

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

Held on 29 May 2019
at Ballroom III, New World Makati Hotel,
Esperanza Street corner Makati Avenue,
Ayala Centre, Makati City

<u>PRESENT:</u>	<u>NO. OF SHARES</u>
Total No. of Shares Represented In Person and By Proxy	625,604,120
Total Outstanding Shares	895,536,870
Attendance Percentage to Total Outstanding Shares	69.86%

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. Ignatius A. Rodriguez, recorded the minutes of the proceedings.

II. CERTIFICATION OF NOTICE AND QUORUM

Based on the Certification(s) provided by Mr. Antonio B. Madrid, Jr. of Rizal Commercial Banking Corporation ("RCBC"), the stock and transfer agent of the Corporation, the Corporate Secretary certified that:

(a) Notices for the meeting were sent to all stockholders of record as of 26 April 2019 at least fifteen (15) business days prior to the meeting in compliance with Section 2, Article 1 of the By-Laws of the Corporation; and

(b) Present in person and by proxy are Six Hundred Twenty Five Million Six Hundred Four Thousand One Hundred Twenty (625,604,120) shares out of the total outstanding Eight Hundred Ninety Five Million Five Hundred Thirty Six Thousand Eight Hundred Seventy (895,536,870) shares, or 69.86%, of the Corporation's total outstanding capital stock, and that a quorum existed for the valid transaction of business.

The Certification(s) of Mr. Madrid of RCBC regarding the sending of notices to stockholders of record as of 26 April 2019 and on quorum are attached hereto as Annexes "A" and "B", respectively.

III. APPROVAL OF PREVIOUS MINUTES

The Chairman stated that copies of the Minutes of the Annual Stockholders' Meeting held on 30 May 2018 were made available for inspection at the registration desk and were posted on the Company's website.

Upon motion duly made and seconded, the Minutes of the Annual Stockholders' Meeting held on 30 May 2018 were unanimously approved by the stockholders.

IV. MANAGEMENT REPORT

The Chairman and President rendered to the stockholders the Management Report for the period ending 31 December 2018. A copy of the report of the Chairman is attached hereto as Annex "C".

Upon motion duly made and seconded, the Management Report for 2018 was noted and unanimously approved by the stockholders.

V. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

The Chairman presented for approval the Audited Financial Statements for the period ending 31 December 2018 as discussed in the Management Report.

After discussion and upon motion duly made and seconded, the stockholders noted and approved the Audited Financial Statements of the Corporation for the period ending 31 December 2018.

VI. 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 the Definitive Information Statement earlier circulated to all the stockholders.

After discussion and upon motion duly made and seconded, the following resolution was unanimously approved:

"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 May 2018 up to 29 May 2019, be, as they are hereby, approved, confirmed and ratified."

VII. 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. Ignatius A. Rodriguez
4. Ramon C. Liwag
5. Ryota Nagata

For Independent Directors:

6. Jose S. Navarro; and
7. Alexandra G. Garcia.

Upon nomination duly made and seconded, the following were elected Directors of the Corporation to serve as such for the ensuing year and until the election and qualification of their successors:

Geronimo P. Bella, Jr.
Ricardo Rodrigo P. Bella
Ignatius A. Rodriguez
Ramon C. Liwag
Ryota Nagata
Jose S. Navarro (Independent Director)
Alexandra G. Garcia (Independent Director)

VIII. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman stated that the present external auditor of the Corporation is auditing firm of Isla Lipana & Co.. The handling partner of Isla Lipana & Co. is

rotated at least once every 5 years, in compliance with the 5-year limit under the rules of the Securities Regulation Code.

Isla Lipana & Co. was nominated as the external auditor of the Corporation for the calendar year 2019.

Upon motion duly made and seconded, the stockholders approved the following resolution:

“RESOLVED, That the auditing firm of Isla Lipana & Co. be, as it is hereby appointed to be the Corporation’s external auditor for the calendar year 2019.”

IX. ADJOURNMENT

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

(Original Signed)
IGNATIUS A. RODRIGUEZ
Corporate Secretary

Confirmed and Approved:

(Original Signed)
GERONIMO P. BELLA, JR.
Chairman of the Board

CERTIFICATION

RCBC STOCK TRANSFER
PHILIPPINE HARBOR STAR

To whom it may concern:

This is to certify that DAG Xpress has started the deliveries of Meeting Notice to entitled Shareholders on record last May 15, 2019.

Our company is committed to fulfill our duties for the delivery.

Cordially yours,


Margarita Viray
Finance and Admin. Head
DAG Xpress Courier, Inc.



CERTIFICATION

As Stock Transfer Agent of **HARBOR STAR SHIPPING SERVICES, INC.** We hereby certify that the total number of shares represented by shareholders who attended in person and by proxy during the Special Stockholder's Meeting held on May 29, 2019 is ~~625,004,120~~ shares equivalent to 69.86 of the total outstanding shares of the company.

Issued this 29th day of May 2019, upon the request of **HARBOR STAR SHIPPING SERVICES, INC.**

RIZAL COMMERCIAL BANKING CORP.
Stock Transfer Department

A handwritten signature in black ink, appearing to read "Neil Santua", is written over a circular stamp.

NEIL SANTUA
Operations Officer



MESSAGE TO OUR STOCKHOLDERS

Annual Stockholders' Meeting 2019

To our directors, officers, stockholders, investors, to the other equally important stakeholders of Harbor Star and guests, a good morning to all!

The year that passed was full of undertakings and accomplishments that indicated that Harbor Star is on target with its medium and long term growth strategy.

I am proud to report that as a result of the dedication and hard work of the crew, employees, and management of Harbor Star, and with the guidance of your Board, the Company saw an 8% increase in its consolidated net revenue from P1.327 Billion in 2017 to P1.437 Billion in 2018, with a 38% EBITDA margin. This despite the increasing number of competitors in the harbor assist industry and the challenging business environment.

While we saw an almost flat net income growth in 2018, I am still satisfied with the performance considering the recognition of a one-time book loss of P57 Million from the sale of M/V Rho Cas and a marked increase in interest payments of loans we availed of as Harbor Star continues to diversify its business portfolio.

We remained focused on providing quality service to our base clients while staying true to our strategy of further developing and marketing our other services.

As we look at the individual service line performances in the past year, we saw revenues from lighterage increase by 39% from P91Million in 2017 to P127Million in 2018. Salvage also saw a 172% increase from P77Million in 2017 to P210Million in 2018. And our newly developed and improved services which includes marine maintenance and construction increased its previous revenue contribution by 143% from P45Million in 2017 to P109Million in 2018. This offset the year-on-year 7% and 71% decrease in harbor assist and towage revenues, respectively, and the increase in Cost of Services by 5%.

The Company's resilience in increasing its net revenue despite the underperformance by its traditional service lines proves that the business diversification strategy embarked by your Board of Directors 3 years ago works.

Now please allow me to report our key accomplishments in 2018.

In 2018, Harbor Star obtained its Triple A PCAB Contractor's License proving that the Company has the financial capacity, equipment and a highly-skilled team of engineers and professionals who can perform a broader and more complex range of projects. We therefore intend to expand our expertise beyond marine construction and bid for contracts to build roads, buildings and other infrastructure.

Harbor Star, through its subsidiary Harbor Star Energy Corporation (HSEC), now owns 100% of the Santos Power Plant. This was done by acquiring the remaining shares of Astronergy Development Gensan, Inc. We expect the power plant to be operational this June 2019. We look forward to investing in additional renewable power projects.

Also in 2018, your Board of Directors embarked on a new strategy to parry the aggressive expansion of our competitors in harbor assist. Harbor Star acquired 31% of the outstanding capital stock of



tugboat operator High Energy Marine Services, Inc. (HEMSI). With the acquisition of the Manila South Harbor operator, the Company now has interests in the harbor assist operations of the two largest and most active terminals in the Philippines – Manila South Harbor and Manila International Container Terminal. We expect to generate significant income from the operations of HEMSI in the coming years.

On the regional front, in 2018 our Malaysian subsidiary Peak Flag renewed its contract with Ka Petra and will continue to provide ship-to-ship operations and harbor services in the Malacca Strait for another two years. This ensures Harbor Star's continued presence in Malaysia.

We also incorporated Harbor Star East Asia (Myanmar) Limited in 2018, primarily to explore business opportunities in Myanmar and to market the group's expertise in integrated maritime services.

We continue to look for opportunities in Malaysia, Indonesia, Thailand and Myanmar.

Parallel to all these developments, we acquired new vessels and upgraded our technical and operational equipment in order to serve our customers better. We acquired MV Crest Opal tugboat and Crest 2801 barge to support our new business of feeder container barging. We are now in full operation in the Manila International Container Terminal – Cavite Gateway Terminal Route. I am proud to report that this service line is doing well and its success is beyond what we initially projected.

Another key development in 2018 was the approval by your Board of Directors to implement a buyback program to purchase up to 170 Million Pesos worth of its common shares. This program not only protects the share price of TUGS; it also increases the percentage of ownership of all its shareholders of which you, the investors, are directly benefited.

New challenges confront us again this year. Ship calls have substantially decreased this first quarter and the delayed operationalization of the solar power plant has affected our income. But we will not be deterred.

I am confident that our Company has the building blocks needed to continue our growth. We constantly push ourselves to fortify our reputation as a stable and reliable marine services provider.

I am confident that Harbor Star will continue to grow. Again, we will focus on increasing the utilization of our assets. We will look for new markets and businesses while maintaining our conservatism and fiscal responsibility. We will continue to find ways to increase our revenue and cut our operating and administrative costs. We will prepare ourselves for the future by investing in trainings for our personnel. We continue to upgrade our internal processes to be able to be more responsive to the business environment.

Allow me now to thank the most important resource we have – our reliable and ever efficient crew, administrative and support staff and officers who work for countless hours to the best of their abilities to ensure that our customers are satisfied with the service we provide. To our customers, we thank you for your continued support. We also give our thanks to our Board of Directors for your guidance.

With all your unwavering support, I believe Harbor Star's best and most exciting days remain ahead.

A good day to you all!