

The logo consists of two overlapping squares, one red and one blue, positioned to the left of the company name.

Cynotech Holdings Ltd

Investment Statement
For the Offer of Convertible Preference Shares

21 November 2007

IMPORTANT INFORMATION

(The information in this section is required under the Securities Act 1978.)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an Investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current Registered Prospectus for the investment. You are entitled to a copy of that Prospectus on request.

Choosing an Investment Advisor

You have the right to request from any Investment Advisor a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- Whether the Advisor gives advice only about particular types of investments; and
- Whether the advice is limited to the investments offered by one or more particular financial organisations; and
- Whether the Advisor will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An Investment Advisor commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time the advice is given or within one month of receiving the advice.

In addition:

- (a) If an Investment Advisor has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- (b) If an Investment Advisor receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the advisor what the purpose of your investment is. This is important because different investments are suitable for different purposes.

This Investment Statement is for an offer of Convertible Preference Shares by Cynotech Holdings Limited (the Company). This document has been prepared as at, and is dated, the 21 November 2007.

Investment decisions are very important. They often have long-term consequences. Investing involves balancing reward and risk. Achieving good returns is important, but more important is the repayment of your investment. It is important that you make an informed investment decision.

Read all documents carefully. Ask questions. Seek advice before committing yourself.

When deciding whether to invest, consider carefully all of the information on the following pages. In addition to the information in this Investment Statement, further important information can be found in the Short Form Prospectus (the Prospectus) for Convertible Preference Shares.

A copy of the Prospectus and other documents are available by contacting the Company or referring to the Company's website. Refer to page 10 for details.

Information regarding supporting documents available from Cynotech Holdings Limited is listed on page 10 under "What other information can I obtain about this investment?"

Information in this Investment Statement and in the Prospectus should not be taken as advice to invest in Convertible Preference Shares. Investors should consult with their broker, solicitor, accountant or other qualified professional before making a decision to Invest.

ANSWERS TO IMPORTANT QUESTIONS

The purpose of this section of this Investment Statement is to provide certain key information that is likely to assist a potential Investor to decide whether or not to subscribe for Convertible Preference Shares under the Offer. Investors should note that other important information about the Offer is also set out in the Prospectus for the Issue of Convertible Preference Shares.

WHAT SORT OF INVESTMENT IS THIS?

The Offer

Cynotech Holdings Limited (the Company) intends to issue up to 30 million Convertible Preference Shares. The Convertible Preference Shares will be offered to existing ordinary shareholders of the Company as an Entitlement offer of 1 Convertible Preference Share for every 5 ordinary shares. The Convertible Preference Shares are being offered at an Issue Price of \$0.20 per Convertible Preference Share. For the avoidance of doubt, the Entitlement is non-renounceable meaning that shareholders may not sell or transfer their Entitlements to the Convertible Preference Shares.

The Opening Date for the Offer is 27 November 2007 and the Closing Date is 20 December 2007. A full timetable is set out below:

22/11/2007	Record date for entitlements
26/11/2007	Entitlement letters mailed
27/11/2007	Offer opening date
20/12/2007	Offer closing date
22/12/2007	Allotment date
22/12/2007	Estimated mailing of FASTER statements

Dividends

The Convertible Preference Shares offer Dividends paid quarterly at the end of February, May, August and November. The first Dividend Payment Date will be 29 February 2008.

First Dividend Rate

From (and including) the date that Application moneys for any Convertible Preference Shares are banked, until (but excluding) the First Dividend Reset Date (1 March 2008), the Dividend is fixed at the First Dividend Rate. The First Dividend Rate has been set at 12.375% per annum.

Subsequent Dividend Rate

Subsequent dividend rates are variable and will be set at the equivalent to 50% above the Reserve Bank of New Zealand Official Cash Rate. The Dividend Rate will be reset quarterly to apply on the ensuing quarter on 1 March, 1 June, 1 September and 1 December.

The terms of the Offer include a right for the Company to increase or decrease the Dividend Rate to such greater or lesser rate in response to the increase or decrease in the Reserve Bank of New Zealand Official Cash Rate. Any increase or decrease in the Dividend Rate as a result would apply to all Convertible Preference Shares allotted under the Offer.

Dividend Payment Dates

The Convertible Preference Shares offer Dividends paid quarterly. The First Dividend Payment Date is 29 February 2008. The first Dividend payment will be calculated on a daily basis in respect of the period from (and including) the date the Application moneys for the relevant Convertible Preference Shares are banked until (but excluding) the First Dividend Payment Date. Dividend payments will be made to the Convertible Preference Shareholder on the Register as at the Record Date, being the day which is 3 business days prior to the relevant Dividend Payment Date or such other date required by the NZSX Listing Rules.

Conversion

Convertible Preference Shares are convertible to ordinary shares at the discretion of the Convertible Preference Shareholder, on giving 30 days' written notice to the Company at any time after the Issue Date.

Convertible Preference Shareholders will not be able to convert to ordinary shares if it would breach the Takeovers Act or Takeovers Code.

Any Convertible Preference Shares outstanding 3 years after the Issue Date will be converted to ordinary shares by the Company, giving notice to each Convertible Preference Shareholder at that time.

For the avoidance of doubt the Convertible Preference Shares are not redeemable other than by exchange for ordinary shares in the Company.

Bonus Issue

If before the conversion of the Convertible Preference Shares the Company makes a bonus issue of shares or makes any cash issue, or invitation for subscription for shares, options or other equity securities – other than the issue made instead of a cash dividend – The Investors may participate in the Issue, as if the Investors were the holder of the shares to which the Convertible Preference Shares relate.

Securities

The Convertible Preference Shares are unable to be redeemed by the Holder. The Convertible Preference Shares will remain on issue unless and until they are converted to ordinary shares or the Company goes into Liquidation. Convertible Preference Shareholders have no right to require the Company to redeem or repurchase their Convertible Preference Shares.

Ranking and subordination

Dividends on the Convertible Preference Shares shall rank for payment in priority to the rights in relation to dividends or other Distributions on ordinary shares. In a liquidation or winding up of the Company, a Convertible Preference Shareholder shall be entitled to claim an amount in respect of each Convertible Preference Share it holds equal to the issue price plus any accrued Dividend as at the date of commencement of the winding up or liquidation, in priority to the rights of ordinary shareholders.

The Convertible Preference Shares shall rank equally and without preference in all respects among themselves, but behind the claims of all secured and unsecured creditors of the Company.

Voting

The Convertible Preference Shares on offer are non-voting Convertible Preference Shares. Holders of Convertible Preference Shares may attend, but not vote at the meetings of ordinary shareholders, unless those Holders of Convertible Preference Shares are also holders of ordinary shares of the Company.

Repurchase

The Company can offer to repurchase Convertible Preference Shares in accordance with the provisions of the Companies Act and the NZSX Listing Rules.

Other Terms of the Offer

The above is a simplified and general description of some of the rights and obligations of Convertible Preference Shareholders. The full Terms of the Convertible Preference Shares are set out in the Prospectus.

The full terms of the Offer and the Convertible Preference Shares, except those rights and obligations implied by law, are set out in the Prospectus and the Company's Constitution. The Constitution of the Company is available for public inspection at the Company's registered office at Level 4, 187 Broadway, Newmarket, Auckland, free of charge, during normal business hours.

WHO IS INVOLVED IN PROVIDING IT FOR ME?**The Issuer**

Cynotech Holdings Limited (Company Number 1029618) is the Issuer of the Convertible Preference Shares. The Company was incorporated on 13 April 2000 under the Companies Act. The Company has its registered office at Level 4, 187 Broadway, Newmarket, Auckland, and the Company and its Directors can be contacted at that address.

The Business Activities of the Company

Cynotech Holdings Limited was incorporated on 13 April 2000 as ROCOM Wireless Limited. The principal activities of the Company since its incorporation, directly and through its subsidiaries, has been commercial and consumer financing, merchant banking, manufacturing and satellite communications.

The Company owns 100% of the following subsidiaries either directly or indirectly:

- Cynotech Finance Group Limited
- Budget Loans Limited (wholly owned by Cynotech Finance Group Limited)
- Broadway Mortgage Custodians Limited
- Cynotech Corporation Limited
- Snowdon Limited
- Cynotech Systems Limited

Cynotech Finance Group Limited

The Company through its subsidiary Cynotech Finance Group Limited has established a high level of expertise and specialist knowledge in the commercial, mortgage and consumer finance sector. This expertise enables the Company to consider and evaluate a wide range of loan proposals and assess the potential risk versus return characteristics of each lending proposal.

Cynotech Finance Group Limited (Company Number 533131) is a finance company providing loans to commercial and private borrowers primarily through its subsidiary Budget Loans Limited. As at 31 December 2006 Cynotech Finance Group had net receivables from customers of \$11.275 million spread over 1,772 loans representing an average transaction size of \$6,363. This represents a broad spread of risk on account of the large number of transactions and the average repayment term of approximately 36 months. Cynotech Finance Group is planning to grow further in 2008 and increase the size of its loan book.

Budget Loans Limited

Budget Loans Limited (Company Number 1539778) acts as the main lending arm for Cynotech Holdings Limited (and the subsidiary Cynotech Finance Group Limited) and offers lending to commercial clients as well as the general public. Budget Loans Limited has been operating since 3 August 2004 and has built a solid reputation in the commercial and consumer market.

Commercial and Business Lending

Commercial loans generally have an upper limit of \$250,000. Larger loans may from time to time be approved subject to credit criteria. Business and commercial loans are primarily secured by way of first or second mortgages or caveats, frequently over a number of properties. In addition vehicle security is obtained when possible, and a security is registered over all present and after acquired property (PAAP). All loans greater than \$100,000 are submitted to the Board of Directors for approval.

Personal Lending

Generally personal advances range from \$500 to \$20,000 (a minimum loan amount of \$3000 applies for new applicants) and loans are frequently secured against vehicles less than 10 years old, and/or houses by way of caveat or second mortgage and a security registered over all present and after acquired property (PAAP).

Target Market

Budget Loans Limited lends primarily to consumers and businesses, based throughout New Zealand, who may not be successful obtaining finance directly through their banks or other first tier lenders. These customers may be classified as 'second tier' borrowers, for a variety of reasons including lower income or impaired credit. To manage the risks involved, Budget Loans Limited requires full security (except in rare or exceptional circumstances) and in some instances a guarantor may be required.

Other Finance Activities

Budget Loans Limited purchased the receivables of National Finance 2000 Limited (In Receivership) in December 2006 and operates a specialist collections team to manage the National Finance portfolio.

Broadway Mortgage Custodians Limited

Broadway Mortgage Custodians Limited is a recently established company, which provides short-term first mortgage solutions to borrowers. Broadway Mortgage Custodians Limited was incorporated on 5 September 2007 and has a solid plan for growth throughout 2008.

Cynotech Corporation Limited

Cynotech Corporation Limited operates as a deal-driven business advisory and specialises in merchant banking and other financial services to businesses and corporate clients, for which it receives fee income. These services may be provided in conjunction with the Company, or a subsidiary of the Company, providing finance for a particular lending transaction, however there are often transactions where the Group receives advisory or management fees although it is not providing funding for the transaction. The Company is able to draw upon the expertise and skills of its executive and management team to provide these services. Earnings made from advisory and management services are variable in nature and can fluctuate, as the amount of fees charged for specific transactions will depend on the requirement.

Snowdon Limited

Snowdon Limited is a Hamilton based manufacturer in the food industry specialising in the manufacture and wholesaling of ice cream cones and other specialty cone and confectionery products. Snowdon currently supplies approximately 70% of the New Zealand market with ice cream cones. Snowdon makes several types of cones for supply to all major supermarkets, convenience stores and provides wholesale cones to leading food service operators, as well as supplying specialist cones for select customers under private labels. Snowdon was previously known as Merlin Foods Limited and prior to that was incorporated as Beta Foods (NZ) Limited.

Cynotech Systems Limited

Cynotech Satellite manages the sale and rental of Satellite Phones and associated equipment to private individuals, businesses and government organisations. The Company has arrangements with global networks and has access to satellites in orbit around the world. Cynotech Systems Limited manages the satellite business for an outside investor. The satellite business reports steady profits, from which the Company recovers a management fee and variable rate of interest.

HOW MUCH DO I PAY?

Each shareholder's Entitlement will be 1 Convertible Preference Share for every 5 ordinary shares. The Convertible Preference Shares are being offered at an Issue Price of \$0.20 per Convertible Preference Share. The minimum subscription per shareholder will be for 2,000 Convertible Preference Shares (being a minimum subscription amount of \$400). If any shareholder's Entitlement is less than 2,000 Convertible Preference Shares, then that Entitlement will be automatically increased to 2,000 Convertible Preference Shares. Except for the automatic increase in entitlements to a minimum subscription amount, fractional entitlements have been ignored.

Individual shareholder's Entitlement will be recorded in the Letter of Entitlement, which will be distributed with the Investment Statement. Shareholders may wish to subscribe for more than the number of Convertible Preference Shares offered in the Letter of Entitlement. To subscribe for more than the Entitlement offered, Applicants should complete the option to subscribe for additional Convertible Preference Shares in the Acceptance of Entitlement and include the payment for the additional Convertible Preference Shares. Shareholders may subscribe for additional Convertible Preference Shares at the Issue Price of \$0.20 per Convertible Preference Share.

The Issue of additional Convertible Preference Shares is at the sole discretion of the Company and, if applications are received for greater than 30 million Convertible Preference Shares, will be issued pro rata to Applicants' existing holdings of ordinary shares (at a date determined by the Board) to the greatest extent possible. If the Issue of additional Convertible Preference Shares is not accepted (in whole or in part) by the Company, the payment received for the additional Convertible Preference Shares which are not accepted will be refunded to the Applicant within 5 business days. The Company reserves the right to refuse all or any part of an Acceptance of Entitlement without giving a reason. No interest will be payable on subscriptions for additional Convertible Preference Shares that are not accepted.

Acceptance of the Entitlement (including oversubscriptions) cannot be revoked or withdrawn by the Applicant.

Acceptance of Entitlement should be returned to Cynotech Holdings Limited with payment at the below address:

Cynotech Holdings Limited
P O Box 9846
Newmarket
Auckland 1023

Level 4
National Bank Building
187 Broadway
Newmarket
Auckland

Cheques should be made payable to “Cynotech Holdings Limited”, be crossed “Not Transferable” and must not be post-dated.

If a cheque is dishonoured, the Company may refuse to issue any Convertible Preference Shares to the relevant Applicant, cancel any Convertible Preference Shares allotted to the Applicant or pursue any other remedies available to it by law.

The Company may, at its discretion, treat any Acceptance of Entitlement as valid even if it does not comply with the requirements above or is otherwise irregular. Acceptance of Entitlement may be treated by the Company as a valid Acceptance of Entitlement whether or not it is received before 5.00pm on the Closing Date. By signing the Acceptance of Entitlement, an Applicant irrevocably offers to subscribe for the Convertible Preference Shares on the terms set out in this Investment Statement and the Prospectus including, without limitation, the Terms and Conditions notwithstanding any changes to the Closing Date or other dates the Company is entitled to change. The Company has the right to vary the Opening Date and the Closing Date on giving written notice to NZX.

The Company, at its sole discretion, may accept oversubscriptions. In the event of oversubscriptions, the Issue of the oversubscriptions would be scaled on a pro-rata basis. The Company will advise successful Applicants of the allotment of Convertible Preference Shares as soon as practicable after allotment, but not later than five Business Days after the Closing Date. **Applicants selling Convertible Preference Shares before receiving confirmation of allotment in the form of receipt of a holding statement do so at their own risk.**

WHAT ARE THE CHARGES?

Applicants are not required to pay any charges to the Company, other than the issue Price of \$0.20 for each Convertible Preference Share allotted to them under the Offer.

No Brokerage is payable by any subscriber for Convertible Preference Shares under the Offer, although brokerage may be payable if Convertible Preference Shares are bought or sold on the NZSX.

Issue expenses (including share registry expenses, legal fees, accounting fees and printing and postage costs related to the Offer) will be payable by the Company. Those expenses are estimated to be approximately \$57,000.

The information set out in this section should be read in conjunction with the information set out under the heading “What are my risks?” on pages 6 to 8 of this Investment Statement. Certain events could reduce or eliminate the returns intended to be gained from holding the Convertible Preference Shares.

WHAT RETURNS WILL I GET?

The returns to Convertible Preference Shareholders comprise of a Dividend on the Convertible Preference Shares held and any capital appreciation realised on a repurchase or sale of those Convertible Preference Shares or on conversion of the Convertible Preference Shares to ordinary shares.

Cynotech Holdings Limited is legally liable to pay the Dividend on the Convertible Preference Shares.

The key factors that will determine the returns to Convertible Preference Shareholders are:

- the Dividend Rate payable;
- if Convertible Preference Shareholders choose to sell their Convertible Preference Shares, the effect that market dividend rates and credit spreads and other factors may have on the price at which Convertible Preference Shares may be sold; and
- each Convertible Preference Shareholder’s individual circumstances for tax purposes.

Nothing contained in this Investment Statement should be interpreted as a promise of profitability and Cynotech Holdings Limited does not give any guarantee or promise as to the return of capital or the payment of any returns in relation to the Offer of the Convertible Preference Shares (other than the payment of the Dividend).

First Dividend Rate

From (and including) the date the Application moneys for any Convertible Preference Shares are banked until (but excluding) the First Dividend Reset Date (1 March 2008), Dividends will be calculated at the First Dividend Rate. The First Dividend Rate has been set at 12.375% per annum.

Subsequent Dividend Rate

Subsequent dividend rates are variable and will be set at the equivalent to 50% above the Reserve Bank of New Zealand Official Cash Rate. The Dividend Rate will be reset quarterly, to apply on the ensuing quarter, on 1 March, 1 June, 1 September and 1 December.

The terms of the Offer include a right for the Company to increase or decrease the Dividend Rate to such greater or lesser rate in response to the increase or decrease in the Reserve Bank of New Zealand Official Cash Rate. Any increase or decrease would apply to all Convertible Preference Shares allotted.

Dividend Payment Dates

The First Dividend Payment Date is 29 February 2008. The first Dividend payment will be calculated on a daily basis in respect of the period from (and including) the date the Application moneys for the relevant Convertible Preference Shares are banked until (but excluding) the First Dividend Payment Date. Dividend payments will be made to the Convertible Preference Shareholder on the Register as at the Record Date, being the day which is 3 business days prior to the relevant Dividend Payment Date or such other date required by the NZSX Listing Rules.

Sale of Convertible Preference Shares

The Entitlement to ordinary shareholders is non-renounceable, however Convertible Preference Shareholders are entitled to sell their Convertible Preference Shares at any time after allotment subject to applicable securities laws and regulations and the Terms of the Offer and the Constitution of Cynotech Holdings Limited. For further information, refer to the description under the heading "How do I cash in my investment?" on page 9 of this Investment Statement.

If a Convertible Preference Shareholder sells Convertible Preference Shares to a third party, the Convertible Preference Shareholder may realise a gain if the sale price exceeds the Issue Price, or alternatively, may realise a loss if the sale price is less than the Issue Price.

The price of Convertible Preference Shares may rise or fall due to numerous factors which may affect the performance of the Group, including:

- general economic conditions, including dividend rates and inflation rates;
- variations in the local and global markets for listed stocks;
- changes to government policy, legislation or regulation;
- the nature of competition in the industries in which the Company operates; and
- general operational and business risks relevant to the Group (refer to the risks set out under the heading 'What are my risks?' on pages 6 to 8).

It is possible that the market performance of the Convertible Preference Shares may be adversely affected by any such market fluctuations or factors. Cynotech Holdings Limited and its Directors, nor any other person guarantees the performance of the Convertible Preference Shares.

If you sell any of your Convertible Preference Shares, the purchaser of those Convertible Preference Shares will be the person legally liable to pay you the purchase price of those Convertible Preference Shares.

Resident Withholding Tax

Dividends paid to New Zealand residents are subject to Resident Withholding Tax (RWT). The Company will be required to withhold RWT from Dividend payments at the rate of 33%, unless Convertible Preference Shareholders have provided a certificate of exemption from RWT to the Company before the Dividend is due to be paid. Convertible Preference Shareholders that are required to file an annual return of income will be required to include the full amount of the Dividend in an income tax return or income statement.

The New Zealand tax system does not currently contain a capital gains tax. Consequently, where the disposal of Convertible Preference Shares does not form part of a person's business, gains derived from the disposal of Convertible Preference Shares will generally not be subject to New Zealand income tax. However, there are exceptions to this where the Convertible Preference Shares were purchased for the purpose of resale or if the Convertible Preference Shares were acquired as part of a profit making undertaking or scheme. For information regarding Tax, Investors should refer to the Inland Revenue Department or their tax advisor.

The above comments and descriptions regarding Resident Withholding Tax above are of a general nature only. They do not constitute tax or legal advice. Any person considering applying for Convertible Preference Shares under the Offer should consult the Inland Revenue Department or their own tax adviser concerning the taxation implications of investing in, or disposing of, Convertible Preference Shares.

WHAT ARE MY RISKS?

There can be no guarantee that an active market in the Convertible Preference Shares will develop or that the price of the Convertible Preference Shares will increase. There may be few or many potential buyers or sellers of the Convertible Preference Shares on the NZSX at any time. This may increase the volatility of the market price of the Convertible Preference Shares and affect the prevailing market price at which Convertible Preference Shareholders are able to sell their Convertible Preference Shares. This may result in Convertible Preference Shareholders receiving a market price for their Convertible Preference Shares that is more or less than the Issue Price.

The principal factors which may, either individually or in combination, affect the future performance of the Company, and the ability of the Company to pay Dividends on the Convertible Preference Shares, are set out in this section of this Investment Statement.

The summary of risks presented is not exhaustive and this Investment Statement does not take account of the financial position, investment requirements or personal circumstances of any potential investor. Therefore it is extremely important that investors give consideration to the suitability of an investment in the Convertible Preference Shares before making any investment decision. Potential investors should read this Investment Statement in its entirety and consult their share broker, accountant or other professional adviser before deciding whether to apply for Convertible Preference Shares.

The principal risks for Convertible Preference Shareholders are that:

- i. they may not receive timely, or any, Dividend payments on the Convertible Preference Shares; or
- ii. they may be unable to recoup their original investment amount.

This could happen for a number of reasons, including if:

- i. the Company becomes insolvent;
- ii. the price at which Convertible Preference Shareholders are able to sell their Convertible Preference Shares is less than the price they have paid for them due to dividend rate movements, credit spread movements, supply and demand, the market, or for other reasons;
- iii. Convertible Preference Shareholders are unable to sell their Convertible Preference Shares at all due to lack of demand.

Risks associated with Cynotech Holdings Limited

The principal risk for any investor in the Company is that they may not receive the full amount, or any, of their investment or returns if Cynotech Holdings Limited or any other member of the Group becomes insolvent for any reason. This could occur in the event that:

- a significant number of loans advanced by the Company or its subsidiaries are not repaid; or
- the security taken for those loans proves to be inadequate and the Company is unable to recover them in full from the borrower(s); or
- the value of the Company's other assets decrease and those assets are unable to be realised at their book value; or
- the Company, because of the above reasons or otherwise is unable to meet its debts and obligations as they fall due.

All types of investments involve an element of risk. Cynotech Holdings and its subsidiaries are subject to various risks beyond the control of the Group, which could have an adverse effect on investors. Risk management is a key operational activity monitored at all levels within the Company. The Company employs skilled and experienced professionals, who monitor risk in a disciplined, focused manner in order to mitigate the Company's risks. However, Investors are reminded that risk can never be eliminated despite these practices.

The main risks faced by Cynotech Holdings Limited and its subsidiaries can be summarised as follows.

Lending Risk

Cynotech Holdings Limited is not a finance company in its own right. However, it is Parent Company to Cynotech Finance Group Limited and its subsidiary Budget Loans Limited. The core business of Cynotech Finance Group is personal and commercial financing. It uses shareholders funds and private funds to lend to its borrowing customers, directly and also through its subsidiary Budget Loans Limited. Primarily the money is lent to finance assets such as vehicles, private property purchases and purchase of commercial property and equipment. Finance is secured against vehicles (required to be less than 10 years old) and/or secured against property (generally to a total maximum loan to value ratio [LVR] of 80%), commonly as a second mortgage or caveat. Currently unsecured lending is not offered to its customers except in very rare, exceptional circumstances.

Generally customers of Cynotech Finance Group and Budget Loans cover a wide spectrum of backgrounds, but are often more concentrated to the middle and lower income brackets. These customers may have had issues gaining finance through trading banks due to impaired credit, low income or because they are requiring faster, more personal service. Therefore this exposes the Company to such risks as:

- customers, particularly those on lesser incomes, could fail to pay on the due date;
- the Company could be unsuccessful in recovering repayment of the loan, or part of the loan, through its credit recovery programme;
- the value of the security item/s used to secure the borrowings may not be sufficient to repay amounts owing to the Company, due to depreciation;
- other creditors may rank ahead of the Company with regard to sale of secured properties;
- there could be an inability of any guarantor to repay the loan or an insufficiency of the guarantor's assets to meet the obligations of the debtor/s to the Company.

If this occurred in relation to a significant proportion of loans, the Company may become insolvent as a result.

The above risks associated with the finance company operation are mitigated as follows:

- senior personnel and managers have extensive experience in finance lending and carefully manage staff development and training;
- the Company utilises sound and efficient computer technology and other operating systems;
- the Company operates a margin risk and cash flow policy that anticipates certain levels of default, having regard to the Company's customer profile;
- as soon as customers fall into arrears with loans they are contacted and the loan is then carefully managed with a view to regular payments being reinstated as quickly as possible;
- where payments are not reinstated, credit recovery programmes are implemented and, if necessary, security for the loan is sold and debt collection through the Courts is pursued;
- the Company maintains a highly capable credit control and collections team;
- all assets used as security are required to be fully insured with the Company listed as an interested party.

Broadway Mortgage Custodians Limited is a subsidiary of Cynotech Holdings Limited specialising in first mortgage advances. Risks associated with first mortgage lending generally relate to the fact that property values may slump and there may not be sufficient equity in the property to provide for full repayment of the mortgage amount. The Group mitigates this risk by lending only up to a conservative maximum percentage against the valuation of each individual property (generally up to a maximum of 70% of valuation). Also, Broadway Mortgage Custodians Limited generally lends up to a maximum of \$300,000 to any one client.

Group and Industry Risks

Part of the business conducted by the Company is the manufacture of ice-cream cones through its subsidiary, Snowdon Limited.

Risks in the manufacturing sector in which the Company operates include:

- Loss of key customers;
- Changes in consumer tastes and preferences;
- Failure of Snowdon to adapt their sales and business plans for new opportunities in the sector in which it operates;
- Competitors introducing superior food products and solutions;
- Although insurance cover is held, material damage or destruction of the Snowdon manufacturing equipment or factory could have a negative impact on its ability to carry on business;
- Loss of key personnel: Like any business, Snowdon currently relies on the skills and energies of a relatively small number of people. Loss of staff members could impact the business until adequate replacement staff can be hired.

Other risks associated with Cynotech Holdings' business operations are:

- The failure of, or the inability to connect to, the international satellite network;
- Loss of key clients;
- Changes in consumer demand;
- Failure of Group companies to adapt their sales force and business plans for new opportunities in the sectors in which they operate;
- Competitors introducing superior products and solutions;
- Possible disputes over rights to intellectual property used by Group companies;
- Although insurance cover is held, material damage or destruction of the Company's premises could have a negative impact on the Company's ability to continue business;
- Loss of key personnel: the Company and its subsidiaries currently rely on the skills and experience of a number of people. Loss of these key people could impact the business until adequate replacements are found. The Board has moved to mitigate this risk by bringing together a diverse group of executives and an experienced and motivated senior management team.

Concentration Risk

Concentration risk is the risk that there is a dependence on any one industry asset class or geography to the extent that could affect the performance of the Group. Cynotech Holdings Limited mitigates this risk by continuing to diversify its finance and mortgage portfolio, concentrating on continuing to spread risks by the type of receivables and geographically.

Liquidity Risk

Liquidity risk is the risk that the Group will not have sufficient cash to meet its obligations as they fall due. This risk requires the Company to manage cash, bank deposits and credit facilities to ensure the Group has enough cash liquidity to meet its obligations. This risk is mitigated by active monitoring of the accounts by the senior management team.

Further Securities

Cynotech Holdings may from time to time issue further Convertible Preference Shares or other securities which rank equally with, or ahead of, the Convertible Preference Shares. Further securities may differ in their terms from the Convertible Preference Shares, including in respect of, amongst other things, the dividend payment dates, market rate, margin and redemption. The Company may issue further shares which rank equally with, or behind, the Convertible Preference Shares without the consent of Convertible Preference Shareholders. The Company's ability to issue shares is subject to the requirements of Listing Rule 7.3.1(a) which requires that any issue of equity securities be approved by separate resolution of holders of each class of quoted equity securities whose rights or entitlements could be affected by the issue.

Absence of market

There can be no assurance that an active trading market will develop for the Convertible Preference Shares or that they will trade in the public market subsequent to the Offer at or above the Issue Price.

The market price of Convertible Preference Shares may be volatile. Factors such as those discussed in this section, general trends in dividend rates and exchange rates, New Zealand and international debt and equity markets and the New Zealand and international economies could cause the market price of Convertible Preference Shares to fluctuate. Such fluctuations may have a material adverse effect on the market price of Convertible Preference Shares.

Insolvency

If the Company becomes insolvent, Investors will have no additional liability to the Company in relation to the Convertible Preference Shares and will not be required to pay any more money on the Convertible Preference Shares. If a Dividend was paid on the Convertible Preference Shares when the Company was insolvent, an Investor will not be required to repay that Dividend if it was received in good faith and without knowledge of the Company's insolvency.

In the event of the insolvency of the Company, Convertible Preference Shareholders would not receive any payment in respect of their Convertible Preference Shares until the Company has paid all of its creditors (both secured and unsecured), all statutorily preferred claims (such as claims of employees and the Inland Revenue Department) and until the costs of liquidation or receivership have been met in full.

CAN THE INVESTMENT BE ALTERED?

The terms of the Offer are summarised in this Investment Statement and fully outlined in the Prospectus. The terms may be altered by an amendment to the Prospectus by the Company. Details of any such amendment must be filed with the Companies Office.

The rights attaching to Convertible Preference Shares are governed by the Terms of the Convertible Preference Shares and the terms of the Constitution of Cynotech Holdings Limited and the Companies Act.

Under the Terms of the Convertible Preference Shares, the rights, privileges, limitations and conditions attaching to the Convertible Preference Shares may be amended with the approval of the Board and a Special Resolution of Convertible Preference Shareholders passed at a meeting convened by the Board. The Terms may not be amended without the approval of the Board.

Subject to complying with applicable laws, the Board may without the authority, assent or approval of the Convertible Preference Shareholders amend the rights, privileges, limitations and conditions attaching to the Convertible Preference Shares if such amendment is in the opinion of the Board in good faith:

- (a) of a formal, minor or technical nature; or
- (b) made to correct an error; or
- (c) not likely to be materially prejudicial to the dividend of the Convertible Preference Shareholders.

The Constitution may only be altered by a special resolution of holders of Cynotech Holdings' ordinary shares (subject to the rights of interested groups under the Companies Act) or in certain circumstances by Court order. Section 117 of the Companies Act restricts the Company from taking any action that affects the rights attached to the Convertible Preference Shares unless that action has been approved by a Special Resolution of those Holders whose rights are affected by the action. Under certain circumstances, a Convertible Preference Shareholder whose rights are affected by a Special Resolution may require the Company to purchase its Convertible Preference Shares.

HOW DO I CASH IN MY INVESTMENT?

Transfer

The Entitlement to the holders of the Company's ordinary shares is non-renounceable, however Convertible Preference Shareholders are entitled to sell or transfer their Convertible Preference Shares at any time after allotment subject to the Constitution of the Company and applicable securities laws and regulations. No charges are payable to the Company on such a sale, although brokerage may be payable to your broker.

Convertible Preference Shares may be transferred using a transfer document in the form prescribed by or otherwise approved by the Company or by any method to transfer securities which is not contrary to any law and which may be operated in accordance with the NZSX Listing Rules.

The Company may refuse to register a transfer if the transfer would result in less than a Minimum Holding (as detailed in the NZSX Listing Rules) of Convertible Preference Shares (being 2,000 Convertible Preference Shares as at the date of this Investment Statement) being held by the transferee. The Company may also refuse to register a transfer if it has a lien on the Convertible Preference Shares or the transferor has failed to produce such evidence as the Company or the Registrar reasonably requires to establish the transferor's right to transfer the relevant Convertible Preference Shares.

New Zealand Exchange Limited listing

The Entitlement under the Offer will not be quoted on the NZAX or NZSX, however application has been made to NZX for permission to quote the Convertible Preference Shares once allotted on the NZSX. All the requirements of NZX relating thereto that can be complied with on or before the date of this Investment Statement have been duly complied with. NZX accepts no responsibility for any statement in this Investment Statement or in the Prospectus.

To sell Convertible Preference Shares, investors should contact their usual Primary Market Participant. Subscribers should not attempt to sell Convertible Preference Shares until they know whether, and if so, how many, Convertible Preference Shares have been allotted to them. The Company nor any of its Directors, employees or any other person accepts any liability or responsibility should any subscriber for Convertible Preference Shares attempt to sell or otherwise deal with Convertible Preference Shares before receiving a statement recording the number of Convertible Preference Shares allotted to them.

WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

Enquiries regarding the Convertible Preference Shares should be directed to the Group Funding Manager or Link Market Services as follows:

Cynotech Holdings Limited
Level 4
National Bank Building
187 Broadway
Newmarket
Auckland

P O Box 9846
Newmarket
Auckland

E Mail: finance@cynotech.co.nz
www.cynotech.co.nz

Ph: 0800 990 880
Fax: (09) 912 2142

or

Link Market Services
P O Box 314
Ashburton

Ph: (03) 308 8887
Fax: (03) 308 1311

IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

Complaints regarding the Convertible Preference Shares should be directed to the Group Funding Manager, as follows:

Cynotech Holdings Limited
Level 4
National Bank Building
187 Broadway
Newmarket
Auckland

P O Box 9846
Newmarket
Auckland 1023

E Mail: finance@cynotech.co.nz
www.cynotech.co.nz

Ph: 0800 990 880
Fax: (09) 912 2142

There is no ombudsman to whom complaints can be made.

WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

You can obtain copies of:

- The Short Form Prospectus for this issue of Convertible Preference Shares;
- The audited financial statements of the Company for the financial year ended 31 December 2004, 31 December 2005 and 31 December 2006 together with a copy of the Audit Report relating to those accounts that complies with section 16 of the Financial Reporting Act 1993; and
- The Annual Reports of the Company for the accounting periods since the date of its incorporation on 13 April 2000 to 31 December 2006; and
- The unaudited Mid-Year Report of the Company dated 30 June 2007; and
- Any other public document relating to the Company.

All of the above can be obtained free of charge from the registered office of the Company at Level 4, 187 Broadway, Newmarket, Auckland during business hours; or on request in writing to the Group Funding Manager at PO Box 9846, Newmarket, Auckland 1023; or on the Company's website address **www.cynotech.co.nz**.

Other Information

This Investment Statement and the Company's Constitution are filed on a public register at the office of the Registrar of Companies, Ministry of Economic Development, and are available for public inspection on the Companies Office's electronic register at **www.companies.govt.nz**. The Companies Office may charge a fee for this service. These documents are also available to be inspected without charge at the registered office of the Company specified above.

The Prospectus is also available on the Company's website **www.cynotech.co.nz**. Further information about the Company, its activities and products can also be found on the Company's website.

The Company makes available to shareholders an annual and half-year report on the activities of the Company in accordance with requirements of the Companies Act 1993 and the NZSX Listing Rules.

The Company is required upon request by any Holder of Convertible Preference Shares or any other type of shares, to send that Holder the most recent annual report of the Company, the most recent published financial statements of the Company and the most recent Prospectus and Investment Statement relating to shares in the Company. A request for copies of any of those documents, and any other information that the Company is required by statute or the NZSX Listing Rules to make available, can be made to the Company – the Company's contact details are listed above under the heading "Who do I contact with enquiries about my investment?" No charge is made for the provision of those documents.

Cynotech Holdings Ltd

Investment Statement
For the Offer of Convertible Preference Shares

www.cynotech.co.nz