

## Notice of Annual Meeting

**The Annual Meeting of the shareholders of Cynotech Holdings Limited will be held at Rimu 1 room, Novotel Hotel, 72-112 Greenlane Road East, Ellerslie Auckland on Wednesday 26<sup>th</sup> April 2006, commencing at 10.30 a.m.**

### Ordinary Business of the Meeting

1. To consider the Company's financial statements, the Group's financial statements and the Auditors' Report for the year ended 31 December 2005.
2. To re elect one Director  
Paul James Hutchinson retires by rotation in accordance with the Company's Constitution and being eligible, offers himself for re-election.
3. To reappoint BDO Spicers as auditors of the Company and to authorise the directors to fix their remuneration for the coming year.

### Special Business of the Meeting

4. To consider and, if thought fit, pass the following as a special resolution:

The Company is authorised to amend the terms of the warrants issued during 2005 in respect of the exercise price and the exercise dates as follows:

<i>New exercise price</i>	<i>New exercise date</i>
10 cents per share	27 <sup>th</sup> June 2006
20 cents per share	27 <sup>th</sup> June 2007
30 cents per share	27 <sup>th</sup> June 2008

### Proxies

You may exercise your right to vote at the meeting by:

- Being present in person; or
- Appointing a proxy to attend and vote in your place. A proxy need not be a shareholder of the company.

A form for appointing a proxy is enclosed. If you wish to appoint a proxy, please comply with the instructions on the form and send it to:

Cynotech Holdings Ltd  
PO Box 9846  
Newmarket  
Auckland  
Fax No: 0064 9 912 2142

Or to the Company's registered office:  
Level 4  
187 Broadway  
Newmarket  
Auckland

to be received by the Company by 10:30am on 24 April 2006.

By order of the Board.



A. R. Hawkins  
Chairman

**(Refer attached for explanatory notes)**

## **Explanatory Notes to Special Business Resolution (Resolution 4)**

**The terms of issue of the share warrants referred to in Resolution 4 can only be amended with the approval of both the shareholders and the warrant holders and it is intended that a meeting of warrant holders will be held immediately following completion of the Annual Meeting of shareholders.**

The Resolution will be passed if it has the support of at least 75% of those shareholders entitled to vote and voting on the Resolution.

### **Shares, Convertible Notes and Warrants on issue (number)**

	Shares	Convertible Notes	Warrants
On issue at present	58,260,808	10,000,000	34,130,404
On issue if all warrant holders exercise their warrants	92,391,212	10,000,000	0

### **The terms of issue of the share warrants at present are:**

1. A share warrant gives the holder the right but not the obligation to subscribe for a new share in the Company at a price of 25 cents per share, that right to be exercised either on 27 May 2006 or 27 May 2007.
2. A warrant entitles the holder to:
  - certain information from the Company including its annual and half yearly reports and notices of meeting
  - any other rights conferred by the Constitution and the Companies Act 1993
  - attend (but not vote at) any general meetings of the shareholders of the Company
3. A warrant does not entitle the holder to:
  - vote at a meeting of the Company's shareholders
  - participate in any dividends declared by the Board
  - participate with other securities in the residual assets upon liquidation of the Company

### **The amended terms of exercise of the share warrants are proposed as follows:**

The proposal is to change the exercise price and the exercise dates to those set out in the resolution. No change is proposed to any of the other terms of issue of the warrants

### **Reasons for change to terms of warrants**

The Company wishes to make the change to the warrants so that warrant holders may exercise their right to convert to shares this year at an exercise price more closely related to the current share price.

The Directors wish to keep the ratio of shareholders funds to external liabilities high to build in a conservative element to the Group's financing. The Directors wish the Company to be well placed to cover adverse economic and industry related factors which they expect to impact the environment in which the Group operates. This is particularly a factor in the finance company sector.

All shareholders are expected to benefit from this change as follows:

- Equity funds will increase and thus the Group will be more conservatively financed
- The Company's operating costs will be lower because of the need to borrow less in the current high interest rate environment
- Net tangible assets per share will increase overall

There are potential effects on the share price of the Company by reason of the exercise of warrants because of the dilution effect of the issue of more shares, because of the increased net tangible asset backing per share and reduced borrowing costs if the funds from the exercise of warrants is used to repay borrowings.

## Effect on the Company's accounts

If all warrant holders exercise their warrants in 2006 the changes are as follows.

	As at 31/12/05	After exercise of warrants
	\$	\$
Shareholders funds	4,435,094	7,848,134
External debt and other liabilities	3,970,804	557,764
Total assets	8,405,898	8,405,898
Net tangible assets per share (diluted)	6.5cps	8.5cps
Percentages		
Shareholders funds to total assets	52.8%	93.4%
Total liabilities to total assets	47.2%	6.6%

(assumes new equity funds are used to reduce external liabilities)

## Effect of not passing the resolution

There are no negative effects on the Company if the resolution is not passed but the Company will not gain any of the benefits as set out in the previous sections.

## Interested parties

Cynotech Securities Limited and Newmarket Securities Ltd, companies associated with Allan Hawkins, may benefit from the changed terms attaching to the warrants in their capacity as shareholders and warrant holders of the Company. They will receive the same benefits as all other shareholders and warrant holders. The current holdings of these companies are:

	Shares	Convertible Notes	Warrants	Percentage of warrants on issue
Cynotech Securities Ltd	3,075,286	5,000,000	4,972,643	14.57
Newmarket Securities Ltd	2,975,286	5,000,000	3,987,643	11.68

Mr P Hutchinson is a Director of Cynotech Holdings Ltd and a shareholder in Newmarket Securities Ltd.  
Mr K McDonald is a Director of Cynotech Holdings Ltd and is also a shareholder and warrant holder in the Company

## Persons entitled to vote

The only shareholders entitled to exercise votes at the Meeting will be those who are registered as shareholders at 5pm on 21<sup>st</sup> April 2006 and only the shares registered in those shareholders' names at that time will confer a right to vote at the meeting. This does not limit the right of eligible shareholders to appoint a proxy (or, if a company, a corporate representative).