

HONEY BUN (1982) LIMITED
Annual General Meeting Minutes

Date: March 21, 2012

Duration: 10:05am – 11:13am

Board members

present: Herbert Chong (Chairman)
Michelle Chong (CEO)
Paul Moses (Director)
Charles Heholt (Director)
Sushil Jain (Mentor/Director)

Special invitees

present: Daniel Chong (COO)
Krystal Chong (CMO)
Paul Watson (HMO)
Damian Graveley (Sales & Dist Coordinator)
Sophia Johnson-Mattis (HR Administrator)
Rosemarie Bailey-Campbell (Food Safety Manager)
Wilfred McKenley (Partner, McKenley & Associates Ltd)
Bruce Loffler (Associate, McKenley & Associates Ltd)
Andrea Kinach (Attorney-at-law, Patterson Mair Hamilton)
Gary Peart (CEO, Mayberry Investments Ltd)

Recorder: Ursula Williams (Executive Asst.)

Venue: Knutsford Court Hotel, 11 Ruthven Road, Kingston 10

1. Welcome

The Chairman called the meeting to order at 10:05am. He welcomed everyone to the Company's first Annual General Meeting.

2. Prayer

Rosemarie Bailey-Campbell asked God's blessing on the meeting.

3. Introductions

The Chairman introduced:

- members of the Board seated at the head table,
- Gary Peart, CEO of Mayberry Investments Ltd, listing broker and
- Andrea Kinach, Attorney-at-law of Patterson Mair Hamilton who has served as legal advisor.

4. Quorum

The Chairman confirmed that a quorum of shareholders was present and therefore declared the meeting open for business.

5. Notice

The Chairman noted that the Notice calling the meeting has been in the hands of the

members of the Company for the prescribed period set out in the Articles, and proposed a motion to accept it as read. Andrea Kinach seconded the motion and all agreed.

6. Chairman's Address

The Chairman specially thanked the Mayberry Investments team, Andrea Kinach, Wilfred McKenley, customers, media and staff for their tremendous support. He congratulated the Company for its achievements mainly in containing prices and increasing profits and noted the three national awards (ie. JMA's Competitive Award and Buy Jamaica Award, and JEA's Exporters' Award for MSMEs) received throughout the year. He added that the Company's foremost priority is to continue to ensure that the value of shareholders' wealth is increased and for the Company to continue to stay on top of the competition in the market place.

7. CEO's Report

The CEO reported that sales for the year 2011 over 2010 increased by 25%. The following attributed to the increase:

- Continued product quality improvements
- Export efforts realized to a record 35% increase
- New and unique marketing campaigns
- Restructuring of the Distribution model

Funds raised from the IPO were used to close motor vehicle leases and other loans which improved debt to equity ratio and reduced interest expenses. The Company invested in equipment to aid in the development of new products and to improve processes to reduce operational costs.

The CEO pointed out unusual expenses reflected in the financials:

- Price increases on main ingredients which were not passed on to the customer.
- \$2.1m expense as a result of the Company going public.
- Depreciation exceeded prior year by over \$10.7m due to revaluation of Company assets and a significant acquisition of equipment in 2010.
- Restructure of Distribution model ie. employment of staff, system controls and motor vehicles.

In spite of the expenses, the CEO was proud to report a 43% increase in pre-tax profits as a result of the Company's strategies.

The CEO noted that 2012 promises challenges for the Manufacturing industry however the Company will continue to be strategic and creative in converting challenges into opportunities. The Company is investing in greater corporate governance and risk management through its Internal Auditor. Risk audits have already revealed areas of opportunities which will result in greater competitiveness and savings.

The CEO shared a few plans for 2012:

- More contract manufacturing for the local market.
- More automation to improve efficiencies.
- Expansion of some product lines and diversification.
- Development of a Golden Jubilee product to mark Jamaica's 50th anniversary.

8. Auditors' Report

The report of the auditors to the members was read by Bruno Loffler of McKenley and Associates.

9. Questions

The Chairman invited shareholders to make enquiries.

- a) John Jackson pointed out that according the Companies Act, the Auditors' report is supposed to read in its entirety. He asked how the tax computation was affected by the listing on the Junior Stock Exchange. Wilfred McKenley, auditor, explained that the tax computation was presented to the Technical Department of Inland Revenue and was approved in writing in accordance with their regulation.

Mr. Jackson also questioned the reason behind the 4th quarter 2011 loss. The CEO explained that taxes were calculated on the entire year. Jackson responded that it should have been elaborated in the Annual Report for clarity.

Bruno Loffler then read the Auditor's report in its entirety to meet Mr. Jackson's expectation.

- b) Orette Staple referred to page 26 of the Annual Report noting the significant increase in net profit. He questioned the reason for blank dividend on page 27. John Jackson pointed out that the dividend was declared after the financial year end.

Mr. Staple further questioned the constitution of staff accrual on page 52. Wilfred McKenley explained vacation was accrued and not yet paid out.

He commended the Company for reducing over 90 days receivables in 2011 and expressed hope for continuous improvement.

- c) Ralph Chen commended the Chongs on succeeding as a company.

He shared that he visited the Company to request an invitation to the AGM, since he was not yet a shareholder, a couple days prior to the meeting. He complained about being subjected to a line of questioning and that he was denied an Annual Report as he was advised they were limited. He recommended that the front line personnel be trained and pointed out that he was able to get two Annual Reports from brokers.

He commented on the AGM being held 4 months and 3 weeks after the end of the financial year whereas he felt any time over 4 months was too much. He enquired about not seeing a notice in the print media. A shareholder responded that she saw one while Andrea Kinach noted that it was not required.

He recommended that an 'Any Other Business' segment be added to the Agenda in future.

He referred to the 'Corporate Social Responsibility' of the Annual Report noting that the Company seemed to be doing well but that he would need to do his own research. He recommended that the Company gets ISO2600 certified.

He enquired about the Company having a Customer Service Charter for recording complaints and redress. The CMO responded by advising that a system, though not official, is in place.

He commended the Company for including a female on the Board however he would have liked to see more of a gender balance.

- d) Livingston Young commended the Company on its perseverance and growth.
- e) Kayree Teape referred to 'Statement of Comprehensive Income' on page 26 and 'Long Term Loans' on page 54 of the Annual Report enquiring about the finance costs. The CEO replied that the costs were related to Plant and Machinery i.e. baking equipment.
- f) Steven Jackson posed questions regarding realizing the projected sales trend i.e. to surpass \$700m this year, and the expected investments. The CEO replied that sales could not be guaranteed and the Mentor responded that investments would increase as profit grows.
- g) A shareholder enquired about improving the shelf life of the cinnamon roll. The HMO advised that it is expected to improve. Another shareholder voiced concern about the use of preservatives to extend the shelf life.
- h) Mark Croskery of Stocks and Securities enquired about the cost in marketing expense shown in the financials. Mr. McKenley, the auditor, responded to the query by explaining that as a private company, salaries were included in the figure shown but in future, as a public company, they would be reclassified. John Jackson stated that he did not understand the rationale for the inclusion under the classification as a private company. Mr. McKenley replied that it was a matter of preference.
- i) John Jackson queried the increase of sales of nearly 25% as well as the increase in distribution. The CEO replied that the Company had taken over distribution. The Chairman explained that distribution was taken over due to risk management. The CEO added that the Company's previous model was to sell to distributors but now the Company covers distribution costs however the takeover has already shown promise for the better.
- j) Orette Staple enquired about a policy covering declaration of dividends. The Mentor referred him to the prospectus. Mr. Staple questioned the reason the policy was not included in the report. Mr. Jain replied that it is not required. He also questioned the specifics of Expenses by Nature on page 56 of the Annual Report. Bruno Loffler, Associate of McKenley & Associates, advised that amortization of software was a significant component.
- k) Gary Peart pointed out in response to Mr. Jackson's concern regarding Deferred Taxes that notes were made on page 47 and 55 of the Annual Report. Mr. Jackson responded by saying that his issue was not about notes being made but that they were inadequate.
- l) Kayree Teape mentioned that competitors had set up themselves in schools as concessionaires and questioned the Company's strategies. The CMO advised that some competitors have made contact with the Company to supply products due to student

demand and that plans to counteract the infiltration are in the early stage of development.

10. Resolution 1 – To receive Annual Accounts

On the motion proposed by the Chairman seconded by Daniel Chong, the following resolution was put to the vote and carried.

THAT the Directors' Report, The Auditors' Report and the Audited Accounts for the year ended September 30, 2011 be received and adopted.

11. Resolution 2 – Re-appointment of Directors retiring by rotation

The Chairman asked the Mentor to handle this item as he would retire from this resolution and so would his wife, Michelle Chong.

Resolution 2(a)

On the motion proposed by Andrea Kinach seconded by Daniel Chong:

THAT Herbert Chong be re-elected as a director of the Company.

The resolution was carried.

Resolution 2(b)

On the motion proposed by Andrea Kinach seconded by Krystal Chong.

THAT Michelle Chong be re-elected as a director of the Company.

The resolution was carried.

12. Resolution 3 – Directors' remuneration

The Chairman resumed control of the meeting. On the motion proposed by the Chairman seconded by Andrea Kinach, the following resolution was put to the vote and carried.

THAT the Board is authorized to fix the remuneration of the Directors. This will be done with the review and recommendation of the Compensation Committee the Board has set up in accordance with the Junior Market Rules.

13. Resolution 4 – Appointment of auditors and fixing of their remuneration

On the motion proposed by the Chairman seconded by Daniel Chong, the following resolution was put to the vote and carried.

THAT the Board is authorized to appoint auditors of the Company based on the results of tenders, and to fix their remuneration.

14. Resolution 5 – Approve dividend for the year

On the motion proposed by the Chairman seconded by Andrea Kinach, the following resolution was put to the vote and carried.

THAT the interim dividend of 7 cents per share declared on November 21, 2011 as the final dividend in respect of the year ended 30 September, 2011; such dividend was paid to shareholders on record at December 20, 2011 with payment made on January 6, 2012.

15. Special Resolution 6 – CD ROM Accounts

On the motion proposed by the Chairman seconded by Andrea Kinach, the following resolution was put to the vote and carried.

THAT the Articles of Incorporation is amended such that the following provision is inserted as Article 143A:

“For the purposes of Article 142 the Company may send to shareholders in electronic format (including but not limited to CD-ROM format) a copy of every balance sheet (including every document required by law to be annexed thereto), together with a copy of the Auditors' Report. Provided always that the Company shall provide to any shareholder who makes a request to receive a printed copy of such balance sheet, document or report free of charge.”

16. Conclusion

The Chairman thanked all for coming and introduced key members of the management team who worked hard to contribute to the Company's success. The meeting terminated at 11:13am.

DATE

CHAIRMAN