

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

Held on 29 June 2016

Crown Regency Hotel, Makati City

<u>PRESENT:</u>	<u>NO. OF SHARES</u>
Total No. of Shares Represented In Person and By Proxy	461,351,080
Total Outstanding Shares	605,238,580
Attendance Percentage to Total Outstanding Shares	76.23%

=====

I. CALL TO ORDER

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

II. CERTIFICATION OF NOTICE AND QUORUM

Based on the Certifications 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 31 May 2016 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 Four Hundred Sixty One Million Three Hundred Fifty One and Eighty (461,351,080) shares of the total Six Hundred Five Million Two Hundred Thirty-Eight Thousand Five Hundred Eighty (605,238,580) shares, or 76.23%, of the Corporation's total issued and outstanding capital stock, and that a quorum existed for the valid transaction of business.

The Certifications of Mr. Madrid of RCBC regarding the sending of notices to stockholders of record as of 07 June 2016 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 Meeting of the Stockholders held on 17 June 2015 were made available for inspection at the registration desk and were posted on the Corporation's website.

Upon motion duly made and seconded, the Minutes of the Annual Meeting of the Stockholders held on 17 June 2015 were unanimously approved.

IV. MANAGEMENT REPORT

The Chairman and President rendered to the stockholders the Management Report for the period ending 31 December 2015. A copy of the report of the Chairman is attached hereto as Annex "C".

Stockholder Mr. Stephen Soliven inquired (1) when is the Corporation's fiscal year; and (2) if the Corporation's tugboats are insured against perils of the sea.

The Chairman replied that the Corporation's fiscal year ends on the 31st day of December of each year and that its tugboats are covered under the Shipowners' Mutual Protection and Indemnity Association (Luxemburg).

Meanwhile, Stockholder Mr. Alfred Abueg, Jr., asked if the Corporation had declared dividends ever since it listed with the Exchange and whether the Corporation complies with the required minimum public float of at least 20%.

The Chief Financial Officer, Ms. Adelia D. Vasquez, informed the stockholders that the Corporation declared cash dividends in 2014 and 2015 amounting to Php0.035 per share and Php0.038 per share, respectively.

In response to Mr. Abueg's second question, Investor Relations Officer, Mr. Dany Cleo B. Uson, affirmed that the Corporation complies with the required public float which is currently at 29%.

After discussion and upon motion duly made and seconded, the Management Report for 2015 was noted and approved by the stockholders.

V. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2015

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 2015.

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

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 17 June 2015 up to 29 June 2016 be, as they are hereby, approved, confirmed and ratified.”

VII. ELECTION OF DIRECTORS

Mr. Rodriguez 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 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 duly made and seconded, the stockholders approved the appointment of the auditing firm of Isla Lipana & Co. as the external auditor of the Corporation for the calendar year 2016.


"RESOLVED, That the auditing firm of Isla Lipana & Co. be, as it is hereby appointed to be the Corporation's external auditor for 2016."

IX. ADJOURNMENT

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


IGNATIUS A. RODRIGUEZ
Corporate Secretary

Confirmed and Approved:


GERONIMO P. BELLA, JR.
Chairman of the Board



CERTIFICATION

As Stock Transfer Agent of **Harbor Star Shipping Services Inc.**, we hereby certify that all notices of stockholders meeting as of record date 31 May 2016 were dispatched last 07 June 2016 within the specified deadline.

Issued this 13th day of June 2016 upon the request of **Harbor Star Shipping Services Inc.**,

RIZAL COMMERCIAL BANKING CORP.
Stock Transfer Department

ANTONIO B MADRID JR
Operations Manager

JOCELYN P MODINA
Operations Officer



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 Stockholder's Meeting last June 29, 2016 is 461,351,080 shares equivalent to 76.23% of the total outstanding shares of the company.

Issued this 29th day of June 2016, upon the request of **HARBOR STAR SHIPPING SERVICES, INC.**

RIZAL COMMERCIAL BANKING CORP.
Stock Transfer Department

ANTONIO B. MADRID JR.
Operations Manager



MESSAGE TO OUR STOCKHOLDERS

Annual Stockholders' Meeting 2016

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

The year 2015 showcased the resilience of Harbor Star to rise above the challenges. Despite fewer emergency towing and salvage jobs; and the unremarkable performance of the shipping industry due to the economic slowdown in China, we managed to maintain our revenue in the PHP1 billion mark.

For the year ended 31 December 2015, Harbor Star generated a total service income amounting to PHP1.04 billion, a 5.8% decrease from the previous year's revenue of PHP1.10 billion.

While our service revenue saw a single-digit decline, Harbor Star experienced a 45.2% decrease in its bottom line from P123.6 million in 2014 to P67.7 million in 2015. This was mainly due to the following factors:

1. Lower revenues from high profit margin operations such as spot towing services and salvage jobs;
2. Decrease in Revenue from harbor assistance because of a drop in vessel calls in prime ports which, collectively, deprived us of P70.0 Million in revenue;
3. Provision for doubtful accounts in the amount of P18.4 million;
4. Recognition of losses from our Malaysian subsidiary, Peak Flag Sdn. Bhd., in the amount of PHP15.2 million, whose operations are still in the development stage;
5. Increase in depreciation expenses by 10% as a result of strategic capital investments made in 2014.

Fortunately, Harbor Star's long-term plan instituted in 2013 of developing and aggressively marketing ancillary services proved critical. The downturns in its main line of business were partially offset by a 61.3% increase in lighterage services. The revenue from our Marine Maintenance and Repair services also increased by 52.6%.

Our gross profit margin improved from 31.6% to 33.2% due to the decrease in cost of services resulting from decline in fuel prices as well as continuing cost saving measures. Our EBITDA was a solid 36.2%. Our debt to equity ratio, a healthy 0.67:1.

Notably, Harbor Star's total assets grew by 15.9% from P2.26 billion to P2.62 billion in 2015. This means that your book value per share as of December 2015 is P2.38 per share.



In 2015, we remained committed to execute our strategy of strengthening Harbor Star's main business, expanding to other markets, and continuing to develop new businesses.

We purchased three (3) tugboats as well as a waterfront property in Batangas which would serve as Harbor Star's future marine base. Commercial operations in Malaysia finally commenced, though sparingly, in February 2015. Just for the information of the stockholders, these tugs are now chartered for 2 years beginning February 2016.

In September 2015, we created the Diving and Marine Maintenance unit to further develop and strengthen this business line which appears promising. In fact, our diving and engineering personnel have been in project sites since the beginning of the year.

On the local shores, Harbor Star opened its Cebu and Subic offices in response to our clients' requests that we expand in these territories. The 1st tugboat for Subic arrived last month and we are expecting operations to start by July 2016.

And in line with your Management's long term plans, the business purposes of Harbor Star in its Articles of Incorporation were amended last 11 August 2015 to include: (i) operating liner and feeder vessels and barges, and logistics operations; (ii) operation of domestic and international shipyards, ports and terminals; (iii) oil and bunker trading; (iv) offshore marine and engineering works; (v) construction; and (vi) real estate development. This provides us the flexibility to explore business opportunities that may have greater margins than our current service lines, for the main purpose of increasing shareholder's value.

As a result of the mandate to enter into new businesses, Harbor Star entered last March 2016 into a Joint Venture Agreement with Guam Shipyard to operate shipyards in the Philippines. We continue to explore new opportunities and ventures with potential international and local partners.

The year that passed showed our resolve to face challenges head on and remain steadfast. For this, we extend our deepest gratitude to our clients, suppliers and shareholders for the mutual benefit that our partnership has brought about. We also thank our Board of Directors for their leadership and guidance that have kept us in the right direction. Lastly, we express our appreciation to all our officers, employees, and most of all, our crew for their hard work and commitment to genuine service excellence.

I am confident that we will maintain our dedication to setting our sights even further in the coming years. Keep the faith.