

TAKEOVER OFFER

Issued in accordance with the Takeovers Code

Full offer by Cynotech Securities Group Limited to purchase all the equity securities in Cynotech Holdings Limited

Closes 19 March 2010 (unless extended)

IMPORTANT

If you are in doubt as to any aspect of this offer, you should consult your financial or legal adviser.

If you have sold all of your equity securities in Cynotech Holdings Limited to which this offer applies you should immediately hand this offer document and the accompanying acceptance form to the purchaser or the agent (eg the broker) through whom the sale was made, to be passed on to the purchaser.

Cynotech Holdings Limited's target company statement, together with an independent adviser's report on the merits of this offer and another independent adviser's report on the fairness and reasonableness of the consideration and terms of this offer as between classes of securities either accompanies this offer document or will be sent to you within 14 days and should be read in conjunction with this offer.

A combined prospectus and investment statement also forms part of this offer and accompanies this offer document.

OFFER DOCUMENT FOR EQUITY SECURITIES IN CYNOTECH HOLDINGS LIMITED

This document (*Offer Document*) is important and requires your prompt attention

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This Offer is sent to you as a holder of Ordinary shares, Convertible Preference shares or Warrants (together, *CHL Equity Securities*) in Cynotech Holdings Limited (*CHL*).

This is **not** an offer for Cynotech Capital Securities issued by CHL in 2009 and listed on NZDX, which pay a fixed annual dividend of 9.25%.

This Offer is being made by Cynotech Securities Group Limited (*CSGL*), whose registered office is 20 Kent Street, Newmarket, Auckland. The sole director of CSGL is Allan Robert Hawkins.

CSGL is a wholly owned subsidiary of Cynotech Securities Limited, the private investment company controlled by interests associated with Mr Hawkins.

This Offer is dated 2 February 2010.

SUMMARY OF OFFER

- On 16 November 2009, Cynotech Securities Group Limited (*CSGL*) announced that it will make a full takeover offer (*Offer*) for all of the following securities issued by Cynotech Holdings Limited (*CHL*) and referred to in this Offer as CHL Equity Securities:
 - Ordinary shares (*CHL Ordinary shares*);
 - Convertible Preference shares (*CHL Convertible Preference shares*); and
 - Warrants (*CHL Warrants*).
- The Offer opens on 2 February 2010 and closes on 19 March 2010 (*Offer Period*) unless extended in accordance with the Takeovers Code.
- The consideration under the Offer will be fully paid Preference shares in CSGL (*Preference shares*), on the following basis:
 - 1 Preference share for each CHL Ordinary share;
 - 1 Preference share for each CHL Convertible Preference share; and
 - 1 Preference share for each 33.75 CHL Warrants.
- The Offer is conditional on the receipt of acceptances during the Offer Period for more than 50% of the total CHL Equity Securities (including more than 50% of the total CHL voting securities).
- The Offer places a value of 13.5 cents on each Preference share.
- The Offer is not made in relation to any Cynotech Capital Securities issued by CHL.
- The full terms and conditions of the Offer are set out on pages 6 to 13 of this Offer Document. The terms of CSGL's Preference shares are set out in the accompanying combined prospectus and investment statement (*Prospectus*) registered with the Registrar of Companies. You should read both of those documents, carefully.
- Rule 22 of the Takeovers Code requires a report from an independent adviser in relation to the fairness and reasonableness of the consideration and terms offered to holders of CHL Convertible Preference shares and CHL Warrants (which are both non-voting securities) as between those securities and in comparison to those offered to holders of CHL Ordinary shares (which are voting securities). A copy of the report of Simmons Corporate Finance Limited for this purpose is attached to this Offer Document.
- The Simmons Corporate Finance Limited report is not a report on the merits of the Offer. The directors of CHL are required to obtain a report from an independent adviser on the merits of the Offer under Rule 21 of the Takeovers Code, and that report will be attached to the Target Company Statement to be provided by CHL to holders of the CHL Equity Securities.

KEY DATES

18 January 2010	Takeover Notice sent to CHL
2 February 2010	Date of the Offer
19 March 2010	Closing Date of the Offer

REASONS FOR THE OFFER

The program envisaged is that CHL and its subsidiaries (*CHL Group*) will be cashed up and investors' funds in the CHL Equity Securities will be returned to them under a phased payment plan, through CSGL, with all those persons accepting the Offer receiving a yield of up to 8% pa on their investment until their holdings of Preference shares in CSGL are realised in cash.

The Offer does not include Cynotech Capital Securities; no redemption or repurchase of those securities is proposed at this time as part of the program.

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

- The CHL directors have said publicly that they believe that the small finance company sector will not start to improve at least for the next two years.
- Because of the current adverse public perception of the finance sector it is not probable that the NZX listing of its securities 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.
- Because of the small number of holders, there is no in-depth trading on the NZX in any of the CHL listed securities.

The publicly issued financial statements of CHL show that CHL was in a sound financial position with a high level of equity funds as at the date of the financial statements. CSGL has been put in place as a way of achieving the objective of cashing up 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.

CSGL and its Director 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.

LIKELIHOOD OF CHANGES TO TARGET COMPANY

The implementation of the Offer is expected to have the following effects on the operations of CHL and its subsidiaries:

- In the short term the existing operations are expected to continue under the existing management structure and in terms of the management and board policies currently in place.

- It is intended that the assets of CHL be progressively realised to repay borrowings and then for the purpose of realising sufficient resources to provide for the eventual repayment or redemption of the Preference shares which are proposed to be issued in exchange for the CHL Equity Securities.
- The current program in force within the CHL Group, to recover the distressed debts of National Finance Limited and Western Bay Finance Limited purchased by that group, has been successful to date and will continue. This is a key element in eventually providing the resources to be able to fully redeem the Preference shares which are proposed to be issued under this Offer.

WHY YOU SHOULD ACCEPT THIS OFFER

- This is a full Offer under the Takeovers Code for all the CHL Equity Securities, being all CHL Ordinary shares, CHL Convertible Preference shares and CHL Warrants on issue.
- CSGL believes the Offer represents a full and fair assessment of the value of the CHL Equity Securities.
- The Offer provides for a controlled mechanism whereby the face value of your investment in CHL can be cashed up and your investment funds returned to you at a price equating to a net current value of 13.5 cents per share and without incurring brokerage charges. However, as explained in the Prospectus (see in particular pages 15 and 16 of that document) there are investment risks associated with CHL. The actual net value of each CHL share will depend on the value for which CHL's assets are realised over time. It is possible that the actual net value of each CHL share (and therefore the ultimate value of the Preference shares you will hold in CSGL) will be less than 13.5 cents.
- Cynotech Securities Limited, the private investment company associated with Allan Hawkins, which holds or controls over 10% of the CHL voting rights, has already agreed to accept the Offer for all its CHL Equity Securities. Other Hawkins interests own or control a further 12% of the voting shares in CHL.
- If sufficient acceptances are received under the Offer so that any class of CHL Equity Securities no longer meets the NZX size and spread requirements for listing, an application may be made by CHL to NZX to cease quotation of that class of the CHL Equity Securities. NZX has given no indication as to whether such an application would be approved, nor on what conditions a delisting would be approved.

HOW TO ACCEPT THIS OFFER

- Complete and sign the green Acceptance and Subscription Form inserted at the back of the Prospectus, in accordance with the instructions set out in that form and in the Prospectus.

- Deliver or mail that completed and signed form in the enclosed reply paid envelope to:

Cynotech Securities Group Limited
 Level 4, Cynotech Building
 20 Kent Street
 Newmarket
 Auckland

OR

Cynotech Securities Group Limited
 PO Box 42 085
 Orakei
 Auckland 1745

- Your early response to this Offer will assist in the processing of acceptances and, if sufficient acceptances are received, may enable CSGL to declare this Offer unconditional before the closing date of 19 March 2010.
- Acceptances must be received by 5.00pm on 19 March 2010 unless the Offer is extended.
- If you have sold **all** of your CHL Equity Securities please send this Offer Document and all accompanying documents including the Acceptance and Subscription Form to the purchaser or the broker through whom you made the sale requesting that they be forwarded to the new CHL security holder.
- If you have sold **some** of your CHL Equity Securities please alter the number of CHL Equity Securities shown in the relevant part of the Acceptance and Subscription Form to reflect the number you now hold and return the amended form to CSGL at one of the addresses given above. On receipt of the amended form CSGL will recalculate the number of Preference shares that are due to you as consideration for the altered number of CHL Equity Securities you now hold. CSGL will send the purchaser an Offer Document in respect of the CHL Equity Securities that you have sold to that purchaser as soon as they are registered by CHL's share registry as a new holder of CHL shares or other securities.

TERMS AND CONDITIONS OF FULL TAKEOVER OFFER

Issued in accordance with the Takeovers Code (*Code*).

1. *The Offer*

1.1 CSGL offers to purchase, on the terms and conditions set out in this Offer, all the securities of CHL in the following classes (*CHL Equity Securities*):

- CHL Ordinary shares;
- CHL Convertible Preference shares; and
- CHL Warrants.

If during the Offer Period any CHL Convertible Preference shares are converted or any other CHL Equity Securities are issued, the Offer will extend to all CHL Ordinary shares issued.

A holder of CHL Equity Securities may accept in respect of all or any of their CHL Equity Securities. Holders are urged to accept in respect of all their holding of CHL Equity Securities.

2. ***Consideration***

2.1 The consideration will be fully paid Preference shares in CSGL (*Preference shares*), on the following basis:

- 1 Preference share for each CHL Ordinary share;
- 1 Preference share for each CHL Convertible Preference share; and
- 1 Preference share for each 33.75 CHL Warrants.

The terms of the Preference shares are set out in detail in the Prospectus under the heading *Terms of Issue of the Preference Shares*. A summary of the main terms of the Preference shares is:

- Fully paid at an issue price of 13.5 cents each;
- Issued for an indefinite term;
- Unlisted;
- A dividend of up to 8.00% per annum calculated from 1 April 2010, payable quarterly in arrears on the last day of March, June September and December, the first dividend payment being made on 30 June 2010; and
- Redeemable at the option of CSGL, not the holder.

The ability of CSGL to pay the dividend is dependent on CSGL receiving sufficient revenue sourced dividends from CHL.

It is CSGL's intention to redeem the Preference shares over time. CSGL's ability to redeem or repurchase the Preference shares is dependent on selling assets in CHL for this purpose.

2.2 Fractional entitlements to the number of Preference shares to which an Acceptor may be entitled will be disregarded.

3. ***Other Terms of the Offer***

3.1 This Offer opens on 2 February 2010 and remains open until 5.00pm on 19 March 2010 unless extended under clause 4.4 (*Closing Date*).

3.2 The CHL Equity Securities are to be acquired by CSGL:

- 3.2.1 free from all security interests, charges, liens, mortgages, encumbrances, third party interests and any other adverse interests or claims of any kind (*Encumbrances*); and
- 3.2.2 together with all benefits and rights now or at any later time attached to the CHL Equity Securities, including the right to all dividends and other distributions authorised or paid after or by reference to a date occurring on or after a date on which settlement of this Offer occurs in accordance with clause 7.
- 3.3 The Preference shares will be allotted to Acceptors free of any Encumbrances.
- 3.4 This Offer is made on the terms, and subject to the conditions, set out in this Offer Document and on the terms contained in the Code (except to the extent that the Offer is varied in accordance with the Code).
- 3.5 The Acceptance and Subscription Form comprises part of this Offer. CSGL may treat that form, duly completed, as a valid acceptance of this Offer whether or not accompanied by the relevant CSN number.

4. *Acceptance of the Offer*

- 4.1 To accept this Offer, the Acceptance and Subscription Form inserted at the back of the Prospectus must be:
 - 4.1.1 completed by the Acceptor in accordance with the instructions printed on it; and
 - 4.1.2 sent to CSGL in the enclosed reply paid envelope, as soon as possible, but in any event so as to be received not later than 5.00pm on the Closing Date or such later date(s) to which the Offer is extended in accordance with the Code, provided that any Acceptance and Subscription Form received after the Closing Date (or any extended date, as applicable) which is post-marked before the Closing Date (or the extended date) will be deemed for the purposes of this Offer to have been received by the Closing Date (or the extended date, as applicable).

If the reply paid envelope has been mislaid, acceptances should be delivered or mailed to:

Cynotech Securities Group Limited	OR	Cynotech Securities Group Limited
Level 4, Cynotech Building		PO Box 42 085
20 Kent Street		Orakei
Newmarket		Auckland 1745
Auckland		

- 4.2 No acknowledgement of the receipt of acceptance will be issued.
- 4.3 CSGL may, in its discretion:
 - 4.3.1 treat any form of acceptance as valid even if it does not comply with clause 4.1, or is otherwise irregular; and

4.3.2 rectify any errors in, or omissions from, any form of acceptance to enable that form to constitute a valid acceptance of this Offer and to facilitate registration of the allotment of the relevant CHL Equity Securities to CSGL, including inserting or correcting details of the CHL Equity Securities held by the Acceptor and filling in any blanks.

4.4 Unless this Offer:

4.4.1 is withdrawn as permitted by rule 26(1) of the Code; or

4.4.2 lapses in accordance with its terms,

this Offer remains open for acceptance during the period running from 2 February 2010, being the date of this Offer, until the Closing Date, and during any additional period by which the Offer is extended in accordance with the Code (such periods, taken together, being the "Offer Period"). If either of clauses 4.4.1 or 4.4.2 apply, then, despite clause 4.6, CSGL and each Acceptor are released from every obligation incurred under or in connection with this Offer.

4.5 Acceptors will be bound by all terms of this Offer, which will constitute a contract between each Acceptor and CSGL.

4.6 Except as provided in clause 7.2, Acceptors are not entitled to withdraw their acceptance of this Offer, whether or not there has been any variation to this Offer as permitted by rule 27 of the Code. However, rules 31 and 32 of the Code will apply as required to any such variation.

4.7 This Offer is open for acceptance by all persons who have acquired CHL Equity Securities from any person to whom CSGL has sent the Offer. However, if requested, these persons must produce evidence satisfactory to CSGL of their entitlement to those CHL Equity Securities.

4.8 By their acceptance of this Offer, each Acceptor is deemed to:

4.8.1 authorise CSGL to:

- (a) advise CHL and/or its share registrar of the details of the Acceptor's acceptance of this Offer; and
- (b) require CHL to note CHL's share register with those details; and

4.8.2 represent and warrant to CSGL that:

- (a) title to that Acceptor's CHL Equity Securities will pass to CSGL free of all Encumbrances; and
- (b) the Acceptor has full power and capacity to sell and transfer the Acceptor's CHL Equity Securities.

- 4.9 All certificates, Acceptance and Subscription Forms and other documents to be delivered or sent by or to a holder of CHL Equity Securities will be delivered or sent by or to that holder at that holder's risk.

5. ***Minimum Acceptance Condition***

This Offer, and any contract arising from acceptance of it, are conditional on CSGL receiving acceptances of this Offer during the Offer Period for more than 50% of the total CHL Equity Securities (including more than 50% of the total CHL voting securities). CSGL will not take up any of the CHL Equity Securities under this Offer unless this condition is satisfied by the Closing Date.

6. ***Other Conditions***

- 6.1 This Offer, and any contract arising from acceptance of it, are also subject to the conditions that during the period from the date of the takeover notice (being 18 January 2010) until 26 March 2010 (unless that date is extended in accordance with the Code) (the "*Condition Date*");

- (a) CHL does not declare, pay or make any dividends, bonuses or distributions of any kind;
- (b) no further shares, convertible notes, voting securities of any description, options, stock, debentures or other securities or loan capital of CHL or any of its subsidiaries are issued or agreed to be issued;
- (c) no liquidator, receiver, statutory manager or similar official is appointed in respect of CHL or any of its subsidiaries or any of their respective assets;
- (d) no proceedings (other than those, general or specific details of which have been previously disclosed) are existing, notified or commenced against CHL or any of its subsidiaries involving a claim or claims together, totalling in excess of \$200,000;
- (e) no resolution is passed for any amalgamation or liquidation of CHL or any of its subsidiaries, and none of them is involved in any merger, share buyback or scheme of arrangement;
- (f) no event having occurred or having failed to occur that would prevent or restrict CSGL from issuing Preference shares under a public offer pursuant to the Securities Act 1978 for the issue of up to 127,022,060 million such Preference shares, other than where the occurrence of the event, or the failure of the event, is as a direct result of an act or omission solely in the power, or under the control, of CSGL or an associate of CSGL;
- (g) no event having occurred (including without limitation any natural disaster, accident, change of law, regulation, announcement of change in government or regulatory policy or act of terrorism), change or condition that has had, or could reasonably be expected to have, a material adverse effect on the business,

financial or trading position, assets or liabilities, profitability or prospects of the CHL Group, taken as a whole; and

- (h) no board resolution or shareholders' resolution is passed to do or authorise the doing of any act or matter referred to in any of the preceding paragraphs of this clause 6.1.
- 6.2 The conditions contained in clause 6.1 are separate conditions, have been inserted for the sole benefit of CSGL and all or any of them may be waived in whole or in part by CSGL in its sole discretion (to the extent permitted by the Code or any exemption granted by the Takeovers Panel).
 - 6.3 Where any condition requires a preliminary determination before it may be invoked that a matter is material, such preliminary determination must be made by a suitably qualified expert appointed by CSGL but who is not an associate of CSGL prior to CSGL being able to invoke the condition.
 - 6.4 Subject to the satisfaction of the condition set out in clause 5, CSGL may declare this Offer unconditional at any time. CSGL will give written notice as required under rule 25(5) of the Code on the Offer becoming unconditional. The latest date by which this Offer may become unconditional is 26 March 2010, unless extended in accordance with the Code.
 - 6.5 If the Offer has not become unconditional by 5.00pm on the Condition Date:
 - 6.5.1 the Offer will lapse as provided for under rule 25(4) of the Code; and
 - 6.5.2 CSGL must return all Acceptance and Subscription Forms.

7. *Settlement*

- 7.1 No later than seven days after the later of:
 - 7.1.1 the date on which the Offer becomes unconditional or any outstanding conditions are waived by CSGL;
 - 7.1.2 the date on which an acceptance is received (acceptances must be received before the end of the Offer Period); and
 - 7.1.3 19 March 2010,

CSGL will allot and will despatch, by post, advice of the allotment of Preference shares by CSGL to which the Acceptors will have become entitled under this Offer:

- 7.2 If the consideration for the Offer is not sent within the period specified in clause 7.1 to any person whose CHL Equity Securities are taken up under the Offer, that person may withdraw acceptance of the Offer:
 - 7.2.1 by notice in writing to CSGL; but only

7.2.2 after the expiration of seven days' written notice to CSGL of that person's intention to do so.

However, the right to withdraw acceptance of the Offer does not apply if a person receives the relevant consideration during the seven day period referred to in clause 7.2.2.

8. *Notices*

8.1 Except where CSGL is required by the Code to give or send notice of any matter to holders of CHL Equity Securities, and subject to clause 8.2, notice by CSGL to the NZX and to CHL of any matter relating to this Offer will:

8.1.1 constitute notice of that matter to holders of CHL Equity Securities; and

8.1.2 be deemed to have been duly given on the day following the date on which that notice is given to NZX.

8.2 Notice of any variation of this Offer will be sent to each Offeree, CHL, the Takeovers Panel and NZX in accordance with the Code.

9. *Change of Circumstances*

9.1 If, after the date of the takeover notice, being 18 January 2010:

9.1.1 CHL declares or pays any dividend or makes any other distribution to its shareholders; and

9.1.2 CSGL waives the condition contained in clause 6.1(a),

the Acceptors will be bound to pay to CSGL, in respect of those CHL Equity Securities for which they have accepted this Offer and which are taken up under this Offer, an amount equivalent to that dividend or the value of that other distribution. Alternatively, at CSGL's option, the consideration which would otherwise have been paid by CSGL to those Acceptors will be reduced by an amount equivalent to that dividend or the value of that other distribution by way of a deduction from the dividend payment on the Preference shares to be issued by CSGL as consideration for the Offer.

9.2 If, after the date of the takeover notice, being 18 January 2010:

9.2.1 any further shares, convertible notes, voting securities of any description, options, stock, debentures or other securities or loan capital of CHL or any of its subsidiaries are issued or agreed to be issued (except any issue of debentures in the ordinary course of the business of CHL or any of its subsidiaries) or CHL grants any other rights or interests in any such securities to its shareholders by way of bonus issue; and

9.2.2 CSGL waives the condition contained in clause 6.1(b),

the Acceptors will be bound to transfer, in respect of those CHL Equity Securities for which they have accepted this Offer and which are taken up under this Offer, any such securities or other rights and interests to CSGL, without any additional consideration.

- 9.3 If CHL makes any issue of shares to any person on or after 18 January 2010 other than by way of bonus issue and the condition contained in clause 6.1(b) is waived by CSGL, then this Offer will be deemed to extend to and include those CHL Equity Securities and the consideration payable for them will be as provided in clause 2.1.

10. *Additional Information*

- 10.1 The information required by Schedule 1 of the Code, and not stated elsewhere in this Offer Document, is set out below.

Ownership of Equity Securities of Cynotech Holdings Limited

- 10.2 The number, designation and percentage of equity securities of any class of CHL held or controlled by:

- (a) CSGL; and
- (b) any related company of CSGL; and
- (c) any person acting jointly or in concert with CSGL; and
- (d) any director of any of the persons described in paragraphs (a) to (c); and
- (e) any other person holding or controlling more than 5% of the class, if within the knowledge of CSGL,

are as set out below. Except as shown below, no persons referred to in clause 10.2(a) to (d) hold or control equity securities of CHL.

Name	Category as per clause 10.2 above	Number of Equity Securities held or controlled	Class of Equity Security	Percentage of Class of Equity Securities
Philip Robert Briggs and Pamela Annette Briggs	(e)	20,162,859	Ordinary shares	16.4210%
		2,018,538	Warrants	7.1813%
Newmarket Securities Ltd	(b)	13,043,097	Ordinary shares	10.6140%
		2,332,927	Warrants	8.2998%
Cynotech Securities Ltd	(b)	12,800,964	Ordinary shares	10.4169%
		4,334,775	Warrants	15.4217%

Michael Walter Daniel, Nigel Geoffrey Burton, Michael Murray Benjamin	(e)	12,013,372	Ordinary shares	9.7760%
Wairahi Holdings Limited	(e)	309,363	Ordinary shares	0.2517%
Glenn Matthew Hawkins	(d)	1,295,033	Ordinary shares	1.0538%
		111,939	Warrants	0.3982%
Glenn Matthew Hawkins and Sonja Hawkins	(d)	899,208	Ordinary shares	0.7317%
		78,357	Warrants	0.2788%
Laurel Anne Hawkins	(c)	200,000	Ordinary shares	0.1628%
Alan Liddell	(e)	250,000	Convertible preference shares	7.5684%
		241,901	Ordinary shares	0.1968%
		43,652	Warrants	0.1553%
Andrew Ronald Bailey	(e)	2,250,000	Warrants	8.0047%
Andrew Ronald Bailey and Lorraine Jeanette Bailey		269,600	Ordinary Shares	0.2194%
Andrew Ronald Bailey and Darren Peder Corfield		53,918	Ordinary Shares	0.0439%
Andrew Ronald Bailey and Lorraine Jeanette Bailey		23,320	Warrants	0.0830%
Andrew Ronald Bailey and Darren Peder Corfield		4,664	Warrants	0.0166%

Trading in target company equity securities

- 10.3 In the 6 months before the date of the takeover notice, being 2 February 2010, no equity securities of CHL have been acquired or disposed of by any of the persons identified in clause 10.2(a) to (d) above:

Agreements to accept offer

- 10.4 No person has agreed, conditionally or unconditionally, to accept the Offer other than Cynotech Securities Limited which has entered into a pre-bid agreement with CSGL dated 8 December 2009. The full terms of that pre-bid agreement are that Cynotech Securities Limited agrees to accept the Offer on the terms of this Offer Document for all its CHL Equity Securities.

Arrangements to pay consideration

- 10.5 CSGL confirms that resources will be available to CSGL sufficient to meet the consideration to be provided on full acceptance of the Offer, and to pay any debts incurred in connection with the Offer (including debts arising under rule 49).

Arrangements between offeror and target company

- 10.6 There is no agreement or arrangement (whether legally enforceable or not) made, or proposed to be made, between CSGL or any associates of CSGL, and CHL or any related company of CHL in connection with, in anticipation of, or in response to, the Offer.

Arrangements between offeror, and directors and officers of target company

- 10.7 There is no agreement or arrangement (whether legally enforceable or not) made, or proposed to be made, between CSGL or any associates of CSGL, and any of the directors or senior officers of CHL or of any related company of CHL, and there is no payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office, in connection with, in anticipation of, or in response to, the Offer.

Financial Assistance

- 10.8 There is no agreement or arrangement made, or proposed to be made, under which CHL or any related company of CHL will give (directly or indirectly) financial assistance for the purpose of, or in connection with, the Offer.

Pre-emption clauses in target company's constitution

- 10.9 There is no restriction on the right to transfer any CHL Equity Securities that:
- 10.9.1 is contained in the constitution of CHL; and
 - 10.9.2 has the effect of requiring the holders of those securities to offer the securities for purchase to members of CHL or to any other person before transferring the securities.

Escalation clauses

- 10.10 There is no agreement or arrangement (whether legally enforceable or not) under which:

10.10.1 any existing holder of equity securities in CHL will or may receive in relation to, or as a consequence of, the Offer any additional consideration or other benefit over and above the consideration set out in the Offer; or

10.10.2 any prior holder of equity securities in CHL will or may receive any consideration or other benefit as a consequence of the Offer.

Classes of securities

10.11 The Offer is for more than one class of securities.

The consideration and terms offered for each class of security has been calculated as follows:

CHL Ordinary shares

Reference to the average of the market price of the CHL Ordinary shares during the most recent 3 month period before the giving of preliminary advice by CSGL to CHL on 16 November 2009, verified by reference to the current market price at that date plus a premium.

CHL Convertible Preference shares

In accordance with their terms of issue the CHL Convertible Preference shares can be converted to CHL Ordinary shares, on the giving of 30 days notice by the holder. This class of securities has therefore been attributed the same value as the CHL Ordinary shares.

CHL Warrants

The CHL Warrants are considered to have minimal value because they can only convert to CHL Ordinary shares at a price of 30 cents per share. As the current CHL Ordinary share price is below this level, it is unlikely CHL Warrant holders would choose to convert.

An offer is being made for the CHL Warrants because they have been regarded by the market as a trading security apart from their intrinsic conversion value. The market has given a value to the CHL Warrants to reflect this trading value and because of their connection to and longer term ability to be exercised and convert to CHL Ordinary shares. That value is reflected in the Offer of one Preference share for every 33.75 CHL Warrants, equating to 0.4 cents per CHL Warrant.

CSGL considers that the consideration and terms offered for each class of the CHL Equity Securities are fair and reasonable.

11. ***Independent Adviser Report***

11.1 CSGL has obtained a report by Simmons Corporate Finance Limited concerning the fairness and reasonableness of the consideration and terms of the Offer in relation to the different classes of securities. The report is attached.

11.2 The Offer should be read in conjunction with the report and with the report to be obtained by CHL on the merits of the Offer.

12. **General**

12.1 Any reference in this document to the Code means the Takeovers Code in force under the Takeovers Act 1993.

12.2 This Offer may be varied by CSGL in accordance with the Code.

12.3 Terms defined in the Code have the same meaning in this document, unless:

12.3.1 expressly defined in this document; or

12.3.2 the context requires otherwise.

12.4 This Offer and any contract arising from acceptance of this Offer are governed by New Zealand law.

12.5 References in this document to clauses and schedules are references to clauses of and the schedules to this document, unless expressly stated otherwise.

12.6 All references in this document to the singular include the plural and vice versa.

12.7 Headings in this document are for convenience only and do not affect the interpretation of this document.

Certificate

To the best of my knowledge and belief, after making proper enquiry, the information contained in or accompanying the offer document is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by CSGL under the Takeovers Code.

Signed



A R Hawkins

As the person fulfilling the roles of Chief Executive Officer and Chief Financial Officer of Cynotech Securities Group Limited.



A R Hawkins

Sole Director of Cynotech Securities Group Limited pursuant to a resolution of the Board dated 2 November 2009.