

**Chairman's comments to the special general meeting of shareholders held on 26<sup>th</sup> November 2007.**

Welcome to this special general meeting of Cynotech Holdings Limited.

The purpose of the meeting is twofold.

Firstly of course we are asking for shareholder approval for various initiatives, which we are proposing to put in place to take us into our next phase of growth.

Secondly we saw this meeting as a good opportunity for us to be able to update you about the Group and in particular to tell you why we have not been adversely effected during the recent period of turmoil in the finance company sector in NZ

Quite simply we have not had a finance group prospectus and we have not been taking deposits from the public. Therefore we have not had to deal with investors wanting their money back as the confidence in the finance sector has been undermined.

We only have 19 depositors and they are all well known to us.

The market conditions have really been quite favourable to us and in particular, we are one of the few smaller finance groups still lending.

Loan demand has been at significant levels in recent months. We are taking on new lending business but we are being quite cautious about the type of loan business we are writing and of course we are ensuring that we are getting our full interest rate.

There are still storm clouds on the horizon both within the finance sector and in the property development sector where an increasing number of small developers are starting to hurt as finance companies pull the plug on credit facilities.

While loan demand has been good in the last few months, we have not been able to grow our receivables at the levels we had planned for this year. We had planned to issue a debt prospectus but market conditions have superseded that plan.

Our finance group growth up to now has been financed from equity or from the deposits from friends and shareholders.

We now have to broaden our funding base.

We felt that we could not go back to our shareholders for a rights issue of ordinary shares at this time.

We have therefore proposed the issues of preference shares, available to our shareholders and other investors as a means of increasing our available funds base without taking on the risk of borrowings in the current financial climate.

The Convertible Preference shares, which are available only for investment by our shareholders, were meant to be a benefit and a reward to our shareholders and we are pleased that is how they are perceiving the issue. We have had some very positive and encouraging feedback.

The yield on the Convertible Preference shares is generous but your Directors believe the rate of 12.375% is perfectly pitched to current market conditions and in addition this issue does give shareholders an opportunity to lock in a further investment by conversion to ordinary shares at a price of 20 cps for the next 3 years.

Thank you all for your support this year. Our audited annual results for the December year will be announced around 29<sup>th</sup> February. The result will be up on last years profit but in comparison to our own budget and plan figures we have been held back in the second half as we took a cautious approach and ensured that we maintained adequate liquidity reserves.

Thankyou