

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

Held on 30 May 2018  
at Ballroom III, New World Makati Hotel,  
Esperanza Street corner Makati Avenue,  
Ayala Centre, 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>622,190,107</b>
<b>Total Outstanding Shares</b>	<b>907,857,870</b>
<b>Attendance Percentage to Total Outstanding Shares</b>	<b>68.53%</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 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 27 April 2018 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 Two Million One Hundred Ninety Thousand One Hundred Seven (622,190,107) shares out of the total outstanding Nine Hundred Seven Million Eight Hundred Fifty Seven Thousand Eight Hundred Seventy (907,857,870) shares, or 68.53%, 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 27 April 2018 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 31 May 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 Annual Stockholders' Meeting held on 31 May 2017 were unanimously approved.

### **IV. MANAGEMENT REPORT**

The Chairman and President rendered to the stockholders the Management Report for the period ending 31 December 2017. A copy of the report of the Chairman is attached hereto as Annex "C".

Mr. Steven Soliven, a stockholder of the Corporation, inquired about the rationale behind the incurrence of pre-development cost and goodwill by the Corporation and whether the same will be subject to amortization and, if so, when will the amortization start and for how long. The Chief Finance Officer, Ms. Adelia D. Vasquez, replied that the incurrence of pre-development cost and goodwill by the Corporation relates to the acquisition of Astronergy Development Gensan Inc. (ADGI) and will be subject to amortization for 25 years beginning from the start of operations of ADGI.

Mr. Emmanuel Merced, inquired about the contract cost for the construction of a pier in Bataan. The Treasurer and Investor Relations Officer, Mr. Dany Cleo B. Uson Dan, replied that the Corporation is covered by a Non-Disclosure Agreement with a listed company which prevents the Corporation from disclosing the contract cost. Mr. Merced further inquired whether Starlite Ferry, Inc. ("Starlite Ferry"), a newly acquired company of Chelsea Logistics Holdings Corp., is considered a competitor. Mr. Uson replied that Starlite Ferry which is in the business of providing transportation is different from the main business of the Corporation which is to provide tug assistance.

After discussion and upon motion duly made and seconded, the Management Report for 2017 was noted and unanimously approved by the stockholders.

**V. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2017**

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 2017.

**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 31 May 2017 up to 30 May 2018 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. 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**

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 2018.

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 2018."*

**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*

**VARIED SERVICES, INCORPORATED**

Authorized by the Bureau of Post

Office Address:  
D 94 Sen. Gil Puyat Avenue corner  
South Superhighway, Makati City

Tel. # 843-5716 / 844-6747  
Telefax: 843-5243  
Email Address: varied\_services@yahoo.com

**May 16, 2018****RIZAL COMMERCIAL BANKING CORPORATION**

Stock Transfer Office  
Ground Flr., Westwing  
221 Grepalife Building  
Sen. Gil Puyat Avenue  
Makati City


Attention: **Mr. Antonio B. Madrid Jr.**  
Operation Manager

**CERTIFICATION**

**This is to certify that our company has started the delivery of HARBOR STAR  
ASM Notices within Metro Manila last May 7, 2018.**

**This certification was issued upon the request of HARBOR STAR.**

Submitted by:

  
**Cal Joseph R. Cano**  
Executive Assistant

**CONFORME:**

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**Antonio B. Madrid Jr.**  
Operation Manager  
RCBC Stock Transfer



## 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 Annual Stockholder's Meeting held on May 30, 2018 is 622,190,107 shares equivalent to 68.53 % of the total outstanding shares of the company.

Issued this 30<sup>th</sup> day of May 2018, upon the request of **Harbor Star Shipping Services, Inc**

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

**NEIL V. SANTUA**  
Operations Officer



## **MESSAGE TO OUR STOCKHOLDERS**

*Annual Stockholders' Meeting 2018*

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

2017 was significant year for Harbor Star. Our main service line of harbor assist remained strong. Our international operations started bearing fruit. And we took our first steps in our diversification plans.

This year saw an increase in competition in our main business, Harbor Assist. Tug companies which were set up by Harbor Pilots four to five years ago gained substantial ground in cutting into our market share in key revenue ports such as Batangas and Bataan.

As a background, Harbor Pilots, are charged by law with the duty of giving instructions to captains of vessels and tugboat companies during docking and undocking operations. There are around 111 harbor pilots in our country who are members of one association. This association is the last remaining Marcos-era monopoly in the Philippines.

In the last few years, some harbor pilots set up their own tug companies. Using their position of power, they could coerce vessels owners and agents to use the tugs they own under the threat of charging higher pilotage fees or requiring more tugboats (3 instead of 2) should the competitor's tugboats be used. This threat if unheeded, would raise the already expensive port expenses being paid by vessel owners. This, in my opinion which is shared by many in the industry, is a case of unfair competition practice and a conflict of interest. It is precisely for this reason why all other maritime countries prohibit harbor pilots from having any financial interest in any tugboat company.

More than three years ago, we initiated building a consensus within the maritime industry showing the ill effects and consequences of allowing harbor pilots to operate tugboats. We reasoned that as a clear conflict of interest activity, the safety of the terminals and vessels were at stake. Fortunately, the various sectors of the industry such as the vessel owners, agents, terminals and other legitimate tug owners had their own horror story of the abuses of harbor pilots. We were able to build a consensus.

As a result of this, I am happy to report that there is now a bill in Congress which provides Open Pilotage in the Philippines. Open pilotage means the various sectors of the maritime industry can now hire their own harbor pilots outside the association. This means that the vessel owners and agents will no longer be subjected to the threats and coercion of tug-owning harbor pilots. An important feature of the bill pending in congress is that harbor pilots will be prevented from having any financial interest from tugboat companies. And this bill is supported by the major associations of the maritime industry such as the Association of International Shipping Lines, Philippine Interisland Shipping Association, the Philippine Ship Agents Association and the Harbor Tugowners Association of the Philippines. We are hopeful this bill will become law by this year.

Despite the challenges brought by the tugboat-owning Harbor Pilots, Harbor Star saw an 8% growth in net income to P109 million for the year. Revenues were again led by the Company's core business, harbor assist, which contributed P1.05 Billion or 79% of the consolidated service income of P1.3 Billion. Lighterage and towing services continued to be solid contributors to the





business adding P91 Million and P64 Million, respectively. Our Salvage and Wreck Removal line meanwhile contributed P77 million in 2017 from P40 million the previous year.

The sustained income and profitability of the Company is due to the strategic positioning of our assets throughout the Philippines which no other tug company can match. We also continued relentless marketing efforts and adopting cost-saving measures.

Noteworthy is the increase in revenue generated by our Malaysian tug operations, through subsidiary Peak Flag Sdn Bhd, which grew significantly to P60 million in 2017. This proves that expanding internationally is a viable growth strategy for the Company, which we intend to continue. We are looking to add two more tugs in Malaysia. We are also targeting Myanmar where we set up a wholly-owned subsidiary this year. We continue to look for opportunities in Indonesia and, now, Thailand.

In terms of business efficiency, we saw an improvement in the Company's Gross Profit Margin and EBITDA Margin which rose to 31.7% and 37.9%, respectively. We recognize that we have to constantly improve our business processes as this may be the key competitive advantage that will have against our competitors to sustain our leadership in the industry.

Our assets are now valued at 3,676-Billion from 2,019-Billion when we first listed in 2013.

In 2017, Harbor Star continued to set the standard in the tug assistance by acquiring two additional harbor tugboats, each with at least 3,200 hp engines. This will address customer demands for more powerful tugboats as international shipping companies are leaning towards operating larger vessels in the next 10 years. We also opened a branch in Ilo-ilo, an up and coming port in the Visayas, in line with our first mover strategy for our harbor assist business.

Also this year, heeding this Administration's pronouncements of build-build-build, we reorganized our Diving and Marine Maintenance Unit and renamed it the Diving and Marine Maintenance and Construction Division. We hired experienced civil engineers and architects, purchased equipment, and retrofitted some of our existing assets for capacity-building. We believe that the division, which also contributed over P40 Million in 2017, has great potential of being a major driver of growth for the Company in the coming years. As disclosed early this week, Harbor Star already was a beneficiary of this golden age of construction when its barges were chartered for the Cebu-Cordova Link Expressway.

Then in October 2017, Harbor Star acquired a controlling stake in Astronergy Development Gensan, Inc. (ADGI). This company has the licenses and permits to operate a 25-megawatt (MW) solar power plant facility in General Santos City. The capacity of this solar facility can be expanded to 75MW. More importantly, ADGI has an existing 25-year power purchase agreement (PPA) with the local electric distribution utility where all energy production will be purchased by the distribution utility. We see this project as a stepping stone for us to fortify our knowledge and experience to embark in other renewable energy projects which is recognized as the energy source of the future. We continue to be approached by several domestic and international companies wanting to partner with us as we expand our energy business.

The implementation of our ship repair and maintenance joint venture with Guam Industrial Shipyard is a little delayed. We continue to process the paperwork needed to locate the floating dry dock in the Subic Bay Freeport Zone. We go on making repairs on the floating dry dock we intend to use, so we become operational as soon as we get clearance to locate her in Subic.



With regard to the Cavite Gateway terminal, we are in constant communication with the project proponents and are preparing our assets to support the operation of the terminal. We understand that it will be operational by 2018.

As we diversify our business lines focusing on key industries, your Management believes that this direction will provide steady growth and give us the flexibility needed to out-think and out-perform our competitors. As the business anecdote goes, the businessman who uses his garment to make swimsuits and umbrellas will earn a profit, rain or shine.

The year that passed showed us that we are on the right track. While our gains may appear modest to some, our roots have grown and strengthened providing the foundation needed to grow as high and as much as we can. Of course Management could not have done this on its own. For this, we extend our deepest gratitude to our customers, suppliers and shareholders for the mutual benefit that our partnership has brought about. Special thanks to 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.

Thank you to all and have a good day!