



**MINUTES OF THE ANNUAL MEETING
HELD ON FRIDAY 7 SEPTEMBER AT 2.00PM
AT THE GUINEAS ROOM 1
ELLERSLIE EVENT CENTRE**

Present:

Mr. B Mogridge	Chairman
Mr. B Irvine	Director
Sir P Maire	Director
Mr. B Robinson	Managing Director
Mr. W Robinson	Director
Mr. D Robinson	Director
Mr. P Springford	Director

In Attendance

Mr. G Leaming	COO/CFO
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Introduction:

The Chairman opened the meeting, welcoming shareholders, noting that the meeting was properly convened, notice of meeting duly given and that a quorum was present. The Chairman thanked shareholders for their attendance and interest in Rakon. The Chairman then introduced the Directors and CFO to the shareholders. The Chairman advised that the Notice of Meeting contained the business to be dealt with in the meeting.

The Chairman explained the voting process for shareholder and/or proxy holders as well as advising that there will be opportunities to address the Board during the meeting.

Proxies:

The Chairman advised that 467 shareholders holding 103,406,327 shares were represented by proxies.

Minutes of Previous Meeting:

The Chairman noted that the minutes of the previous Annual Meeting were confirmed and signed as a true and correct record at the first Board Meeting that followed the Annual Meeting. The Chairman noted that a copy of these minutes were available for inspection by shareholders if required.

Annual Report and Financial Statements:

The Chairman advised that this year Rakon again followed the provisions of the Companies Act and instead of mailing the full Annual Report to shareholders instead mailed a condensed Letter and shareholders wanting to receive the full annual report were able to do so by returning a notice of election or by viewing the annual report on our website. He advised that approximately 14% of shareholders requested the full Annual Report and that we should regard the Annual Report as taken as read. The Chairman then addressed the shareholders on Rakon's strategy and outlook and

then invited the Managing Director to address shareholders and provide a more detailed insight into Rakon's strategic direction and plans.

➤ **Chairman's Address:**

Refer to the attached Chairman's speech.

➤ **Managing Director's Address:**

Refer to the attached MD's speech and presentation.

➤ **Annual Report:**

The Chairman then asked for shareholders to raise any questions on the Annual Report or Financial Statements:

A shareholder spoke and asked the Board to advise on Rakon's return to profit and plans to manage cash. He commented that looking at unit price decrease in the annual report, the Shareholder would like the Board to comment on how to get back into profit and if unable to then to shut down research and/or find a partner who is financially stronger as he believes Rakon will not survive more than 2 years on its current trajectory.

The Chairman responded that in terms of the unit product price this reflects both mix and the pressure in the market on unit price on high volume products and the aggressive customer pricing expectations. In regards to research aside from grants received which partially fund the activities, he stated Rakon considers this as necessary investment as it provides the longevity of the business. The Chairman also advised the Board's strong desire to return to profit and noted that the Board collectively owned 30% of the company and are determined to ensure this happens. The Chairman notes that Rakon is realistic about its position however he believes Rakon is heading in the right direction, that the market is recovering and that they are alert to any signs of industry consolidation. There were no further questions so the Chairman moved to the next item on the Agenda.

Election of Directors:

The Chairman confirmed no notice of nomination of any other person has been received and that in accordance with the NZSX Listing Rules Sir Peter Maire and Mr Bruce Irvine retire by rotation and, being eligible offer themselves for re-election.

The Chairman also advised that Mr Peter Springford being eligible offers himself for re-election.

The Chairman advised that each member up for re-election will have a brief opportunity to give the shareholders a summation of their background and why they're reapplying for re-election.

Sir Peter Maire advised that he was a founder of Navman and always involved in technology companies with a focus on global growth. Peter noted he currently owns two other technology companies based in New Zealand which have a global perspective. Peter advised that he is a committed shareholder to Rakon and is happy with the progress of the company. Peter believes that these types of businesses are not built overnight and he refers to Navman's success which took 18 years. Peter believes that Rakon has the right strategy and direction and is in a position of being a true world leader due to Rakon's global operation.

The Chairman advised that the Board was holding 100,898,557 directed and discretionary proxies which will be voted in favour of this resolution and 1,922,667 proxies against.

The Chairman moved that Sir Peter Maire be re-elected as a director of Rakon. A shareholder from the floor (John Hawkins) seconded the motion. The Chairman then asked the audience if there were any questions relating to the re-election of Sir Peter Maire.

Robert Grey, a shareholder asked Sir Peter to advise on his business failures and not only successes. Mr Grey commented that he had lost money in other companies with which Sir Peter had been associated with.

Sir Peter replied to Mr Grey that he could not always ensure that a business he invested in would be a success and that there is the possibility of shareholders expectations can be too high. Shareholders have to have the stamina to be involved in technology companies over the long term.

The Chairman called for any more questions. No questions were received from shareholders in respect to the motion. The Chairman asked for a show of hands. There were 3 dissenting shareholders. The Chairman declared the motion carried.

The Chairman advised Mr Bruce Irvine was also eligible and offered himself for re-election and offered the floor to Mr Bruce Irvine.

Mr Irvine introduced himself and his history in Rakon and Deloitte. Bruce advised that he chairs the audit committee as he has an accounting background. Bruce advises that he is disappointed in the financial result of the past year however he believes Rakon have created the platform for long term profitability.

The Chairman advised that the Board was holding 101,475,874 directed and discretionary proxies which would be voted in favour of this resolution and 1,345,350 proxies against.

The Chairman moved that Mr Bruce Irvine be re-elected as a director of Rakon. A shareholder from the floor (John Hawkins) seconded the motion. The Chairman called for any questions.

Winston Marsh, Shareholder asked Mr Irvine what his views were going forward on further improving the performance of the company from its past underperformance.

Mr Irvine replied that the Board have a number of options that they continually address in terms of the way they can improve the performance such as taking cost out, where Rakon manufactures, how they can benefit from rationalisation of the industry and finally how the company work the products they have harder.

Mr Mash replied and asked what Mr Irvine's personal view was.

Mr Irvine advised that the Chairman's views were reflected a common view of himself and the Board as a result of their discussions and review of the business.

Mr Marsh asked Mr Irvine what his own views are going forward in regards to the performance of the company.

Mr Irvine replied that he believed that Rakon can continue to improve competitiveness by increasing manufacturing in lower cost environments and that Rakon was doing this.

The Chairman asked if there were any further questions.

Colin Upchurch, a shareholder asked Mr Irvine what his thoughts were on the company's division of governance and management and noted that he believed executive members should not be included in the Board.

Mr Bruce Irvine replied that he considers that the 5 non-executive and 2 executive directors was appropriate and that the executive directors are very important to the success of Rakon at an operational and a governance level. He further noted it was common for the CEO to be on the Board. He also noted that the two executive directors understood the distinction between governance and management and that for Rakon he would not have it any other way. Mr Irvine advised that the non-executive directors do also meet separately.

Mr Upchurch asked Mr Irvine to advise on the amount of meetings of non-executive members in the last year.

Mr Irvine replied that they are informal sessions or they ask the executives to leave during the official Board meetings.

The Chairman advised that non-executive members also communicate via email and the telephone.

The Chairman asked if there were any more questions. With no more questions he called for a show of hands. There were five dissenting shareholders. The Chairman declared the motion carried.

The Chairman advised that Mr Peter Springford being eligible offered himself for re-election and invited Peter to address the audience.

Mr Peter Springford advised that he has a strong professional background in Asia including China and Malaysia, having had roles as a Chairman of several companies in China including one listed in Hong Kong. He noted that whilst his background in Forest Products was different to Rakon's business, his exposure to Asia and international business was a good fit. Mr Springford said he considered Rakon's strategy and position in China was correct, that the company has blue chip customers and great people and that time was needed to translate this into success.

The Chairman advised that the Board was holding 101,481,883 directed and discretionary proxies which would be voted in favour of this resolution and 1,160,962 proxies against. The Chairman moved that Mr Peter Springford be re-elected as a director of Rakon. A shareholder (John Rainger) from the floor seconded the motion.

The Chairman called for any questions. No questions were received from shareholders in respect to the motion. The Chairman asked for a show of hands. There were 4 dissenting shareholders. The Chairman declared the motion carried.

Proposed increase in remuneration of the total director's fees:

The Chairman advised that the proposal to increase the fee is to reflect the appointment of an additional director only, not an increase in directors fees sought for the existing directors.

The Chairman advised in accordance with listing rule 9.3.1 no director intending to receive fees nor any of their associated persons may vote on this resolution and accordingly none of the Board will vote on this resolution in their own capacity nor had they been appointed a discretionary proxy

however will vote directed proxies. The Chairman advised that the Board is holding 42,417,895 directed proxies would be voted in favour of this resolution and 4,640,997 proxies against. The Chairman noted that 1,470,908 discretionary proxies held by the Board will not be voted and further that the 56,189,124 shares held directly by the Board and associated parties will not be voted on this resolution.

The Chairman moved that effective April 1 2012 the aggregate maximum amount of directors fees is increased from \$300,000 to \$360,000 in respect of each financial year. A shareholder (John Rainger) from the floor seconded the motion. The Chairman called for any questions.

Winston Marsh, a shareholder requested clarification on the increase in remuneration for the subsequent election of Mr Herb Hunt as a Board member.

The Chairman responded that under the Listing Rules the Board was entitled to raise directors fees on a pro-rata basis but like this year with appointment of Peter Springford Rakon would in order to be transparent would propose a resolution to increase fees to cover Herb Hunt's appointment, at next year's ASM.

Mr Marsh sought further clarification on the Chairman's response. The Chairman confirmed that there would be an increase in director's fees next year due to additional Board member.

John Hawkins shareholder and holder of proxy votes for the NZ Shareholders Association spoke and noted that he has no problem with increase in director fees due to the appointment of Mr Peter Springford however asked for confirmation that the Board would not receive additional amounts such as consulting fees.

The Chairman confirmed unequivocally that Rakon would not behave in this manner and that he was insulted by the inference they would consider it.

There being no further questions the Chairman asked for a show of hands. There were 6 dissenting shareholders. The Chairman declared the motion carried.

Appointment of Auditors:

The Chairman advised that Pursuant to Section 200 of the Companies Act 1993 PricewaterhouseCoopers are automatically reappointed as auditors for the ensuing year.

The Chairman explained that the proposed ordinary resolution is required to authorise the Directors to fix the auditors' remuneration pursuant to section 197(a) of the Companies Act 1993.

The Chairman advised 102,500,917 directed and discretionary proxies would be voted in favour of this resolution and 320,307 proxies against. The Chairman moved that the directors be authorised to fix the remuneration of the auditors for the year ending 31 March 2013. A shareholder (John Rainger) from the floor seconded the motion. No questions were received from the shareholders with respect to the motion.

The Chairman called for a show of hands. There were no dissenting shareholders. The Chairman declared the motion carried.

General Business:

The Chairman called for shareholders to raise any other matters

Bill Feat, a shareholder reflected on the FY11 annual report and Mr Brent Robinson's positive outlook for the company. Mr Feat feels that the same things were said in the FY12 annual report and he felt that as Rakon didn't deliver what Mr Brent Robinson proposed he wanted certainty that this would happen and that the Managing Director was not disconnected from what is actually going on.

The Chairman replied that the directors believe Rakon can do better and achieve the initial \$25M EBITDA target. The Chairman explained the vast difference in applications Rakon sold product into and the investment in different markets such as Smart Wireless Devices (SWD) and Telecommunications. He noted that the proliferation of smartphones and tablets was generating data growth. Rakon made money from both SWD and Telecommunications Infrastructure business. He stated the thesis was intact but that aggressive price behaviour and global economic problems had impacted Rakon. The purchase of Temex in late 2010 was made in part to diversify risk.

Mr Brent Robinson added that Rakon is continuing to take market share in SWD and due to this data growth increase would drive telecommunication infrastructure investment, however due to the global financial crisis, the market slowdown and contraction had been more marked than he expected. Mr Robinson advised that Rakon is in a good strategic position with customers.

John Hawkins, a shareholder, commended the Chairman on a courageous address and noted that the address will be appreciated by shareholders as it answered many questions. Mr Hawkins advised that he believed the addition of Herb Hunt would be a good move however that the Director of Sales and Marketing should not be on the Board as this blurred the separation between governance and the executive. He also added that due to the addition of new directors rather than replacements, Rakon will be left with a large board. Mr Hawkins would like the Board to consider the size of the Board and that shareholders have reservations around having executives on the Board with the exception of the CEO. Mr Hawkins then advised that after reviewing Rakon figures he believes that there should be an expected loss or break even for the FY13 financial year. Mr Hawkins also commented on Rakon debt growth and advised that he feels there needs to be a growth in sales to support that borrowing. Mr Hawkins also asked for an explanation between FY11 and FY12 general and administration expenses. Mr Hawkins stated he believed the company had become a takeover target and that should this occur it would crystallise a significant loss to shareholders. Finally he asked if the Chinese government owns any part of Rakon's joint ventures.

The Chairman confirmed that the Chinese government did not own a share of any Rakon joint venture. Rakon's partners in its Chinese ventures also own 3% of Rakon. In regards to take over target there appears to be nothing on the horizon however it is understood and considered in Board meetings. The Chairman advised in terms of profit and recent guidance the Board are realistic and have sought to be conservative for the current financial year.

Mr Graham Leaming CFO, advised the increase in general and administration cost was due to three factors. Firstly the full year impact of the French Temex business acquired midway through the proceeding financial year increased costs. Secondly the impact of Rakon Chengdu commencing business raised costs and thirdly there were some changes in classifications of costs. He added that other than Chengdu there was no significant growth in personnel across the business in the last financial year.

The Chairman asked for any further questions.

Warwick White, shareholder congratulated the Board for their level of persistence and advised that he believed Rakon will succeed.

The Chairman thanked Mr White and advised that Rakon is a long term investment especially with the current economic environment. The Chairman provided a comparison of persistence to the time that he joined the Board of Mainfreight in 2003. He stated that at that time the share price had not agreed materially on its listing price and some shareholders had concerns about the business to Australia. With persistence the Chairman advised that Australia is now one of the main stays and largest pieces of the Mainfreight business. He stated that Rakon had been and would be persistent and considered that continuing investment in the business was needed instead of paying dividends.

Closure:

He thanked the shareholders for their attention and attendance at the company's seventh annual meeting as a listed NZX company and declared the meeting closed at 3.25pm.

Signed as true and correct record

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Chairman