

**PRELIMINARY HALF YEAR YEAR REPORT ANNOUNCEMENT**

**CYNOTECH HOLDINGS LIMITED**

(Name of Listed Issuer)

**For Half Year Ended**

30th June 2005

(referred to in this report as the "current half year")

Preliminary half year report on consolidated results (including the results for the previous corresponding half year) in accordance with Listing Rule 10.4.2.

This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on unaudited financial statements

The Listed Issuer **does not have** a formally constituted Audit Committee of the Board of Directors.

1 CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE	*Consolidated Statement Financial Performance		
	Current half year \$NZ'000	*Up/Down %	Previous corresponding half year \$NZ'000
<b>1.1 OPERATING REVENUE</b>			
(a) Trading Revenue	1,519	38.0%	1,101
(b) Other Revenue	21	100.0%	
(c) Total Operating Revenue	1,540	40.0%	1,101
<b>1.2 OPERATING SURPLUS BEFORE TAXATION</b>	58	105.9%	(979)
(a) Less taxation on operating result			
<b>1.3 OPERATING (DEFICIT) AFTER TAX</b>	58	105.9%	(979)
(a) Extraordinary Items after Tax [detail in Item 3]	384	100%	
(b) Unrealised net change in value of investment properties			
<b>1.4 NET SURPLUS FOR THE PERIOD</b>	442	145.1%	(979)
(a) Net *Surplus (Deficit) attributable to minority interests			
<b>1.5 NET SURPLUS ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER</b>	442	145.1%	(979)

2 DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/ EXPENSES FOR HALF YEAR	*Consolidated Statement of Financial Performance	
	Current half year \$NZ'000	Previous corresponding half year \$NZ'000
<b>2.1 INCLUDED IN CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE</b>		
(a) Interest revenue included in Item 1.1(b)		
(b) # Unusual items for separate disclosure (gain/loss) (detail - Item 3)	384	
(c) Equity earnings (gain/loss) (detail - Item 16)		
(d) Interest expense included in Item 1.2 (include all forms of interest, etc)	96	41
(e) Leasing and renting expenses	76	161
(f) Depreciation	35	53
(g) Diminution in the value of assets (other than depreciation)		100
(h) Amortisation of goodwill		177
(i) Amortisation of other intangible assets		
(j) Impairment of goodwill		
(k) Impairment of other intangible assets		



5 EARNINGS PER SECURITY	Earnings Per Security	
	Current half year	Previous corresponding half year
Calculation of basic and halfy diluted, EPS in accordance with IAS33: Earnings Per Share		
(a) Basic EPS	1.18	(6.80)
(b) Diluted EPS (if materially different from (a))	0.74	(5.90)

6 MATERIAL ACQUISITIONS OF SUBSIDIARIES (See Note (VII) attached):	
(a) Name of subsidiary or group of subsidiaries	Merlin Foods Limited
(b) Percentage of ownership acquired	100%
(c) Contribution to consolidated net *Surplus (Deficit) (Item 1.4)	\$540,858.00
(d) Date from which such contribution has been calculated	18/05/2005
	\$

7 MATERIAL DISPOSALS OF SUBSIDIARIES (See Note (VII) attached)	
(a) Name of subsidiary or group of subsidiaries	
(b) Contribution to consolidated net *Surplus (Deficit) (Item 1.4)	\$
(c) Date from which such contribution has been calculated	
(d) Contribution to consolidated net *Surplus (Deficit) (Item 1.4) for the previous corresponding half year/half year	
(e) Contribution to consolidated net *Surplus (Deficit) (Item 1.4) from sale of subsidiary	\$

## 8 REPORTS FOR INDUSTRY AND GEOGRAPHICAL SEGMENTS

Information on the industry and geographical segments of the Listed Issuer is to be reported for the half year in accordance with the provisions of SSAP:23: Financial Reporting for Segments. Because of the differing nature and extent of segments among Listed Issuers, no complete proforma is provided, and the segment information should be completed separately and attached to this report. However, the following shows a suitable list of items for presentation and indicates which amounts should agree with items included elsewhere in the \*half year report:

### SEGMENTS (see separate segments sheet)

#### Industry

- Operating revenue:
  - \* Sales to customers outside the group
  - \* Intersegment sales
  - \* Unallocated revenue
- Total revenue [consolidated total equal to Item 1.1(c) above]
- Segment result
- Unallocated expenses
- Operating surplus (Deficit) after tax (Item 1.3)
- Segment assets
- Unallocated assets
- Total assets (Equal to Item 9.3)

#### Geographical

- Operating revenue:
  - \* Sales to customers outside the group
  - \* Intersegment sales
  - \* Unallocated revenue
- Total revenue [consolidated total equal to Item 1.1(c) above]
- Segment result
- Unallocated expenses
- Operating surplus (Deficit) after tax (Item 1.3)
- Segment assets
- Unallocated assets
- Total assets (Equal to Item 9.3)

(Note (VIII) attached has particular relevance for the preparation

<b>Consolidated Statement of Financial Position</b>			
	At end of current half Year \$NZ'000	As shown in	
		last Annual Report \$NZ'000	in last half yearly report \$NZ'000
<b>9 CURRENT ASSETS:</b>			
(a) Cash	1,509	105	71
(b) Trade receivables	533	183	238
(c) Finance receivables	753	640	
(d) Inventories	334		
(e) Other assets, current	166	190	54
<b>TOTAL CURRENT ASSETS</b>	<b>3,295</b>	<b>1,118</b>	<b>363</b>
<b>9.1 NON-CURRENT ASSETS</b>			
(a) Trade receivables			
(b) Finance receivables	588	298	
(c) Inventories			
(d) Property, plant and equipment	1,754	128	236
(e) Goodwill	2,241		
(f) Deferred Taxation Assets			
(g) Other Intangible Assets			
(h) Other assets, non current			
<b>9.2 TOTAL NON-CURRENT ASSETS</b>	<b>4,583</b>	<b>426</b>	<b>236</b>
<b>9.3 TOTAL ASSETS</b>	<b>7,878</b>	<b>1,544</b>	<b>599</b>
<b>9.4 CURRENT LIABILITIES</b>			
(a) Trade Creditors & accruals	1,200	279	905
(b) Income in advance, current			
(c) Secured loans			560
(d) Unsecured loans	680	328	
(e) Provisions, current		53	35
(f) Other liabilities, current		257	
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,880</b>	<b>917</b>	<b>1,500</b>
<b>9.5 NON-CURRENT LIABILITIES</b>			
(a) Accounts payable, non-current			
(b) Secured loans	1,663		
(c) Unsecured loans		300	
(d) Provisions, non-current			
(e) Deferred Taxation Liability, non-current			
(f) Other liabilities, non-current	30		74
<b>9.6 TOTAL NON-CURRENT LIABILITIES</b>	<b>1,693</b>	<b>300</b>	<b>74</b>
<b>9.7 TOTAL LIABILITIES</b>	<b>3,573</b>	<b>1,217</b>	<b>1,574</b>
<b>9.8 NET ASSETS</b>	<b>4,305</b>	<b>327</b>	<b>(975)</b>
<b>9.9 SHAREHOLDERS' EQUITY</b>			
(a) Share capital (optional)	11,192	6,921	6,581
(b) Reserves (optional) (i) Revaluation reserve Convertible notes	500	1,241	
(c) Retained Surplus (accumulated Deficit) (optional)	(7,387)	(7,833)	(7,556)
<b>9.10 SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER</b>	<b>4,305</b>	<b>327</b>	<b>(975)</b>
(a) Minority equity interests in subsidiaries			
<b>9.11 TOTAL SHAREHOLDERS' EQUITY</b>	<b>4,305</b>	<b>327</b>	<b>(975)</b>
(a) Returns on Assets (%) (EBIT divided by Total Assets)	2%	-69%	-157%
(b) Return on Equity (%) (Net Income divided by Shareholders' Equity)	10%	-382%	-100%
(c) Debt to Equity Ratio (%) (Total Liabilities divided by Shareholders' Equity)	83%	-372%	-161%

	<b>Consolidated Statement of cashflows for half year</b>	
	Current half year \$NZ'000	Corresponding half year \$NZ'000
<small>(See Note (IX) attached )</small>		
<b>10 CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>		
(a) Receipts from customers	1,618	1,048
(b) Interest received	112	
(c) Dividends received		
(d) Payments to suppliers and employees	(1,771)	(1,305)
(e) Interest paid	(96)	(28)
(f) Income taxes paid		
(g) Other cash flows relating to operating activities		
<b>NET OPERATING FLOWS</b>	<b>(137)</b>	<b>(285)</b>

<small>(See Note (IX) attached )</small>		
<b>11 CASH FLOWS RELATING TO INVESTING ACTIVITIES</b>		
(a) Cash proceeds from sale of property, plant and equipment	1,706	
(b) Cash proceeds from sale of equity investments		
(c) Loans repaid by other entities		
(d) Cash paid for purchases of property, plant and equipment	(3,996)	(9)
(e) Interest paid - capitalised		
(f) Cash paid for purchases of equity investments		
(g) Loans to other entities	(383)	
(h) Other cash flows relating to investing activities		
<b>NET INVESTING CASH FLOWS</b>	<b>(2,673)</b>	<b>(9)</b>

<small>(See Note (IX) attached )</small>		
<b>12 CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>		
(a) Cash proceeds from issue of shares, options, etc.	3,500	
(b) Borrowings and convertible notes	2,140	350
(c) Repayment of borrowings	(1,426)	
(d) Dividends paid		
(e) Other cash flows relating to financing		(25)
<b>NET FINANCING CASH FLOWS</b>	<b>4,214</b>	<b>325</b>

<small>(See Note (IX) attached )</small>		
<b>13 NET INCREASE (DECREASE IN CASH HELD)</b>		
(a) Cash at beginning of half year	105	40
(b) Exchange rate adjustments to Item 12.3(a) above		
<b>(c) CASH AT END OF YEAR</b>	<b>1,509</b>	<b>71</b>

**14 NON-CASH FINANCING AND INVESTING ACTIVITIES**

.....  
 .....  
 .....  
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	Current half Year NZ\$'000	Previous Corresponding half year NZ\$'000
	<b>15 RECONCILIATION OF CASH</b>	
For the purposes of the above Statement of cash flows, cash includes:		
.....		
.....		
Cash at the end of the half year as shown in the statement of cash flows is reconciled to the related items in the financial statements as follows:		
Cash on hand and at bank	1,509	56
Deposits at call		
Bank overdraft		
Other (investment account)		15
<b>Total = Cash at End of year (Item 13(c) above)</b>	<b>1,509</b>	<b>71</b>

**16 EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES**

**16.1 GROUP SHARE OF RESULTS OF ASSOCIATES**

- (a) **OPERATING \*SURPLUS (DEFICIT) BEFORE TAX**
- (b) Less tax
- (c) **OPERATING \*SURPLUS (DEFICIT) AFTER TAX**
  - (i) Extraordinary items
- (d) **NET \*SURPLUS (DEFICIT) AND EXTRAORDINARY ITEMS AFTER TAX**

<b>Equity Earnings</b>	
Current half year \$NZ'000	Previous corresponding half year \$NZ'000

**16.2 MATERIAL INTERESTS IN CORPORATIONS NOT BEING SUBSIDIARIES**

- (a) The group has a material (from group's viewpoint) interest in the following corporations:

Name	Percentage of ordinary shares held at end of half Year		Contribution to net *surplus (deficit) (Item 1.5)	
	Current half Year	Previous Corresponding half Year	Current half Year NZ\$'000	Previous Corresponding half Year NZ\$'000
<b>Equity Accounted Associates</b>			<i>Equity Accounted in current year</i>	
<b>Other Material Interests</b>			<i>Not Equity Accounted in current year</i>	

- (b) Investments in Associates

Carrying value of investments in associates beginning of half year/  
half year

Share of changes in associates' post acquisition surpluses/and reserves:

- Retained surplus
- Reserves

Net goodwill amortisation and impairment adjustments in the period

Less Dividends received in the period

Equity carrying value of investments at the end of half year/half year

Amount of goodwill included in carrying value at end of that half year/half year

Current half Year \$NZ'000	Previous Corresponding half year \$NZ'000

**17 ISSUED AND QUOTED SECURITIES AT END OF CURRENT HALF YEAR**

Category of Securities	Issued	Number	Quoted	Number	Paid-Up Value (If not fully paid)
				Cents	
<b>PREFERENCE SHARES:</b>					
Issued during current half year					
<b>ORDINARY SHARES:</b>					
Ordinary shares in issue		58,260,808		14,312,980	
Issued during current year		30,585,420			
<b>CONVERTIBLE NOTES</b>					
UnSecured Convertible notes		10,000,000		443,333	
Converted during current year		-8,610,572			
<b>OPTIONS:</b>					
	Issued		Quoted	Exercise Price	Expiry Date
<b>DEBENTURES - Totals only:</b>					
				\$	
<b>UNSECURED NOTES - Totals only:</b>					
				\$	
<b>OTHER SECURITIES - Warrants</b>					
		34,130,404		\$	

**18 COMMENTS BY DIRECTORS**

If no report in any section, state NIL. If insufficient space below, provide details in the form of notes to be attached to this report.

- (a) Material factors affecting the revenues and expenses of the group for the current year

nil

- (b) Significant trends or events since end of current year

nil

- (c) Changes in accounting policies since last Annual Report and/or last Half Yearly to be disclosed

Provision made for the impairment and write down of current and fixed assets following a review of the balance sheet.

nil

- (d) Critical Accounting Policies - Management believes the following to be critical accounting policies. That is they are both important to the portrayal of the Issuer's financial condition and results, as they require management to make judgments and estimates about matters that they are inherently uncertain

Nil

- (e) Management's discussion and analysis of financial condition, result and/or operations (optional) - this section should contain forward looking statements that should outline where these involve risk and uncertainty

- (f) Other comments

nil

**19 DIVIDEND**

- (a) Dividend Yield as at balance date (%) (Annual dividend per share divided by price per share)  
.....
- (b) Tax Adjusted Dividend Yield as at balance date (%) (Annual net dividend per share divided by price per share)  
.....

**20 ANNUAL MEETING (if full year report)**

- (a) .....
- (b) Date 27th July 2005 Time .....
- (c) Resolution of the Board of Directors .....

If this half year report was approved by resolution of the Board of Directors, please indicate date of meeting:

Allan Hawlins Chairman  
.....  
(signed by) Authorised Officer of Listed Issuer

27th July 2005  
.....  
(date)