

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

Held on 11 June 2014

Turf Room, Manila Polo Club, McKinley Road, Forbes Park, Makati City

<b><u>PRESENT:</u></b>	<b><u>NO. OF SHARES</u></b>
<b>Total No. of Shares Represented In Person and By Proxy</b>	<b>424,761,323</b>
<b>Total Outstanding Shares</b>	<b>605,238,580</b>
<b>Attendance Percentage to Total Outstanding Shares</b>	<b>74.61%</b>

=====

**I. CALL TO ORDER**

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

**II. CERTIFICATION OF NOTICE AND QUORUM**

The Corporate Secretary certified that notices for the meeting were duly sent to all stockholders of record as of 12 May 2014 and that a quorum consisting of Four Hundred Twenty-Four Million Seven Hundred Sixty-One Thousand Three Hundred Twenty-Three (424,761,323) or 74.61% of the Corporation's issued and outstanding capital stock existed for the valid transaction of business.

The Certification issued by Mr. Walter R. Briones of Rizal Commercial Banking Corporation, the stock and transfer agent of the Corporation, certifying to the sending of notices to the stockholders of record as of 12 May 2014 is attached hereto as Annex "A".

### **III. APPROVAL OF PREVIOUS MINUTES**

Upon motion duly made and seconded, the Minutes of the Meeting of the stockholders held on 23 September 2013 were unanimously approved.

### **IV. REPORT OF OFFICERS**

The Chairman rendered to the stockholders the report of Management for the year ending 31 December 2013. A copy of the report of the Chairman is attached hereto as Annex "B".

After discussion and upon motion duly made and seconded, the Management Report was approved by the stockholders.

### **V. APPROVAL OF AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013**

Upon motion made and duly seconded, the Corporation's Audited Financial Statements for the period ending 31 December 2013 were noted and approved.

### **VI. RATIFICATION OF ALL LEGAL ACTS, PROCEEDINGS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND OF MANAGEMENT**

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

*"RESOLVED, that all the legal acts, proceedings and resolutions of the Board of Directors and of Management since the 23 September 2013 Annual Stockholders' Meeting up to 11 June 2014, be as they are hereby approved, confirmed and ratified."*

### **VII. ELECTION OF DIRECTORS**

Atty. Rodriguez stated that the Articles of Incorporation of the Corporation provides for seven (7) directors, two (2) of which 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 Nomination 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 Nomination Committee and the Corporate Secretary at least forty-five (45) days before the date of the actual meeting.

The Nomination 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 Nomination 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. Damian L. Carlos
5. Ryota Nagata

For Independent Directors:

6. Jose S. Navarro; and
7. Manuel H. Puey

Upon nomination duly made and seconded, the following were elected Directors 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  
Damian L. Carlos  
Ryota Nagata  
Jose S. Navarro (Independent Director)  
Manuel H. Puey (Independent Director)

## **VIII. APPOINTMENT OF EXTERNAL AUDITOR**

Upon motion made and duly seconded, the stockholders approved the appointment of Isla Lipana & Co. as the external auditor of the Corporation.

*“RESOLVED, That the auditing firm of Isla Lipana & Co. be, as it is hereby appointed to be the Corporation’s external auditor for 2014.”*

**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



May 21, 2014

**Harbor Star Shipping Services Inc.**  
2224 gen a. Bonifacio st.  
corner South Superhighway  
Bangkal, Makati city 1233

Attention: **Ignatius A. Rodriguez**  
COS/CIO

Re: 2014 Annual Stockholders' Meeting

Gentlemen:

This is to certify that all notices of stockholders meeting of record date May 12, 2014 of Harbor Star Shipping Services Inc. were dispatched last May 20, 2014 within the specified deadline.

Thank you,

Very truly yours,

**JOEL S. CRUZ**  
Operations Officer  
Stock Transfer Section

**WALTER R. BRIONES**  
Operations Manager  
Stock Transfer Section

### **Message To Our Stockholders**

2013 was a milestone year for Harbor Star Shipping Services, Inc. As we celebrated our 15<sup>th</sup> year of operations, our company grew from a one tug company in 1998 operating in one port, to a fleet of 34 tugs, barges and vessels operating in 66 ports and terminals throughout the Philippines. And in October 2013, we fortified our place as the country’s leading and most progressive tug and marine services provider with the listing of our common shares in the Philippine Stock Exchange.

The road leading to our achievements did not come easy. It was a result of knowledge of the business inherited from my father, determination, hard work, planning, and prayers. Faced with tough challenges, we remained strong and committed – maintaining strong business fundamentals while constantly looking ahead for greater possibilities and new opportunities.

#### **We Are Here For the Long Term**

As the country experienced major economic strides in 2013, we too modestly shared the same amount of success.

We were able to generate a total service income amounting to P898.7 million at yearend, an 11.3% increase from the previous year. This was a result of our previous investments in assets, which serviced the mining sector, hitting full stride. We also successfully negotiated the increase of our tariff in several ports, relying on our intimate relationship with our customers and our reputation as providing safe and reliable service.

Our asset base increased to P2.02 Billion from the previous year’s P1.67 Billion. We acquired three (3) additional tugboats and an Anchor Handling Tug and Supply (AHTS) vessel. For these new acquisitions, we incurred upfront costs for initial fuel inventory and securing vessel classifications. We likewise increased our crew who included international licensed master mariners and engineers.

In anticipation of the Philippine’s economic growth in the coming years, we also spent heavily in the repair and maintenance of our fleet. This was to ensure that we continue the quality of service we provide our customers. Thus, we can confidently say that the increase in total expenses by 25.5% from P598.5 million in 2012 to P750.7 million in 2013 was an investment in the future. The 26.8% decrease in the company’s net income of P108.5 million from P148.3 million in 2012, was a sacrifice of today’s profits for tomorrows’ opportunities.

Despite such sacrifices, our EBITDA still improved from P348.8 Million to P365.6 Million.

And as proof that our sacrifices in 2013 were not in vain, our first quarter revenue for 2014 was 31% higher than the first quarter of 2013. And the second quarter of 2014 is looking as promising.

#### **The IPO Effect**

As a result of our IPO listing in October 2013, the company’s capitalization grew by P181.6 million from P423.6 million to P605.2 million. Our retained earnings likewise increased by 60.2% from P193.0 million to P309.2 million due to our generated income within the year.

Cash at year-end amounted to P69.5 million which was a 35.1% increase.

But most important, the Company’s debt-to-equity ratio was improved from an already healthy 0.87:1 in 2012 to an astounding 0.57:1 by yearend 2013.

**Pass It Forward**

We acknowledge that we are blessed with the business that we have and the modest successes we have achieved. As our way of giving thanks, we find it incumbent on ourselves to do our share in improving the world that we live in.

In 2013, we continued our CSR program we started in 2010 of planting 20,000 mangrove trees or *bakawan* along the Philippine shorelines. Mangroves act as breeding and nursery grounds for several marine species and prevent coastal soil erosion. As of December 2013, I am pleased to report that we had already planted 17,153 mangroves in Banuya, San Luis, Batangas. The mangroves cover an area of 2 hectares and some are almost 6 feet high.

And like so many individuals and companies, Harbor Star also did its part in helping our devastated countrymen in Yolanda-stricken Tacloban. The day after the typhoon, we immediately offered free-of-charge our barges to DOTC to transport emergency equipment and relief goods to Tacloban. I am proud to report that our barge Lynx was the vessel which transported the equipment of ICTSI to make the Tacloban Port operational after the typhoon. This allowed Tacloban and its neighboring areas to receive much needed relief goods and emergency equipment.

**Brighter Future Ahead**

As our IPO proceeds of P303.2 million was received only in the last quarter of 2013, the effect of the tugboats and barges purchases we will make using the IPO funds, will be felt in 2014 and onwards.

In 2014, we plan to seal our place as the tug and marine services company with the widest coverage of serviced ports by starting operations in Cebu City, Iloilo, and General Santos. Combined, roughly 1,350 foreign vessels call ports in these provinces annually. In 2013, we serviced approximately 5,113 foreign vessels.

We intend to aggressively market the IPO-proceeds-purchased M/V Rho Cas for towing jobs here and in South East Asia, Japan and Korea. M/V Rho Cas is the most powerful Philippine-flagged vessel of its kind. It can also do jobs for salvage and the offshore industry.

We are looking at further expanding our lighterage business. Our income from lighterage increased from P48.6 million in 2012 to P120.6 million in 2013. We continue to eye the mining sector for the tug and barge tandems we will acquire.

Finally, we are exploring several business opportunities in our neighboring countries such as Indonesia, Malaysia, and Vietnam. We have identified a number of developing ports in these countries that have no adequate harbor tugboats to service their needs.

Fifteen years is indeed a great accomplishment for us and we could not have reached this far without the support of everyone. To our partners and associates, we are grateful for your confidence in us. To our management team and Board of Directors, we thank you for your continuous guidance and advice. To our officers, employees and crew, thank you for your commitment to excellence. And to you our shareholders, we look forward to knowing you better and for you to know us better. Trust that we shall care for and foster the trust and belief you have given us in investing in the Harbor Star. We have a bright future ahead.