

16 January 2009

Dear Shareholder,

Conversion of Convertible Preference shares

Shareholders are reminded that Convertible Preference shares are convertible to Ordinary shares by giving the company 30 days notice in writing. The conversion rate is one ordinary share for one Convertible Preference share.

The Convertible Preference shares were issued to existing ordinary shareholders only on 21<sup>st</sup> November, 2007. The Dividend payable is set on 1 March, 1 June, 1 September, and 1 December at a rate that is 50% over the Reserve Bank of NZ's Official Cash rate (OCR)

When the shares were issued they were issued when the OCR was 8.25% and the Dividend rate was 12.375%, which the company was pleased to be able to offer shareholders as a market premium at that time. Without your doing anything further the Convertible Preference shares automatically convert on 21<sup>st</sup> November 2010.

The Reserve Bank OCR has significantly reduced since the shares were issued and now stands at 5.00%, with further reductions considered likely. The OCR rate has not been lower than this since January 2002. At the current 5% OCR the Preference Dividend rate will fall to 7.5% on 1<sup>st</sup> March 2009, and it could go lower if the Governor of the Reserve Bank announces a further reduction on the scheduled announcement date of 29 January, 2009.

In accordance with the Prospectus shareholders are reminded that

- a) Preference shares may be converted by giving 30 days notice in writing to the company
- b) The next Preference Dividend payment date is due on Friday 27<sup>th</sup>, February.
- c) The Date of record will be Wednesday 25<sup>th</sup> February
- d) The rate for payment for the past 3 months will be 9.75%
- e) The rate for next 3 months will likely be 7.5% (or possibly less)
- f) Convertible Preference shares rank ahead of Ordinary shares on a winding up

The YE Dividend on ordinary shares is scheduled to be paid in Late April, 2009  
The Date of record for YE Dividend is scheduled to be about Friday 17<sup>th</sup> April, 2009  
No announcement as to Final ordinary Dividend has been made by the Directors.

If you choose to convert your Convertible Preference shares and wish to avail yourself of both Dividends, then the following Notice should be sent to Cynotech Holdings by the date specified in the Authority to convert document attached.



Allan Hawkins  
Chairman

**Please note:** This is not a recommendation from the Company or Directors. Shareholders should make your own assessment of the current and possible future dividend returns on both Convertible Preference shares and Ordinary shares before deciding to convert your shares.