



**MINUTES OF THE ANNUAL SHAREHOLDERS MEETING
HELD ON FRIDAY 6 SEPTEMBER 2013 AT 2.00PM
AT THE GUINEAS ROOM 1, 3RD FLOOR OF THE ELLERSLIE STAND
ELLERSLIE EVENT CENTRE, REMUERA, AUCKLAND**

Present:

Mr. B Mogridge	Independent Chairman
Mr. H Hunt	Independent Director
Mr. B Irvine	Independent Director
Sir P Maire	Director
Mr. B Robinson	CEO & Managing Director
Mr. D Robinson	Director
Mr. W Robinson	Director
Mr. P Springford	Independent Director

Apologies:

None

In Attendance

Mr. S Bosley	Chief Financial Officer
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Introduction:

The Chairman opened the meeting at 2:00pm, welcoming shareholders, noting that the meeting was properly convened, and that notice of the meeting had been duly given and that a quorum was present. The Chairman thanked shareholders for their attendance and interest in Rakon as shareholders. The Chairman then introduced the Directors and the 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 shareholders that there will be opportunities to address the Board with questions during the meeting. Further, the Chairman confirmed that voting on resolutions would be by a poll rather than by a show of hands and that the auditors (PricewaterhouseCoopers) were on hand to audit the counting of votes.

Proxies:

The Chairman advised that 315 shareholders holding 70,231,675 shares were represented by proxies. The Chairman commented that Sir Peter Maire (through his investment in Tahia Investments limited) would be voting 10,713,218 shares in favour of the resolutions.

Minutes of Previous Meeting:

The Chairman noted that the minutes of the previous Annual Shareholders 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 put forward the first item of business as being to receive and consider the Annual Report, including the Financial Statements for the year ended 31 March 2014 and the Auditors Report. The Chairman advised that this year Rakon again followed the provisions of the Companies Act and rather than mailing the full Annual Report to all shareholders, instead mailed a condensed Letter to shareholders. 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 online at the Rakon website. The Chairman commented that we should regard the Annual Report as taken as read.

➤ **Chairman's Address:**

The Chairman addressed the shareholders on Rakon's strategy and outlook through his 2013 ASM Chairman's address. Refer to the NZX release statement – '2013 ASM – Chairman's Address'.

➤ **Managing Director's Address:**

The Chairman then invited the Managing Director to address shareholders and provide a more detailed insight into Rakon's strategic direction and plans, through his 2013 ASM Managing Directors address. Refer to the NZX release statement – '2013 ASM – Managing Director's Address'.

➤ **Shareholder Questions:**

The Chairman then asked for shareholders to raise any questions on the Annual Report and Financial Statements, or in relation to the addresses by the Chairman and Managing Director:

Shareholder # 1 (Mr Ching):

Mr Ching requested to know how many directors we have and how that related to the annual fees for directors. The Chairman confirmed that we have 8 directors and that the combined fees are \$420k on an annual basis with the Executive directors not receiving directors fees in addition to their executive remuneration.

Shareholder # 2:

Shareholder # 2 commented on the Auditor fees, that they were too much and should only be \$10k based on their view and own comparison. The Chairman responded that Rakon would like to reduce its audit costs, however as the business is complex and detailed, reducing the fees to \$10k would be unrealistic. The Chairman asked the shareholder to send him the comparison information that the shareholder had referenced.

Shareholder # 3:

Shareholder # 3 commented on the exchange rate and the that it moves in cycles and that the Yen is about the same as it was 4 years ago, hence Rakon should have been aware of this fact. The Chairman explained that Rakon does undertake hedging against the currencies where it has a direct net exposure and that Rakon sales were predominantly in USD. The Chairman further explained that the Board accepts we are in a time of high currency, and further detailed the impact of the Yen devaluation and the impact that had on market prices resulting in a very negative impact on the company.

Shareholder # 4:

Shareholder # 4 commented that at the last ASM the Board had signed a 'letter of intent' so it should not be afraid of Japanese competition. The Chairman explained that the 'letter of intent' signed with Huawei mainly related to opportunities in other markets in which Rakon operates and not the Smart Wireless Device (SWD) market where our main competitors are Japanese.

Shareholder # 5 (Paul Devereaux):

Mr Devereaux questioned why Brent Robinson and Darren Robinson purchased shares on 11 July 2013. The Chairman advised that the Robinsons had purchased shares as they see a strong future for the company and had received incorrect legal advice and were unaware of the Takeover Code implications as Associates in having greater than 20% shareholding, when doing so. Mr Devereaux asked if there was a company policy around buying and trading shares. The Chairman confirmed that the company does have an established Securities Trading policy.

Shareholder # 6:

Shareholder # 6 asked the Chairman to give his perspective on innovation strategies and processes to take the company forward. The Chairman advised that Rakon has the science in crystal technology and has worked creatively to develop ideas, but that unfortunately Rakon had not been rewarded sufficiently for that. The Chairman also explained that Rakon has some very good designs and patents, particularly from its development efforts in the Harlow and France (Hi-Reliability) R&D design centres. The Chairman confirmed that there is a pipeline of products on the drawing board where business will come from in the future and that we have a bright and capable team, including a number of PhD's where we need to get the right return from their development activities.

Shareholder # 7 (Laurie McEntee):

Mr McEntee commented that he is unhappy about the previous view presented of a glossy future and has concerns about the share price falling from \$5.60. Mr McEntee also commented that he was unhappy that he has not received a dividend and asked the Board to do better, putting forward the challenge with the share price at \$0.25 as to what can be done better. The Chairman explained that the basis of the no dividend policy was to use the money to invest and grow the business. The Chairman confirmed, that from the completion of FY2015, the company intends paying up to 50% of NPAT as a dividend, if considered fiscally appropriate. The Chairman also commented that it will take Rakon some time to readjust due to us being a complex global company.

Shareholder # 8 (Jeff Walpoole):

Mr Walpoole asked the Chairman if the total number of Directors on the Board was necessary. The Chairman commented that that two large institutional shareholders had previously asked the Board to take on two new directors, being the basis for why the Board had increased in numbers. The Chairman commented that the Board collectively own close to 30% of the company so have large investments as shareholders and that each director contributes effectively in their own way.

Shareholder # 9 (Barry Thomas):

Mr Thomas commented on the abysmal share price and asked how the Board would address Rakon debt. The Chairman advised the Board is working towards reducing debt to below \$10m in the current financial year.

Shareholder # 10:

Shareholder # 10 requested to know whether the company had come close to breaching its bank covenants. The Chairman confirmed that we hadn't breached our bank covenants and that our bank understands our business and is very supportive.

Shareholder # 11 (Craig Priscott from the Shareholders Association):

Mr Piscott (from the Shareholders Association) requested to know whether any learnings were taken from history where high growth industries are reknown for attracting competitors and also whether

the currency issue would have been different if the location of the manufacturing plant had been different. Mr Priscott also indicated that the company has a Yen exposure, with reference to the earlier discussion. The Chairman replied that, yes, there are competitors from Japan and that the Board originally looked at Shenzhen and finally located in Chengdu for various reasons that were attractive to that choice. The Chairman further commented that the real issue was further capital and the Board did not anticipate the 33% devaluation in the Yen which was the catalyst for wanting to exit Rakon Crystal Chengdu (RCC).

Shareholder #12 (David Sutherland):

Mr Sutherland confirmed he was the proxy for the 7th largest shareholder and asked if the Board was looking forward and if they were supporting the decision to return to core strengths. Mr Sutherland also asked if the Board would consider in two years if its plans haven't been achieved that they would consider it time for fresh eyes and new blood. The Chairman commented that if we cannot return to an EBITDA of \$10m to \$15m in two years then it should be discussed.

Re-election/Election of Directors:

The Chairman confirmed that no notice of nomination to be a director for any other person has been received and that in accordance with the NZSX Listing Rules himself, Mr Bryan Mogridge and Mr Darren Robinson retire by rotation and, being eligible offer themselves for re-election. The Chairman also advised that Mr Herbert Hunt being eligible offers himself for 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/election. As Mr Mogridge is up for re-election he asked Mr Bruce Irvine, Audit Committee Chairman to chair the re-election process.

Mr Mogridge commented that he fully appreciated the unacceptable result and that he held no animosity towards shareholders if they were against his re-election. Mr Mogridge also commented that he looked forward to being part of Rakon's future and thanked the Shareholders for their patience. Mr Irvine advised that the Board was holding 56,988,058 directed and discretionary proxies which will be voted in favour of this resolution and 2,696,956 proxies to be voted against. Mr Irvine advised that voting is being undertaken by a poll today. Voting papers will be collected at the end of the meeting. Mr Irvine moved a motion that Mr Mogridge be re-elected as a director of Rakon and a shareholder from the floor seconded the motion. Mr Irvine then asked the audience if there were any questions relating to the re-election of Mr Mogridge.

Mr Priscott (from the Shareholders Association) commented that he thought Rakon had lost its way and that once a publicly listed company has lost credibility it was almost impossible to recover. Mr Priscott also commented that the large institutional shareholders had mainly departed the register. Mr Priscott confirmed that as a result of their concerns the Shareholders Association would be voting against the re-election of Mr Mogridge. Shareholder, Winston Marsh, commented that at the last ASM someone made a comment that the company would run out of cash and did this comment have any resonance when statements were made in the Half Year. Mr Mogridge replied that at the time of the last ASM the Board had no indication that it would run out of cash and that there were currently plans in place to reduce debt to less than \$10m. Mr Mogridge reiterated the negative impact of the Yen devaluation from late December 2012 on financial results and that the Board had held a number of meetings in early 2013 to look at options and then visited all potential purchasers of the RCC business.

With no further discussion, Mr Irvine put the motion to the meeting, by asking shareholders to mark their voting paper clearly indicating how they wish to vote.

Mr Irvine then passed the running of the meeting back to the Chairman.

The Chairman advised Mr Darren Robinson was eligible and has offered himself for re-election as a director. The Chairman moved a motion that Mr Robinson be re-elected as a director of Rakon and a shareholder from the floor seconded the motion. The Chairman then offered the floor to Mr Robinson.

Mr Robinson advised that customers are a critical stakeholder that want their voice heard at the Board table and that this is important to Rakon's future success. Following Mr Robinson's speech the Chairman asked the audience if there were any questions relating to the re-election of Mr Robinson. Mr Priscott from the Shareholders Association commented that they have an issue in that the Robinson's represent 37.5% of Board seats while only holding 23.5% of shares and that Board governance must be free to ask the hard questions. Mr Priscott also commented that issues in the company have predominantly been Sales and Marketing related. Mr Priscott confirmed that as a result of their concerns the Shareholders Association would be voting against the re-election of Mr Robinson. Shareholder, Winston Marsh, asks why Mr Darren Robinson cannot relay his sentiments through the Managing Director should he have a view that needs representing to the Board. Mr Robinson replied, that the message he delivers from the customer carries more weight if he is a Board member and the customers want their voice heard. Mr Robinson also commented that there is significant credibility attained and a high level of acceptance from these customers, when they know they are dealing with a member of the Board of the company.

The Chairman advised that the Board was holding 55,645,792 directed and discretionary proxies which would be voted in favour of this resolution and 4,039,222 proxies to be voted against. With no further discussion, the Chairman put the motion to the meeting, by asking shareholders to mark their voting paper clearly indicating how they wish to vote.

The Chairman advised that Mr Herbert Hunt being eligible offered himself for election as a director. The Chairman advised that the Board was holding 59,229,028 directed and discretionary proxies which would be voted in favour of this resolution and 455,986 proxies to be voted against. The Chairman moved a motion that Mr Hunt be elected as a director of Rakon and a shareholder from the floor seconded the motion. The Chairman then offered the floor to Mr Hunt.

Mr Herbert Hunt commented that the Shareholders should bear in mind his long history in the technology industry having had a 32 year apprenticeship at IBM. Mr Hunt explained his focus at IBM had been on ensuring that we have the right technology and that his background included a position as Operations Executive of Asia (for IBM). Mr Hunt confirmed that he then joined a PE company where he bought and sold struggling technology companies. Mr Hunt commented that he felt like the company has an underlying capacity, that he personally can make a contribution and that the Board and Management have the capacity and will to bring about a turnaround.

Shareholder, Paul Devereaux, asked if Mr Hunt had any insights from the IBM turnaround and could Mr Hunt comment on any innovation that he had seen so far. Mr Hunt replied, that there needs to be a focus on pragmatism, there is no holy grail, you need to be prepared for what is in front of you and what you need to change. Mr Hunt also commented that we can accelerate innovation into something that we can achieve a return from, but that there would be no benefit from innovation due to price or where there could be a multiple supply source. Mr Hunt confirmed that the company has been pursuing innovation that it wasn't getting a premium for and that with Rakon's other market segments

customers were requiring innovation. Shareholder, Michael Corno, asked Mr Hunt how many shares he held. Mr Hunt replied that he owned none and chose not to, due to his position of having access to information.

With no further discussion, the Chairman put the motion to the meeting, by asking shareholders to mark their voting paper clearly indicating how they wish to vote.

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 58,683,062 directed and discretionary proxies would be voted in favour of this resolution and 1,001,952 proxies voted against. The Chairman moved a motion that the directors be authorised to fix the remuneration of the auditors for the year ending 31 March 2014. The motion was seconded by a shareholder. No questions were received from the shareholders with respect to the motion.

General Business:

The Chairman explained that we have a constitution that allows for any items of general business to be put forward. There were no items of general business raised.

Adjournment:

With the results of the ASM not yet available, the Chairman moved to adjourn the meeting at 4:00pm in order to undertake the Special Shareholders Meeting, with the motion carried.

Closure:

Following the adjournment of the meeting, the Chairman re-opened the meeting at 4:25pm. The Chairman confirmed the results of the voting on the resolutions put forward. Refer to the NZX announcement ('Rakon 2013 Annual Shareholders Meeting Voting Results') for the full details relating to the voting results. The Chairman thanked the shareholders for their attention and attendance at the company's eighth Annual Shareholders Meeting as a publicly listed NZX company. The Chairman then declared the meeting closed at 4.30pm.

Signed as true and correct record

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Chairman