revaluing the remaining of its tugboats in 2025.

9. Property, plant and Equipment, Net

Details of property,plant and equipment as at June 30, 2026 and the movements in the account for the period 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
January 1, 2025										
Opening net carrying amount	2,680,908,292	39,556,011	232,261,916	1,480,163,658	13,778,060	58,199,372	1,122,313	25,491,579	65,564,096	**4,597,045,297**
Additions	235,628,310	-	22,841,048	13,463,285	22,171,190	44,198,689	1,344,126	40,757,451	67,931,258	**448,335,357**
Disposal										
Cost	-	-	-	-	(9,041,786)	(609,929)				**(9,651,715)**
Accumulated depreciation	-	-	-	-	7,046,250	57,321				**7,103,571**
Revaluation										
Cost	488,694,714									**488,694,714**
Accumulated Depreciation	(402,114,625)									**(402,114,625)**
Impairment Loss	(225,230)									**(225,230)**
Reversal of Impairment	21,648,375									**21,648,375**
Depreciation	(359,997,517)		(101,310,067)	(95,626,601)	(7,191,045)	(29,563,432)	(794,532)	(11,869,030)		**(606,352,224)**
Translation adjustments	40,886,087					4,319	1,536			**40,891,942**
Closing net carrying amount	**2,705,428,406**	**39,556,011**	**153,792,897**	**1,398,000,342**	**26,762,669**	**72,286,340**	**1,673,443**	**54,380,000**	**133,495,354**	**4,585,375,462**
At December 31, 2025										
Cost	20,775,247,234	39,556,011	878,193,581	2,057,858,918	98,767,615	401,826,260	10,145,680	87,328,826	133,495,354	**24,482,419,479**
Accumulated depreciation	(18,108,829,030)		(724,400,684)	(659,858,576)	(72,004,946)	(346,223,783)	(8,827,307)	(32,948,826)		**(19,953,093,152)**
Cumulative translation adjustments	39,010,202					16,683,863	355,070			**56,049,135**
Net carrying amount	**2,705,428,406**	**39,556,011**	**153,792,897**	**1,398,000,342**	**26,762,669**	**72,286,340**	**1,673,443**	**54,380,000**	**133,495,354**	**4,585,375,462**
Period Ended, June 30 2026										-
Opening net carrying amount	2,705,428,406	39,556,011	153,792,897	1,398,000,342	26,762,669	72,286,340	1,673,443	54,380,000	133,495,354	**4,585,375,462**
Additions	56,100,023	-	32,307,663	-	1,294,643	20,355,319	594,390	57,990	-	**110,710,026**
Adjustment										**-**
Transfer									(26,725,311)	**(26,725,311)**
Disposal										
Cost										**-**
Accumulated depreciation										**-**
Reclassification										
Cost	-	-	-	-	-	-	-	-	-	**-**
Accumulated Depreciation										**-**
Revaluation										
Cost										**-**
Accumulated Depreciation										**-**
Impairment Loss										**-**
Reversal of Impairment										**-**
Depreciation	(126,533,333)	-	(28,401,152)	(49,239,114)	(4,250,643)	(17,925,525)	(466,235)	(7,435,690)	-	**(234,251,693)**
Translation adjustments										**-**
Closing net carrying amount	**2,634,995,095**	**39,556,011**	**157,699,408**	**1,348,761,228**	**23,806,669**	**74,716,134**	**1,801,598**	**47,002,300**	**106,770,043**	**4,435,108,485**
At June 30 2026										
Cost	20,831,347,257	39,556,011	910,501,244	2,057,858,918	100,062,258	422,181,579	10,740,070	87,386,816	106,770,043	**24,566,404,195**
Accumulated depreciation	(18,235,362,363)	-	(752,801,836)	(709,097,690)	(76,255,589)	(364,149,308)	(9,293,542)	(40,384,516)	-	**(20,187,344,845)**
Cumulative translation adjustments	39,010,202	-	-	-	-	16,683,863	355,070	-	-	**56,049,135**
Net carrying amount	**2,634,995,095**	**39,556,011**	**157,699,408**	**1,348,761,228**	**23,806,669**	**74,716,134**	**1,801,598**	**47,002,300**	**106,770,043**	**4,435,108,485**

In 2019, the Group's pre-development cost from the ADGI acquisition amounting to PHP 1.83 billion was reclassified to property, plant and equipment, upon start of ADGI's operations. Pre-development cost represents total expenditures incurred to date net of revenue from saleable material recognized during the pre-commercial production period, if any. Deduction is only appropriate if it can clearly be shown that the production of the saleable material is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

In 2019, it was assessed based on internal evaluations that they will be able to utilize the solar power plant for up to 20 years. In 2020 during its first full year of operations, ADGI management has reassessed the useful life of solar power plant. Based on internal evaluations, they will be able to utilize the solar power plant between 10 and 30 years which is also aligned with industry practice. As such, the management has approved the change in estimated useful life of solar power plant from 20 years to between 10 and 30 years.

The change in estimated useful life is considered to be a change in accounting estimate accounted for prospectively by recognizing the effect of the change in the period change and future periods until the end of the useful life. The net effect of the change in useful life is a decrease in depreciation expense amounting to PHP 3.1 million annually starting 2020.

In July 2019, ADGI started its commercial operations and recognized depreciation expense of PHP 43.85 million in relation to the solar power plant capitalized.

In 2020, the ADGI reversed furniture and fixtures acquired in 2019 and its corresponding accounts payable amounting to PHP 6,165 upon return of the furniture to the supplier.

Construction-in-progress as at June 30, 2026 and December 31, 2025 mainly comprise of cost of the construction of new tugboat being prepared for its intended use.

10. Computer Software, Net

The details of computer software, net are as follows:

	June 30, 2026	December 31, 2025
Revalued amounts:		
Beginning balance	55,826,984	50,809,439
Additions	2,592,458	5,017,545
Ending balance	58,419,442	55,826,984
Accumulated amortization:		
Beginning balance	48,410,624	42,252,681
Amortization	2,787,455	6,157,943
Ending balance	51,198,079	48,410,624
Net carrying amount	**7,221,363**	**7,416,360**

Management assessed that there are no indicators that computer software is impaired as at June 30, 2026 and December 31, 2025.

11. Investment Properties

As at June 30, 2026, and December 31, 2025, the Group's investment properties consist of parcels of land in various locations, which are held for capital appreciation. Additions during the period are related to the property located in Malaysia.

The movement in investment properties are as follows:

	June 30, 2026	December 31, 2025
Beginning of period	69,983,207	69,983,207
Additions	36,117,666	-
End of period	**106,100,873**	**69,983,207**

12. Other Non-Current Assets, Net

Other non-current assets consist of:

	June 30, 2026	December 31, 2025
Input VAT, net	320,214,949	315,214,950
Leasehold rights, net	14,901,934	15,327,702
Performance bond	829,092	829,092
Financial asset at fair value through other comprehensive income (FVOCI)	3,000,000	3,000,000
Prepaid professional fees	7,500,000	7,500,000
Refundable deposits	3,455,345	3,455,345
	349,901,320	**345,327,089**

Performance bond is a security required by the contracting party to ensure completion of performance of obligation if the performing party cannot fulfill its obligations, as set forth in the circular no DOE DC 2009-07-0011 Sec 16 Obligations of a Developer.

Allowance for impairment of input VAT is maintained at a level considered adequate to provide for potentially unrecoverable tax claims from excess input VAT. An evaluation of the recoverability of the excess input VAT, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to the evaluation of its future utilization based on long-term forecasts, in determining provision for impairment of input VAT. A change in the provision would impact the Group's recorded carrying value of input VAT and provision for impairment.

The movement in allowance for impairment of input VAT follows:

	June 30, 2026	December 31, 2025
Beginning of period	156,822,526	106,941,761
Provision for impairment	–	49,880,765
End of period	**156,822,526**	**156,822,526**

13. Trade and Other Payables

Trade and other payables consist of:

	June 30, 2026	December 31,2025
Current		
Trade payables	577,607,570	584,134,610
Accrued expenses	85,777,045	203,637,099
Advance from officers and employees	37,068,036	74,012,021
Payable to government agencies	19,442,433	18,686,648
Provisions	-	-
Others	12,169,627	13,064,472
	732,064,711	**893,534,850**
Non-current		
Trade payables	**-**	**2,834,504**

Trade payables are generally noninterest-bearing and are settled in thirty (30) to ninety (90) days' term.

In 2019, the Group entered into a purchase agreement with a foreign supplier for the purchase of tugboat to be settled in twenty-four (24) monthly installment payments bearing an interest rate of 2.87%. In 2020, the terms of purchase agreement were modified by extending the monthly installments to thirty-six (36) months bearing an interest rate of 5.30%.

In 2021, the Group entered into another purchase agreement with a foreign supplier for the purchase of tugboat with an upfront payment of 50% and the remaining balance to be settled in 36 monthly installment payment bearing an interest rate of 5.25% per annum.

Accrued expenses are obligations based on normal credit terms and do not bear interest. These pertain to accruals made for regular monthly fees and other various accruals. Accruals are made based on prior month's billings and/or contracts and are normally settled within twelve (12) months from the end of the reporting period. Other accrued expenses are mainly composed of outstanding payable to insurance companies and unliquidated business expenses which are expected to be settled in the subsequent year.

Accrued construction costs pertain to unliquidated expenses of employees in relation to the construction projects of the Group.

Unearned income represents advance collections from customers, which will be recognized as revenue upon the performance of the contractually agreed tasks.

Payable to government agencies consist mainly of amounts due to Social Security System, Philippine Health Insurance Corporation and Home Development Mutual Fund, withholding taxes payable to BIR that are noninterest-bearing and are settled in ten (10) to fifteen (15) days' term.

Others pertain to output VAT.

14. Short-Term Loans and Borrowings

The outstanding short-term loans, current, and noncurrent portion long-term borrowings, and finance lease liabilities are as follows:

	June 30, 2026	December 31, 2025
Current portion of long-term borrowings		
Rizal Commercial Banking Corporation	110,658,261	166,347,150
CTBC (Philippines) Corporation	44,263,604	77,794,084
DBP Leasing Corporation	7,338,322	14,183,572
Bank of the Philippine Islands	2,486,371	9,642,323
Development Bank of the Philippines	1,946,108,726	1,963,078,246
Philippine National Bank	2,419,962	3,913,671
Ambank (M) Bhd	1,786,646	2,629,899
Orix Credit Malaysia Sdn Bhd	21,333,936	6,764,348
RHB BANK BERHAD	2,734,222	11,916,843
Others	23,548,694	24,000,000
	2,162,678,744	**2,280,270,136**

	June 30, 2026	December 31, 2025
Non-current portion of long-term borrowings		
Rizal Commercial Banking Corporation	433,038,562	433,038,562
CTBC (Philippines) Corporation	196,943,069	196,943,068
DBP Leasing Corporation	68,872,676	68,872,675
Bank of the Philippine Islands	14,448,350	14,448,350
Development Bank of the Philippines	379,600,000	379,600,000
Philippine National Bank	1,176,841	1,176,841
RHB BANK BERHAD	7,473,872	-
Orix Credit Malaysia Sdn Bhd	-	21,804,893
Others	30,392,774	-
	1,131,946,143	**1,115,884,389**

Parent Company

On September 13, 2021, the Parent Company entered into a loan agreement with one of its director and shareholder, for a principal of JPY 55,000,000 or PHP 24,271,500 for use as downpayment for the purchase of a tugboat. The loan bears an interest rate of 8.50% per annum and is payable quarterly starting December 13, 2021. The principal amount of the loan is payable on June 13, 2022.

On October 4, 2021, the Parent Company availed of a short-term borrowing from a local financing company amounting to PHP 70,000,000 with 12% interest per annum. The amount borrowed was paid and settled in December 2021.

As at December 31, 2021, the Parent Company's unsecured short-term loans from local banks and from shareholder which bear interest rates ranging from 5.25% to 8.50% (2020 - 4.80% to 6.70%) and have maturity of one (1) to six (6) months from reporting date.

As at December 31, 2021, the Parent Company's long-term borrowings bear annual interest rate ranging from 4.87% to 9.23% (2020 - 4.50% to 13.65%) are payable in various installments maturing on various dates from 2023 to 2030. These are secured by chattel mortgages to certain Parent Company-owned tugboats, transportation equipment and barges.

In 2020, the long-term borrowings agreements require compliance by the Parent Company to various covenants including, among others, the maintenance of financial ratios. As at December 31, 2020, the Parent Company was in the process of securing waivers for non-compliance with debt covenants. Hence, certain long-term borrowings amounting to PHP 112,500,000 were presented as current liabilities in 2020. In 2021, the Parent Company is compliant with all its debt covenants in 2021. Consequently, borrowings were reclassified as non-current in 2021.

Both short-term loans and long-term borrowings were obtained specifically for working capital purposes and to finance capital expenditures that are non-qualifying assets.

Due to the impact of the COVID-19 pandemic and community quarantine, the Parent Company has entered into loan restructuring agreement with Rizal Commercial Banking Corporation (RCBC) and Asia United Bank (AUB) in 2020 and with Chinatrust Philippines Commercial Bank Corporation (CTBC) in 2021.

On October 16, 2020, the Parent Company availed of the Credit Assistance and Recovery (CARE) Program of RCBC. The Parent Company entered into a loan conversion agreement whereby its outstanding promissory notes amounting to PHP 1.14 billion and term loan amounted to PHP 146.3 million with a maturity date ranging from October 2019 to November 2020 and from March to July 2019, respectively, was converted into 57 monthly term loan of PHP 1.291 billion with the principal amount payable in 48 monthly installments of PHP 11.125 million starting July 15, 2021 and a balloon payment of PHP 757 million on the 57th month on July 14, 2025. Under the loan conversion agreement, compliance with debt covenants will be effective starting 2021 upon the start of repayment. Gain on loan restructuring was not recognized as it is deemed immaterial.

On July 13, 2020, the Parent Company received the Notice of Approval of Amendments to its outstanding borrowings with AUB amounting to PHP 142.1 million. The amendments to the borrowings include the extension of nine (9) months from original maturity date of September 27, 2022, principal amount to be repaid in 11 quarterly amortizations commencing nine (9) months from December 23, 2020 and a revised fixed interest rate of 7.5% per annum from 6.25%.

On October 7, 2021, the Parent Company entered into a loan restructuring agreement with CTBC whereby outstanding promissory notes were consolidated into one (1) promissory note with the principal amount of PHP 477.3 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 PHP 477.3 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 PHP 3,928,685 was recognized in 2021.

The restructured loan agreement with DBP and RCBC 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.

On April 30, 2025, the Parent Company entered into a three (3) year loan agreement with a local bank for a principal amount of PHP 30,000,000 with an interest rate of 10%. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing April 30, 2028 until maturity of the loan.

On September 15, 2025, the Parent Company entered into another three (3) year loan agreement with a local bank for a principal amount of PHP 4,668,000 with an interest rate of 8.5% to finance the purchase of two (2) vehicles. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing on September 15, 2028 until maturity of the loan.

On October 5, 2025, the Parent Company entered into a five (5) year loan agreement with a local bank for a principal amount of PHP 50,000,000 with an interest rate of 15%.

As at December 31, 2025, the Parent Company is compliant with all non-financial covenants, including maintaining proper operations, records, legal and environmental compliance, timely reporting and obligations, and required permits and disclosures, while also observing all restrictions on changes in business or ownership, additional borrowings, asset disposals, related-party transactions, and the creation of liens or similar encumbrances.

As at June 30, 2026 and December 31, 2025, the Parent Company is compliant with all its debt covenants.

ADGI

On January 19, 2018, ADGI secured an Omnibus Loan Agreement with Development Bank of the Philippines (DBP) for a principal amount of PHP 1.59 billion available in the form of advance term loan or Import Letter of Credit payable in 12 years, inclusive of a one (1) year and six (6) months-grace period, with the principal payable in 42 quarterly amortizations with 35% balloon payment due at maturity to commence at the end of seventh (7th) quarter from date of initial drawdown until fully paid. The loan is covered by various securities which include among others 100% ownership shares pledged, continuing deed of assignment of receivables from customers, continuing deed of assignment of rights arising from engineering, procurement, and construction contracts with the DOE. The purpose of the borrowing is to finance the construction of the 26.88-megawatt solar power plant in General Santos City.

On February 12, 2020, ADGI entered into an Amendment to the Omnibus Loan Agreement with DBP and agreed on a change in repayment terms. ADGI shall repay the loan in 12 years, inclusive of two (2) years grace period, the principal payable in 40 quarterly amortizations with thirty-five percent (35%) balloon payment due at maturity to commence at the end of the ninth (9th) quarter from the date of initial drawdown until fully paid. All principal payment affected shall be re-amortized.

Due to the impact of the COVID-19 pandemic and community quarantine, ADGI has subsequently entered into a loan restructuring agreement with Development Bank of the Philippines in 2021.

In 2019, ADGI has paid a principal amount of the loan amounting to PHP 8,794,736. In 2020, DBP has reversed the payment of principal and applied it as payment of outstanding interest. This is considered a non-cash activity.

The long-term borrowing agreement requires compliance by the Parent Company to certain various covenants including, among others, the maintenance of financial ratios after a year of commercial operations. The Parent Company shall always maintain a debt-to-equity ratio (DER) of not exceeding 2:1 and current ratio and debt service coverage ratio of less than one (1) as defined in the Term Loan Facility Agreement. As at December 31, 2019, the debt covenants are not yet applicable as commercial operations only started in July 2019. As at December 31, 2020, the Parent Company has substantially complied with most of the covenants except for financial ratios hence the entire balance of loan is reclassified as current in 2020.

On April 16, 2021, ADGI has entered into a loan restructuring agreement with DBP whereby its outstanding term loan with a principal amount of PHP 1,584,900,000 payable in 40 quarterly amortizations starting in July 2020 with thirty-five percent (35%) balloon payment due in April 2030, was extended with an additional two (2) year grace period payable in 43 quarterly amortizations to commence on October 19, 2022, with a final maturity on April 19, 2033. Interest on the restructured loan is at a fixed rate for five (5) years based on the lender's prevailing rate at effective date renewable at the end of every five (5) years based on the then prevailing rate. In addition, the interest and other charges related to the term loan amounting to PHP 90.20 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 PHP 48,975,828 was recognized in 2021. This is considered a non-cash transaction in the statement of cash flows.

In 2025, ADGI fully paid capitalized interest and other related charges amounting to PHP 90.20 million, resulting in no outstanding balance related to such loan as at December 31, 2025.

On December 19, 2025, ADGI entered into a restructuring agreement relating to loans originally executed on April 16, 2021. The outstanding principal amounting to PHP 1,584,900,000 was repriced from an original interest rate of 6.5% per annum to 4.0% per annum for the first two years, and 6.5% per annum for the succeeding years, with a final maturity on October 19, 2030. In addition, the interest initially due last October 2025 amounting to PHP 413,086,815 was capitalized and bears interest at a fixed rate of 4.00% per annum for the entire five-year term, maturing on October 19, 2030. A gain on debt restructuring amounting to PHP 97,755,662 was recognized in 2025.

The restructured loans are secured by existing and continuing collateral, which include (i) a 100% share pledge by ADGI shareholders, (ii) assignment of receivables from SOCOTECO II, (iii) assignment of rights and project contracts, including EPC contracts, insurance policies, and DOE rights, triggered upon the occurrence of an event of default, (iv) a first priority chattel mortgage over buildings, improvements, machinery, and equipment with an aggregate value of approximately PHP 1.58 billion, and (v) continuing insurance coverage endorsed in favor of DBP.

As at December 31, 2025, ADGI is compliant with all non-financial covenants, including maintaining proper operations, records, legal and environmental compliance, timely reporting and obligations, and required permits and disclosures, while also observing all restrictions on changes in business or ownership, additional borrowings, asset disposals, related-party transactions, and the creation of liens or similar encumbrances.

As at December 31, 2025, ADGI's outstanding borrowings are also subject to certain financial covenants under the restructured loan agreement with DBP:
- maintaining a maximum debt-to-equity ratio of 70:30;
- minimum current ratio of 1.0:1.0; and
- minimum debt service coverage ratio of 1.0:1.0

Based on ADGI's financial position as at the reporting date, financial covenants have been complied with except for the debt-to-equity ratio. Accordingly, no waiver was obtained and the outstanding balance of the related borrowings has been reclassified as part of current liabilities in the consolidated statement of financial position as at December 31, 2025.

As at June 30, 2026 and December 31, 2025, ADGI's long-term borrowings bear annual interest rate of 4.00% to 6.50% and are payable in various installments maturing on October 19, 2030.

Peak Flag

On April 15, 2021, Peak Flag entered a three (3) year loan agreement with a local financial institution for a principal amount of PHP 48,645,600 or MYR 4,000,000 for working capital purposes. The amount was drawn with a fixed interest rate of 8.25% per annum. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing May 15, 2021 until maturity of the loan. A tugboat was pledged as collateral for the loan.

On March 28, 2023, Peak Flag borrowed funds from RHB Bank amounting to MYR 1,000,000 (PHP 12,314,200) term loan with interest at 5.50%, interest and principal amortization payable monthly from initial drawdown, matures in April 2030.

15. Equity

As at June 30, 2026 and December 31, 2025, the Parent Company's authorized share capital amounting to PHP 2 billion is composed of 2 billion shares with par value of PHP 1 per share.

Movements and details of share capital are as follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
At June 30, 2026 and December 31, 2025	894,586,870	907,857,870	121,632,762	(37,614,990)

On October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the IPO of the Parent Company's shares were issued with an issue/offer price of PHP 1.88 per share. Total shares registered and subscribed was 181.6 million shares resulting in share capital of PHP 181.6 million and additional paid-in capital of PHP 121.6 million net of transaction costs amounting to PHP 24.6 million. There are no other share offering after the IPO in 2013.

On March 6, 2017, the BOD and shareholders approved to amend the Parent Company's articles of incorporation to increase its authorized capital stock from PHP 1.5 billion to PHP 2 billion.

Treasury shares

On September 24, 2018, the Parent Company's BOD approved the share buyback program which was implemented in various dates in 2018 and 2019. The Parent Company acquired a total of 13,271,000 treasury shares for a total amount of PHP 37,614,990.

No shares were repurchased for the periods ended June 30, 2026 and December 31, 2025.

Earnings (Loss) per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury stocks, if any.

Total issued ordinary shares for the period has been adjusted for impact of stock split and stock dividends, if any.

Earnings (loss) per share is calculated as follows:

	Six Months Ended June 30,	
	2026	2025
Net income (loss) attributable to the Parent Company	68,390,112	(538,541)
Weighted average number of common shares	894,586,870	894,586,870
Basic and diluted earnings per common share	**0.076**	**(0.001)**

The basic and diluted earnings per share are the same each for the year presented as there are no potential dilutive common shares

16. Service Income, Net

The components of net service incomes are:

	Six Months Ended June 30,	
	2026	2025
Harbor assistance, net of discounts and rebates	931,761,451	888,773,106
Construction revenue, net of discounts	15,004,641	59,305,568
Lighterage service	69,464,000	27,015,881
Towing service	19,714,139	26,114,276
Salvage income	76,895,426	-
Underwater services	125,430,481	110,603,934
Other marine services	3,591,373	6,152,088
Oil spill response	9,940,413	64,837,700
Revenue on generation of solar power	119,444,695	60,181,856
Other revenue, net of discounts and rebates	4,368,448	50,709,774
	1,375,615,067	**1,293,694,183**

Harbor assistance pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port.

Others consist of income generated from diving and other underwater services, among others. The Group revenue is divided into two business segments - harbor assistance and renewable energy.

17. Cost of Services

The components of cost of services are:

	Six Months Ended June 30,	
	2026	2025
Fuel and lubricants	332,086,901	233,708,019
Depreciation and amortization	220,534,352	283,994,255
Personnel costs	135,636,501	128,082,418
Outside services	29,018,216	15,939,681
Insurance	46,118,712	39,702,556
Supplies	63,932,274	41,468,748
Charter hire/rental	97,097,877	89,853,365
Representation and entertainment	3,025,821	8,067,259
Port expense	14,528,603	11,113,570
Repairs and maintenance	31,823,821	30,228,104
Transportation and travel	5,704,838	7,047,758
Taxes and licenses	2,650,738	1,221,096
Freshwater	2,959,838	3,411,446
Communication, light and water	1,708,260	509,204
Professional fees	4,962,266	5,218,272
Membership and registration	147,575	169,452
Direct materials and supplies	1,764,220	2,162,999
Direct labor	2,659,399	24,457,880
Others	5,768,157	5,315,353
	1,002,128,368	**931,671,435**

Others mainly pertain to commission, marketing expenses, donation and contribution, post, courier and handling and charges.

18. General and Administrative Expenses

The components of general and administrative expenses are:

	Six Months Ended June 30,	
	2026	**2025**
Personnel costs	76,063,679	90,132,276
Provision of impairment loss	-	-
Taxes and licenses	41,914,367	20,909,193
Representation and entertainment	7,210,087	11,298,608
Repairs and maintenance	4,108,488	13,717,438
Depreciation and amortization	17,349,685	14,501,751
Outside services	5,174,703	5,118,758
Transportation and travel	11,442,513	14,119,769
Insurance	3,760,484	6,717,256
Communication, light and water	6,419,769	7,640,726
Rent	2,282,710	3,041,898
Supplies	3,557,430	5,557,991
Professional	16,799,613	7,774,240
Commission	-	203,763
Membership and dues	4,702,948	2,435,030
Advertising and promotions	955,559	1,459,580
Others	15,433,956	5,420,386
	217,175,992	**210,048,663**

Others mainly pertain to post, courier and handling expenses and charges.

19. Retirement Costs

The Parent Company has an unfunded, non-contributory, and actuarially computed retirement benefit plan which provides a retirement benefit in accordance with the local conditions and practices in the Philippines. Under the Plan, the normal retirement age is 60 with a minimum of five years of service.

The retirement benefit obligation is determined using the “Projected Unit Credit” (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement benefit is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation report of the Company prepared by the independent actuary is for the year ended December 31, 2025.

20. Related Party Transactions and Balances

Transactions with related parties consist of noninterest-bearing advances that have no fixed repayment terms and are due and demandable. The Group’s related party transactions are as follows:

	Terms and conditions	June 30, 2026	December 31, 2025
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.	5,232,074	18,769,583

The table below summarizes the outstanding balances with related parties:

	Terms and conditions	June 30, 2026	December 31, 2025
Advances to a related party, net of provision:			
Entity under common control	These are unsecured, non-interest bearing, due on demand and are to be collected in cash.	-	-
Officers	These are unsecured, non-interest bearing and are subject to liquidation.	34,047,062	24,156,623
Advances from related parties:			
Entity under common control	These are unsecured, non-interest bearing, due on demand and are to be paid in cash.	(50,035,541)	(18,292,929)
Officers	These are unsecured, non-interest bearing, due on demand and are to be paid in cash.	(27,195,483)	(71,613,007)

The Group has not provided share-based payments, termination benefits or other long-term benefits other than retirement benefits to its key management personnel for the periods ended June 30, 2026 and December 31, 2025.

21. Income Tax Expense

All the companies in the Group are subject to normal corporate income tax rate at 25% in 2022 except for HSSC and ADGI. HSSC is registered under Republic Act No. 7227, otherwise known as Bases Conversion and Development Act of 1992, that enables it to be under Gross Income Taxation (GIT) of 5%. ADGI is registered under the Renewable Act 9531, an Act Promoting the Development, Utilization, and Commercialization of Renewable Energy Resources and For Other Purposes, that provides for fiscal incentives including income tax holiday.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

- RCIT rate of 20% (from 30%) shall be applicable to domestic corporations with net taxable income not exceeding PHP 5 million and with total assets not exceeding PHP 100 million (excluding land on which the business entity's office, plant and equipment are situated) from July 1, 2020;
- RCIT rate of 25% (from 30%) shall be applicable to all other domestic and foreign corporations from July 1, 2020; and
- For the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

PAS 12, Income Taxes, requires current and deferred taxes to be measured with reference to the tax rates and laws, as enacted or substantively enacted by the end of the reporting period.

As at December 31, 2020, the CREATE bill was still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Company has assessed that the proposed tax law is not enacted or

substantively enacted as at December 31, 2020. For financial reporting purposes, the enactment of CREATE after December 31, 2020 is deemed a non-adjusting subsequent event.

PAS 10, Events After Reporting Period, indicated the change in tax rates as one of the non-adjusting subsequent events and therefore any impact of the new tax rates if enacted on or prior to financial statement release will only be disclosed in the 2020 financial statements as a subsequent event item.

The movements in the Group's net DIT assets (liabilities) for the periods are as follows:

	June 30, 2026	December 31, 2025
Beginning of the year	(267,359,684)	(236,833,784)
DIT credited to profit or loss	–	(6,244,073)
DIT credited (charged) to comprehensive income	–	(18,196,904)
Cumulative translation adjustment		(6,084,923)
End of period	(267,359,684)	(267,359,684)

Income tax expense as at June 30, 2026 and December 31, 2025 are as follows:

	June 30, 2026	December 31, 2025
Current	9,500,369	38,898,502
Deferred	–	6,244,076
	9,500,369	45,142,578

22. Financial Instruments, Financial Risk Management, Objective and Policies

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the amount of fair value of each class of financial instrument for which it is practicable to estimate such value:

The Group has determined that the carrying amounts of financial assets such as cash, trade receivable, gross of allowance for impairment losses, construction receivables, gross of allowance for loss, deposit bond, advances to related parties, refundable deposits and financial assets at fair value through other comprehensive income and financial liabilities such as trade and other payables (excluding payable to government agencies, unliquidated expenses and unearned income), short-term loans and borrowings, finance lease liabilities and lease liabilities based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature.

Financial Risk Management Objectives and Policies

The Parent Company's BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the use of financial instruments are market risk, credit risk and liquidity risk. The Parent Company's BOD reviews and approves the policies for managing each of these risks.

Components of financial assets and liabilities

Financial assets

Group's financial assets are as follows:

	June 30, 2026	December 31, 2025
Cash	247,174,103	349,150,939
Trade and other receivables, gross*	1,729,895,926	1,623,370,034
Refundable deposit	9,264,435	18,336,823
Financial assets at fair value through other comprehensive income (FVOCI)	3,000,000	3,000,000
	1,989,334,464	**1,993,857,796**

**Excluding advances to officers, employees and others subject to liquidation*

Financial liabilities

Group's financial liabilities are as follows:

	June 30, 2026	December 31, 2025
Trade and other payables	712,622,278	857,163,704
Short-term loans	3,294,624,887	3,396,154,526
Advances from related parties	11,515,682	18,292,929
Lease liabilities	54,277,594	41,184,737
	4,073,040,442	**4,312,795,896**

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates and interest rates.

Foreign Currency Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most transactions are carried out in Philippine Peso, which is the Parent Company's functional currency. Exposures to currency exchange rates arise from the Group's overseas transactions, which are primarily denominated in United States Dollar ("USD"), Japanese Yen ("JPY"), and Malaysian Ringgit ("MYR"). The Parent Company also maintains US Dollar-denominated bank accounts. Further, the Group has JPY payables from foreign suppliers, which have been used for the purchase of certain tugboats and maintains MYR bank accounts and receivables. To mitigate the Group's exposure to foreign currency risk, non-Philippine Peso cash flows are monitored on a regular basis

The fluctuation of exchange rates may result to foreign exchange gains or losses.

Price Risk

The Group is exposed to equity securities price risk because of the Group's proprietary shares in golf and country club classified as financial assets at fair value through other comprehensive income in the consolidated statement of financial position.

As at June 30, 2026 and December 31, 2025, the Group's exposure to price risk is not considered significant.

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial assets and liabilities will fluctuate because of changes in market interest rates.

The Group's financial liabilities are subject to fixed rates and are measured at amortized cost, hence not subject to repricing and independent of changes in market interest rates.

Credit Risk

Credit risk arises from cash deposited in banks and financial institutions, as well as credit exposures on amounts receivable from customers, related parties and other parties. The Group provides services only to recognized, creditworthy third parties. Individual risk limits are set based on internal ratings in accordance with limits set by the Parent Company's BOD. The utilization of credit limits is regularly monitored. In addition, the Group's receivables are monitored on an ongoing basis and stringent collection policy enforced resulting in an insignificant exposure to bad debt.

Credit Quality of Financial Instruments

The credit quality of the financial statements is classified into three: high grade, which includes instruments with insignificant risk of default based on historical experience; standard grade, which includes quoted and unquoted equity investments that can be readily sold to a third party; and substandard grade, which includes accounts with pending payment negotiations.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Group's credit standing.

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

23. Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue its operations on a going concern basis in order to provide adequate return to its shareholders and maintain optimal capital structure to reduce cost of capital and lessen the need to obtain long-term borrowings and maximize shareholder value.

The Group manages its capital structure and makes the adjustments to it, considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes as at June 30, 2026 and December 31, 2025.

The Group monitors capital based on the carrying amount of equity as presented in the face of the consolidated statements of financial position. The Group's goal is to manage a debt-to-equity ratio not exceeding 2:1.

As at June 30 2026 and December 31, 2025, the Group's debt-to-equity is calculated as follows:

	June 30, 2026	December 31, 2025
Total debt	4,080,967,192	4,333,708,617
Total equity	2,420,541,216	2,323,460,773
Debt-to-equity ratio	**1.69:1**	**1.87:1**

As at December 31, 2025, the Parent Company has not complied with certain financial ratios including debt to equity and debt service cover ratio that resulted in the reclass of a portion of loans to current.

The Group computes its total debt as follows:

	June 30, 2026	December 31, 2025
Trade and other payables	732,064,711	896,369,354
Borrowings	3,294,624,887	3,396,154,526
Lease liabilities	54,277,594	41,184,737
	4,080,967,192	**4,333,708,617**

The Group computes its total equity as follows:

	June 30, 2026	December 31, 2025
Share capital	907,857,870	907,857,870
Additional paid-in capital	121,632,762	121,632,762
Retained earnings (deficit) attributable to the owners of Parent Company	450,281,083	353,200,639
Financial asset at fair value through other comprehensive income	1,482,500	1,482,500
Treasury shares	(37,614,990)	(37,614,990)
Revaluation surplus, net of tax	976,901,992	976,901,992
	2,420,541,216	**2,323,460,773**

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE has required listed entities to maintain a minimum of fifteen percent (15%) of their listed issued and outstanding shares to be held by public. The Group is compliant with respect to this requirement as at June 30, 2026 and December 31, 2025.

24. Contingencies

The Group is currently involved in various pending claims and lawsuits which could be decided in favor or against the Group. The information pertaining to such matters is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the litigation. The Group currently does not believe that these proceedings will have a material effect on its financial position.

SCHEDULE A

Harbor Star Shipping Services, Inc. and Subsidiaries

Financial Assets
June 30, 2026

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotations at end of reporting period	Income received and accrued
Financial assets at amortized cost				
Cash on hand and in banks	-	250,645,575	-	-
Trade receivables	-	1,729,895,926	-	-
Refundable deposits	-	9,264,435	-	-
	-	1,986,334,464	-	-
Financial asset at fair value through other comprehensive income				
Investment in Short Term Fund - BDO	-	-		
Investment in golf shares- Rancho Palos Verdes Golf and Country Club	-	3,000,000	-	-
Total	**-**	**1,989,334,464**	**-**	**-**

SCHEDULE B

Harbor Star Shipping Services, Inc. and Subsidiaries

Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
June 30, 2026
(All Amounts in Philippine Pesos)

Name of Designation of Debtor	Balance at beginning of period	Additions	Amount Collected	Amount Written-Off	Current	Balance at end of the period
Bella, Geronimo Dela Paz (President)	17,753,506	165,148	(359,646)	-	17,559,008	17,559,008
Bella, Ricardo Rodrigo Dela Paz (Vice President)	5,160,917	-	-	-	5,160,917	5,160,917
Bella, Virginia May Dela Paz (Corporate Secretary)	800,000	-	-	-	800,000	800,000
Caranzo, Lorenzo Cabanlit (Director)	442,200	-	-	-	442,200	442,200
	24,156,623	**165,148**	**(359,646)**	**-**	**23,962,125**	**23,962,125**

SCHEDULE C

Harbor Star Shipping Services, Inc. and Subsidiaries

Amounts Receivable from Related Parties which are eliminated
during consolidation of financial statements
June 30, 2026
(All Amounts in Philippine Pesos)

Name of Designation of Debtor	Balance at beginning of period	Additions	Amount Collected	Amount Written-Off	Current	Balance at end of the period
Peak Flag SDN BHD	188,763,094	5,144,263	-	-	193,907,357	193,907,357
ASTRONERGY Development Gensan Inc.	385,759,027	-	(5,676,983)	-	380,082,044	380,082,044
ASTRONERGY Development F1, Inc.	684,694	98,334	-	-	783,028	783,028
ASTRONERGY Development F2, Inc.	689,271	98,443	-	-	787,714	787,714
Harbor Star Subic Corp.	679,680,285	-	(430,047,779)	-	249,632,506	249,632,506
Harbor Star Energy Corporation	279,278,968	480,206	-	-	279,759,174	279,759,174
Harbor Star Construction Corporation	26,973,714	7,847,801	-	-	34,821,515	34,821,515
Harbor Star East Asia (Myanmar) Ltd.	2,271,930	-	-	-	2,271,930	2,271,930
	1,564,100,983	**13,669,047**	**(435,724,762)**	**-**	**1,142,045,268**	**1,142,045,268**

SCHEDULE D

Harbor Star Shipping Services, Inc. and Subsidiaries

Long-term Debt
June 30, 2026

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in related statement of financial position	Notes
Bank borrowings	1,675,102,784	1,897,578,246	-	DBP restructured cash loan and its capitalized accrued interest, interest at 6.50% per annum, interest, and principal amortization payable quarterly starting October 2023, matures on April 19, 2033.
Bank borrowings	481,600,000	48,530,480	379,600,000	DBP restructured cash loan at 6.50% per annum, interest, and principal amortization payable quarterly starting March 30, 2023, matures on December 29, 2028.
Bank borrowings	477,335,005	44,263,604	196,943,069	CTBC restructured cash loans, interest at 5.25% per annum subject to quarterly repricing, interest and principal amortization payable quarterly starting January 2023, matures on December 30, 2026.
Bank borrowings	6,080,700	1,786,646	-	Ambank cash loan, MYR 500,000 (or PHP 6,080,700) term loan with interest at 6.70% interest and principal amortization payable monthly from initial drawdown, matures in September 2027.
Borrowing from financial institution	45,455,200	21,333,936	-	Orix cash loan, MYR 3,500,000 (or PHP 45,455,200) term loan with interest at 8.25%, interest and principal amortization payable monthly from initial drawdown, matures in August 13, 2027.
Bank borrowings	28,960,080	2,734,222	7,473,872	RHB Bank Cash Loan, MYR 1,000,000 (or PHP 12,314,200) term loan with interest at 5.50% interest and principal amortization payable monthly from initial drawdown, matures in April 2030.
Bank borrowings	1,291,000,000	110,658,261	433,038,562	RCBC cash loan, interest at 7.50% per annum, interest and principal amortization payable quarterly, matures on July 14, 2025.
Bank borrowings	2,160,800	2,419,962	1,176,841	PNB car loans, interest rate at 8.60% per annum, interest and principal amortization payable monthly, various maturities in 2026.
Bank borrowings	40,000,000	7,338,322	68,872,676	DBP Leasing cash loan, interest at 15% per annum, for 5 years, matures on December 25, 2029.
Bank borrowings	40,000,000	2,486,371	14,448,350	BPI cash loan, interest at 10% per annum, for 3 years, matures on April 30, 2028.
Other borrowings	60,000,000	23,548,694	30,392,774	Other borrowings include: Supplier's Credit, payable in 36 months, average interest of 10.60%; Short-term bridge financing, payable in 36 months, annual interest of 15% payable
	4,147,694,569	**2,162,678,744**	**1,131,946,143**	

SCHEDULE E

Harbor Star Shipping Services, Inc. and Subsidiaries

Indebtedness to Related Parties
(Long-term Loans from Related Companies)
June 30, 2026

Name of related party	Balance at beginning of period	Balance at end of period
NONE		

SCHEDULE F

Harbor Star Shipping Services, Inc. and Subsidiaries

Guarantees of Securities of Other Issuers
June 30, 2026

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Amount owned by person for which statement is filed	Nature of guarantee
NONE			

SCHEDULE G

Harbor Star Shipping Services, Inc. and Subsidiaries

Share Capital
June 30, 2026

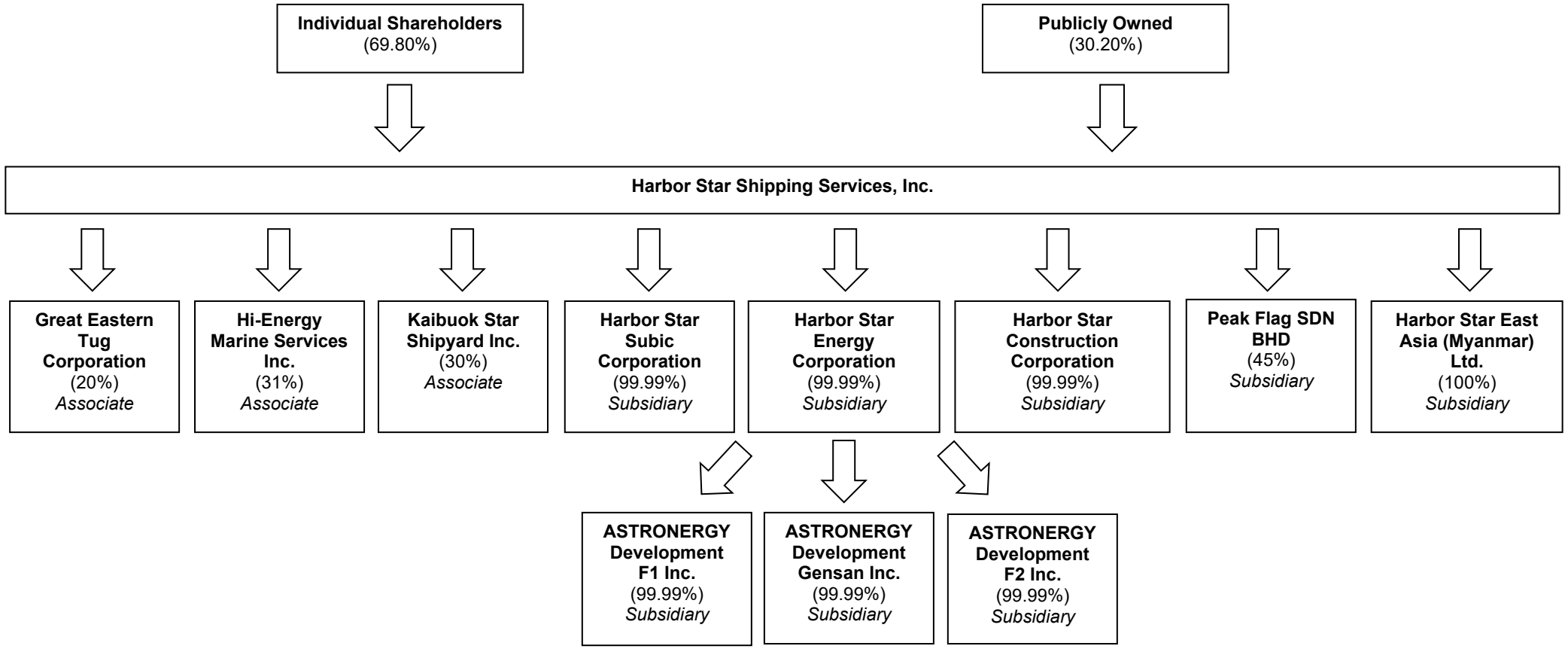
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock – PHP 1 par value	2,000,000,000	894,586,870	-	-	616,665,227	277,921,643

Annex 68-H

Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., cor. Pres. Osmeña Highway, Bangkal, Makati City, Metro Manila

A Map Showing the Relationships between and among the Parent Company and its Subsidiaries and Associates

June 30, 2026



Annex 68-C

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
For the period ended June 30, 2026
(All Amounts in Philippine Peso)

Unappropriated retained earnings, January 1, 2026		447,615,371
Net income based on the face of the unaudited financial statements		82,735,273
Less:	**Non-actual/unrealized income net of tax**	
	Equity in net income of associate/joint venture	-
	Unrealized foreign exchange gain - net (except those attributable to cash)	-
	Unrealized actuarial gain	-
	Fair value adjustment (M2M gains)	-
	Fair value adjustment of Investment Property resulting to gain	-
	Adjustment due to deviation from PFRS/GAAP-gain	-
	Other unrealized gains (losses) or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add:	**Non-actual losses**	
	Depreciation on revaluation increment (after tax)	-
	Adjustment due to deviation from PFRS/GAAP – loss	-
	Loss on fair value adjustment of available-for sale financial assets (after tax)	-
Profit actually earned/realized during the year		530,350,644
Add:	**Release of retained earnings appropriation**	-
Less:	**Treasury shares**	-
	Stock dividends declared during the year	-
	Cash dividends declared during the year	-
Unappropriated retained earnings, June 30, 2026		**530,350,644**

Harbor Star Shipping Services, Inc. and Subsidiaries

Aging of Trade and Other Receivables, net
June 30, 2026

	Neither Past Due	Past Due but not Impaired					
	nor Impaired	**1-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Impaired**	**Total**
Trade	65,673,514	151,429,204	112,007,480	65,331,117	1,308,018,050	(420,879,806)	1,281,579,560
Officers & Employees	213,500	3,465,241	1,415,067	593,192	104,961,501	(40,117,946)	70,530,554
Others	-	-	-	244,855	346,936	-	591,791
Unbilled Revenue	-	-	-	-	27,436,560	-	27,436,560
	65,887,014	**154,894,444**	**113,422,547**	**66,169,164**	**1,440,763,047**	**(460,997,752)**	**1,380,138,465**