



**MINUTES OF THE ANNUAL MEETING  
HELD ON FRIDAY 10 SEPTEMBER 2010 AT 2.00PM  
AT THE GUINEAS ROOM  
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

***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 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.

**Proxies:**

The Chairman advised that 267 shareholders holding 116,754,287 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 that 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 12% 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 and presentation.

➤ **Managing Director's Address:**

Refer to the attached MD's speech and presentation.

➤ **Annual Report:**

At the conclusion of the MD's presentation the Chairman explained that he felt it was very important to differentiate between the actual phone handset and the utilization of the mobile phone or smart phone in today's world. He highlighted it was important to recognise how many ways the smart phone can be used and how important the networks are. He further noted that it was a very important strategic step Rakon had made in 2007 by diversifying its base with the acquisition of Frequency Control Product and how that helped Rakon endure the global financial crisis and associated impacts of 2008 and 2009.

The Chairman then moved that the annual report be received which was seconded by a shareholder Mr Oliver Saint. The Chairman then asked for shareholders to raise any questions on the Annual Report or Financial Statements:

Mr Saint commented first by expressing his concern that it seems Rakon's objective is to be the major operator in the areas in which Rakon produce products, rather than being the major price setter and that some other company is setting the price. The Chairman responded noting that GPS is where the company originated from and that this had enabled Rakon to establish a position in new markets such as smart phones. He further noted that as a technology company Rakon were exposed to Moore's Law where everything doubles in quality and halves in price every 18 months. Rakon responds to this challenge by constantly creating new products or new areas to achieve higher margins. He gave the example of GPS where as the volume goes more price competition came into the market, for example from Japanese competitors who were not in there in the beginning. Rakon had products in train to overcome that, either new upgraded products to go into GPS and smart phones, or importantly in other areas like products to go into for example femtocells. In the midst of this the GFC happened and as a result Rakon's traditional markets into GPS dropped away as customers cut stock and network builds initially went on hold. Since this time markets had rebounded and what the world is now seeing is a ramp up of the network builds by governments. The Chairman commented that there was an overlay of the price going down on traditional GPS, then new products coming in at a higher margin. He noted it was important to recognise that once Rakon has its Chengdu project completed it will be the lowest cost manufacturer of crystals in the world. In conclusion the Chairman commented that Rakon's strength was its spread of products represented by a tube or channel with high quality/high value low volume products at one end, through to high volume low value products at the other and that this position was unique compared with its competitors.

Mr Saint asked what our world market share is. The Chairman advised Rakon have 90% Femtocell business, 70-75% in discrete GPS. The Chairman also referred to the graph from the Managing Directors speech showing Rakon's estimated share of markets and the market growth in the smart phone and telecommunications sectors.

Mr Saint then noted his concern around the Managing Director's comment that the land in Chengdu was obtained for free and said he is always very suspicious when someone says we got this land almost free, it rings a warning bell and referenced an AGM of another company who lost a vast amount of land and property to one person. He said China has different rules and asked does Rakon know what they are doing when going into China in relation to property.

The Managing Director responded that the point he was endeavouring to make was that the Chinese government is very supportive of what Rakon is doing. Local government was really looking for Rakon's type of technology to come into the region and that is why we got the land at a very good price. The Chairman noted that he understood Mr Saint's point. He confirmed that Rakon has proper protections in place to protect our properties and business. We are always cautious of doing business, not only in China, but in every country. The Chairman further said Chengdu, is a city that has been around 3000 years with a population of 14 million people. The city is well organized and focused on developing. He also noted that Foxconn were building a facility adjacent to Rakon.

Mr John Hart, a shareholder introduced himself, advising that he believes Rakon's strategy is correct and heading in the right direction, and congratulated the Board. His fundamental question was that for the past 5 years, it has all been funded by shareholders. When are shareholders going to be rewarded? The Chairman responded advising that 40 percent of the shares are owned by the Board and the team. Rakon will consider dividends once all capital expansion has been completed and hopes to do within the next couple of years. He noted however that he would not put an actual date on it, as circumstances change. He confirmed that the Board are conscious of the dividend policy and that it was reviewed at least annually and that the Board and Rakon team were "in for the long haul" and wanted shareholders to realize that "we have all had money invested in Rakon".

Mr Hart continued that the market does not understand Rakon and its pricing of shares and that the only way they can value Rakon is by a dividend. The other possible way they can see the value of Rakon is if the company were sold. Mr Hart asked if Rakon was preparing to sell. The Chairman responded that the Board was definitely not considering selling. He noted the frequency control products market was large and that shareholders should be thinking of a company growing to NZ\$500 million to NZ\$1 billion in revenue. The Chairman commented that Rakon was a Kiwi company wanting to grow in global significance. He noted all Rakon's business (sales) was off shore, and that Rakon have a significant team overseas, plus a nucleus in NZ. He closed by noting Rakon was a proud NZ company, that the NZX has provided a useful conduit for accessing the world's capital and that the Board wanted long term shareholders wanting to see the firm grow.

There were no further questions so the Chairman motioned that the annual report and accounts be approved and it was carried.

### **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 Mr Bruce Irvine and himself retire by rotation and, being eligible offer themselves for re-election.

The Chairman asked Mr Warren Robinson to deal with the offering of him for re-election.

Mr Robinson welcomed all shareholders. He advised that Mr Bryan Mogridge being eligible offered himself for re-election and advised that the Board was holding 116,267,133 directed and discretionary proxies which would be voted in favour of this resolution and 487,154 proxies against.

Mr Robinson moved that Mr Bryan Mogridge be re-elected as a director of Rakon. A shareholder from the floor seconded the motion. No questions were received from shareholders in respect to the motion.

Mr Robinson asked for a show of hands. There were no dissenting shareholders. Mr Robinson declared the motion carried.

The Chairman advised Mr Bruce Irvine was also eligible and offered himself for re-election and advised that the Board was holding 116,663,499 directed and discretionary proxies which would be voted in favour of this resolution and 90,788 proxies against.

The Chairman moved that Mr Irvine be re-elected as a director of Rakon. A shareholder from the floor seconded the motion.

The Chairman asked if there were any questions:

A shareholder asked for information on Mr Irvine. Mr Irvine took the podium, introduced himself noting he was a qualified lawyer and accountant and a fellow of both the NZICA and the Institute of Directors. Mr Irvine noted that he held a number of directorships including his role as Chairman of Christchurch City Holdings. Mr Irvine commented that he considered Rakon was a great company and that he believed that Rakon's Board, Management and team would deliver significant value to shareholders in the coming years.

The Chairman asked for a show of hands. The Chairman declared the motion carried.

The Chairman then also gave a brief history of himself noting he was also a fellow of the Institute of Directors. He explained his background in business growing from a scientist through to lead Corporate Investments, Montana Wines and then to the present day where he is director of a number of companies including Mainfreight, PGC and Rakon. He noted he was passionate about Rakon and its future.

### **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 116,715,009 directed and discretionary proxies would be voted in favour of this resolution and 39,278 proxies against. The Chairman moved that the directors be authorised to fix the remuneration of the auditors for the year ending 31 March 2011. 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

There were no more questions.

## Closure:

He thanked the shareholders for their attention and attendance at the company's fifth annual meeting as a listed NZX company and declared the meeting closed at 3.15pm. He advised that refreshments were available and that there examples of Rakon's products and team representatives available for any questions. The Chairman advised that there were some copies of a NZ Investor magazine with an article of an interview with Brent which is a very interesting article.

Signed as true and correct record



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Chairman