

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

Held on 31 May 2017

Ballroom III, New World Makati Hotel

| <u>PRESENT:</u>   | <u>NO. OF SHARES</u> |
|---|----------------------|
| <b>Total No. of Shares Represented<br/>In Person and By Proxy</b> | <b>418,140,055</b>   |
| <b>Total Outstanding Shares</b>                                   | <b>605,238,580</b>   |
| <b>Attendance Percentage to Total Outstanding<br/>Shares</b>      | <b>69.09%</b>        |

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**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 28 April 2017 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 Eighteen Million One Hundred Forty Thousand Fifty Five (418,140,055) shares of the total Six Hundred Five Million Two Hundred Thirty Eight Thousand Five Hundred Eighty (605,238,580) shares, or 69.09%, 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 28 April 2017 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 Special Stockholders' Meeting held on 06 March 2017 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 Special Stockholders' Meeting held on 06 March 2017 were unanimously approved.

### **IV. MANAGEMENT REPORT**

The Chairman and President rendered to the stockholders the Management Report for the period ending 31 December 2016. A copy of the report of the Chairman is attached hereto as Annex "C".

Mr. Alfred Reiterer, a stockholder of the Corporation, inquired about the timetable for the increase of authorized capital stock of the Corporation. Investor Relations Officer, Mr. Dany Cleo B. Uson, replied that the increase of authorized capital stock of the Corporation is under process with the Securities and Exchange Commission ("SEC"). Once the SEC approves the same, the distribution of stock dividends will follow.

Stockholder, Mr. Stephen Soliven, asked about the Corporation's purchase of computer software. Mr. Rodriguez said that the Corporation improved its internal processes by implementing an Oracle ERP system for Finance, Inventory, Procurement and Preventive/Planned Maintenance System.

Finally, Mr. Emmanuel Merced inquired on the following:

1. Progress in the Cavite Gateway Terminal;
2. Updates on the Power Project; and
3. Control measures taken by the Corporation to increase profitability.

In reply to the queries, Mr. Uson apprised the Stockholders that the Cavite Gateway Terminal is currently being constructed and the Corporation is shortlisted as one of its service providers.

Meanwhile, in response to the update on the energy project, Mr. Rodriguez said that the Corporation recently incorporated Harbor Star Energy Corporation, a wholly owned subsidiary of the Corporation, to engage in power generation and distribution business. The Corporation is looking at several opportunities in the power business.

In terms of control measures, Chief Finance Officer, Ms. Adelia D. Vasquez, said that the Corporation has implemented cost saving measures, and has an internal audit team in place that focuses on fuel pilferage,

monitoring spares and high value items. The Corporation also actively rationalizes its manpower to increase profitability.

After discussion and upon motion duly made and seconded, the Management Report for 2016 was noted and approved by the stockholders.

**V. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2016**

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 2016.

**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 29 June 2016 up to 31 May 2017 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. Ramon C. Liwag
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  
Ramon C. Liwag  
Ryota Nagata  
Jose S. Navarro (Independent Director)  
Manuel H. Puey (Independent Director)

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

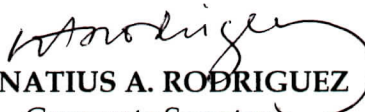
Isla Lipana & Co. was nominated as the external auditor of the Corporation for the calendar year 2017.

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

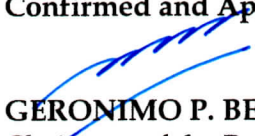
*"RESOLVED, That the auditing firm of Isla Lipana & Co. be, as it is hereby appointed to be the Corporation's external auditor for 2017."*

#### **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 28 April 2017 were dispatched last 10 May 2017 within the specified deadline.

Issued this 24th day of May 2017 upon the request of **Harbor Star Shipping Services Inc.**,

**RIZAL COMMERCIAL BANKING CORP.**  
Stock Transfer Department

**ANTONIO B MADRID JR**  
Operations Manager

**ROSITA C TACSUAN**  
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 held on 31 May 2017 is 418,140,055 shares equivalent to 69.09 % of the total outstanding shares of the company.

Issued this 31st day of May 2017 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 2017*

2016 was a good year for Harbor Star. 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, 2016 saw a 49% increase from the previous year's net profit from PHP67.7 million to PHP100.9 million.

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.

Harbor Star's consolidated service income grew by 30.8% to P1.4 billion from P1.0 billion the previous year.

This was due to increased ship calls, high-value towing and salvage contracts, revenue generated from our Malaysia operations, and contribution from our Diving and Marine Maintenance Unit which we strategically established in 2015.

Revenues were still led by harbor assistance which accounted for 77% of the group's total revenues, generating P1 billion from the previous year's P741.9 million.

Towing services registered one of the highest increases in 2016, contributing P64.3 million in revenues, a 280% increase from P16.9 million in 2015.

Harbor Star's marine maintenance contracts posted a 355% rise to P57.5 million from only P12.6 million in 2015. We expect this to even rise this year as Harbor Star secured a Contractor's License with the Philippine Contractors Accreditation Board (PCAB) to engage in general construction and engineering. We believe this service line to be highly profitable and a major source of revenue once fully developed.

Salvage operations registered a 28% increase amounting to P39.9 million from P31.1 million.

Revenues from other marine services reached P49.6 million, 41% higher than the P35.3 million registered in 2015.

Driven by the stronger revenues, the Group's gross profit increased by 17%, from P345.7 million in 2015 to P404.2 million in 2016.

Unfortunately, our lighterage services suffered a decline resulting from the slowdown in activities in the mining sector. Revenues from lighterage services fell almost by half. We, however, are still optimistic with this service line as there are opportunities in the domestic and international logistics. As you may have read in our recent disclosure, we entered into a 3-year contract to be the exclusive logistics provider to transport construction equipment and material from the Philippines to Palau and Micronesia. This will result in an additional 8 voyages per year for our international tug and barge tandems.



Harbor Star continues to move forward with its vision of becoming an industry player in East and Southeast Asia. We finally stabilized our presence in Malaysia when our tugboats were chartered for a medium-term contract by a reputable Malaysian oil and gas company. We continue to look for opportunities in Malaysia, Indonesia and Myanmar.

Our M/V Rho Cas is now known and recognized as a strong and reliable towing vessel in the region. She was engaged to render international towing jobs, one of which was a vessel tow from Sulu, Philippines to Hong Kong. This year, M/V Rho Cas successfully completed the delivery of a barge carrying quay cranes to CaiMep, Vietnam from Oita, Japan.

The Company entered into a joint venture with Guam Industrial Services, Inc. to operate floating dry dock facilities in the Philippines. The target customers will be both domestic and international vessels trading in the Philippines and its neighboring countries. We project to commence commercial operation by 2017.

To continue its domestic expansion plans, Harbor Star purchased three (3) additional tugboats in 2016: M/T Lucida, M/T Merak, and M/T Homam. All tugboats are already operating within the Philippines. This 2017, we intend to purchase up to four (4) more tugboats.

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.

New challenges confront us this year. There are new entrants in the tug assist business. This resulted in a flat growth in the 1st Quarter of this year. But we will not be deterred.

I am confident that Harbor Star will continue to grow. This year, 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 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.

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