



18 January 2010

The Directors
Cynotech Holdings Limited
PO Box 9846
Newmarket
AUCKLAND

TAKEOVER NOTICE

Cynotech Securities Group Limited (CSGL) has today lodged a takeover notice with Cynotech Holdings Limited, advising of a full takeover offer for all the Ordinary Shares, Convertible Preference Shares and Warrants (*CHL Equity Securities*) issued by Cynotech Holdings Limited (*CHL*).

The Offer will be on the following terms:

- For each Ordinary Share in CHL – 1 Preference Share in CSGL
- For each Convertible Preference Share in CHL – 1 Preference Share in CSGL
- For each 33.75 Warrants in CHL – 1 Preference Share in CSGL.

Each CSGL Preference Share has an attributed value of 13.5 cents.

CSGL is a company associated with the interests of Allan Hawkins, Cynotech's Chairman. The program envisaged in terms of the takeover offer, is that the CHL Group will be cashed up and investor funds will be returned to them under a phased payment plan with all current shareholders continuing to receive a yield, up to 8% pa on their investment, until their shareholding is realised in cash.

- Holders of CHL Equity Securities will be asked to exchange them for Preference Shares in CSGL.
- The CHL Group will be cashed up – its assets will be realised in an orderly way.
- Once CHL repays some of its debt it will begin capital distributions to CSGL.
- CSGL will use the distributions it receives to redeem the Preference Shares.
- Until redemption, the Preference Shares will pay, in quarterly instalments, an annual dividend of up to 8%.
- The total annual dividend amount is dependent on CSGL receiving sufficient revenue-sourced dividends from the CHL Equity Securities that it will then hold.

A formal Takeover Offer, a Prospectus for the CSGL Preference Shares and other relevant documents, together with Independent Advisors' reports, are expected to be mailed to the holders of CHL Equity Securities on 2 February 2010.

This program is being put in place for the following reasons;

- The CHL Directors have already said publicly that they believe that the small finance company sector will not start to improve for at least the next two years.
- Due to current adverse public perception of the finance sector it is not probable that the NZX listing will be of any advantage to the CHL Group as a funding mechanism in the near future.
- CHL Group has come through the machinations in the finance sector unscathed, but cannot see the immediate path to growth in its main business sector.
- Due to the small number of holders, there is no in-depth trading on the NZX in any of the CHL listed securities.

CSGL has been put in place as a way of achieving the objective of cashing up and privatising the CHL Group and returning investment funds to shareholders. This offer, in CSGL's view, is the most effective and timely way to achieve that outcome.

The publicly issued financial statements of CHL show that it is in a sound financial position with a high level of equity funds.

CSGL and I simply believe that the shareholders of CHL may be in a position to invest their own funds in a more personally oriented and profitable way in the future period, rather than having their investment funds in CHL.

We trust that holders of CHL Equity Securities will give very careful consideration to this opportunity and, when they receive the documents in early February 2010, we hope that they will study both the Offer and the combined Prospectus and Investment Statement, which sets out the full terms of the CSGL Preference Shares.

The Takeover Offer does not include an offer for Cynotech Capital Securities issued by CHL earlier this year.



Allan Hawkins