

19th October 2007

NZAX release from Cynotech Holdings Limited

The Directors of Cynotech Holdings Limited propose to call a special meeting of Shareholders to consider proposals for the forward development of the Cynotech Group.

The meeting date is scheduled for 26th November 2007 and the firm date will be confirmed as soon as the necessary Stock Exchange approvals are received.

The proposals to be put to shareholders assume the continued strong expansion of the Group with a particular objective being to take account of opportunities which are developing in the finance company sector.

Cynotech does not borrow from the public and does not have a debenture prospectus on issue and is fortunate not to be caught up in the problems currently facing the finance industry in general.

The following matters will be put to the Shareholders for resolution at the special meeting.

CONVERTIBLE PREFERENCE SHARES

We propose to have a rights issue to allow all shareholders to participate in an issue of Convertible Preference shares in Cynotech.

- Convertible Preference shares will be issued to existing ordinary shareholders on a 1:5 basis and at an issue price of 20 cents per Convertible Preference share.
- We will be applying for Stock Exchange listing for these Convertible Preference shares.
- The Convertible Preference shares will be issued with an excellent yield based on 50% over the Reserve Bank of NZ Official Cash Rate. (OCR)
- The initial yield on the Convertible Preference shares will be 12.375% p.a.
- Dividends will be paid on a regular basis, either monthly or quarterly.
- Convertible Preference shares will be an excellent income security and we are pleased to have this opportunity to allow shareholders to participate and benefit at this high market yield.
- The Convertible Preference shares can be exchanged for ordinary shares at any time during the next 3 years on the basis of one ordinary share for each Convertible Preference share.

PERPETUAL PREFERENCE SHARES

We propose to ask for shareholder approval for the issue of a new class of security for Cynotech, Perpetual Preference shares to be used as a funding mechanism to expand finance operations.

- We will ask shareholders for approval to issue up to a total of 300 million Perpetual Preference shares.
- The purpose of this issue is so that the Directors have available Perpetual Preference shares to be issued in the future.
- These Perpetual Preference shares will be issued for cash or to purchase Finance Receivables.
- All of the funds from the issue of Perpetual Preference shares now or in future will be used to take advantage of opportunities which are presenting themselves in the Finance and Mortgage lending sectors.
- Shareholders will be asked to approve the issue of Perpetual Preference shares at 20 cents per share.
- This gives us the capacity to issue a total \$60 million of Perpetual Preference shares.
- The dividend payable on the Perpetual Preference shares will be based on 35% over the Reserve Bank of NZ Official Cash Rate (OCR).
- The initial yield on this class of Preference shares will be 11.138%.

WARRANT EXTENSION

We will ask the shareholders and warrant holders (at a separate meeting) to amend the terms of the existing warrants.

The existing warrants expire in June 2008.

- The warrants can be paid up in June 2008 at an exercise price of 30 cents per warrant.
- We wish to extend these warrants for a further 3 years at the same exercise price of 30 cents per warrant.
- This extension gives Cynotech access to further cash as the warrants are exercised.
- The exercise of warrants during recent years has been successful and has meant an addition to share capital in the order of \$1.7 million.

MOVE TO MAIN NZSX BOARD

The Directors of Cynotech Holdings Limited propose that the listed securities of the Company including the ordinary shares be moved from the present listing on the NZ Exchange alternative board (NZAX) to the main NZSX board.

Application has been made to NZX to facilitate this move and the outcome of their considerations will assist the Directors in finally recommending this change to the shareholders.

The Special meeting will be asked to approve alterations to the Company's Constitution to bring it into line with NZSX Listing requirements.

BONUS ISSUES

After the above have been approved by shareholders the Directors propose to make bonus issues to our shareholders as follows.

- A bonus issue of ordinary shares on a ratio of 1:10
- A bonus issue of new warrants on a ratio of 1:10

The bonus issues will be calculated on a total base number of shares as follows

- Ordinary shares held by each shareholder at the record date, plus
- Convertible Preference shares subscribed for by each shareholder under the terms of the 1:5 rights issue to shareholders.

The formal notices for the proposed meetings will be dispatched to Shareholders and Warrant holders as soon as the necessary approvals are received.

Signed on behalf of the Directors of Cynotech Holdings Limited.

Allan Hawkins
Chairman
19th October 2007