

Notice of Special Meeting of Shareholders

Notice is given that a special meeting of the shareholders of Cynotech Holdings Limited (*Company*) will be held at Rimu 1 room, Novotel Hotel, 72-112 Greenlane Road East, Ellerslie, Auckland on Monday 26th November 2007, commencing at 10.30 am.

Business of the Meeting

To consider and, if thought fit, pass the following resolutions:

1. (as an ordinary resolution): That the Company approve the issue of up to 30 million Convertible Preference shares at an issue price of 20 cents per share on the terms set out in the Explanatory Notes accompanying this notice of meeting (*Explanatory Notes*).

Note: The terms of issue of the Convertible Preference shares are set out in Part 1 of the Explanatory Notes.

2. (as an ordinary resolution): That the Company approve the issue of up to 300 million Perpetual Preference shares at an issue price of 20 cents per share on the terms set out in the Explanatory Notes.

Note: The terms of issue of the Perpetual Preference shares are set out in Part 2 of the Explanatory Notes.

3. (as a special resolution): That the Constitution of the Company be altered in the manner set out in the Explanatory Notes.

Note: The proposed alterations to the Constitution are set out in Part 3 of the Explanatory Notes.

Note: Adoption of these alterations is a necessary part of the proposed application by the Company for NZSX listing.

4. (as a special resolution): That the Company be authorised to amend the terms and conditions of the warrants currently on issue that are set to mature on 27th June 2008, by adding the following additional exercise price and exercise dates:

<i>Exercise price</i>	<i>Exercise date</i>
30 cents per share	27 th June 2009
30 cents per share	27 th June 2010
30 cents per share	27 th June 2011

Note: See Part 4 of the Explanatory Notes for further information about this resolution.

Persons entitled to vote

The only persons entitled to exercise votes at the meeting will be those who are registered as shareholders at 5pm on 23rd November 2007, and only the shares registered in those

shareholders' names at that time will carry a right to vote at the meeting. This does not limit the right of eligible shareholders to appoint a proxy (or, if they are a company, a corporate representative).

Proxies

You may exercise your right to vote at the meeting by:

- Being present in person; or
- Appointing a proxy to attend and vote in your place. A proxy need not be a shareholder of the Company.

A form for appointing a proxy is enclosed. If you wish to appoint a proxy, please comply with the instructions on the form and return it to:

Cynotech Holdings Limited
PO Box 9846
Newmarket
Auckland
Fax No: 09 9122142

Or to the Company's registered office:
Level 4
187 Broadway
Newmarket
Auckland

Your proxy must be received by the Company by **10.30am on 24th November 2007.**

By order of the Board.

SIGNED



A. R. Hawkins
Chairman

Dated

If you have any questions or require any further information, please contact Allan Hawkins on Ph: (09) 520 6073, Fax: (09) 912 2142, email: allan@cynotech.co.nz.

Explanatory Notes

PART 1

Resolution 1 – Issue of Convertible Preference shares
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1. We seek shareholder approval to raise up to \$6 million by the issue of up to 30 million convertible preference shares (*Convertible Preference shares*) at an issue price of 20 cents per share.
2. The Convertible Preference shares will be offered only to the holders of ordinary shares in the Company on the basis of one Convertible Preference share for each five ordinary shares held, by way of a non renounceable rights issue to ordinary shareholders.
3. Terms for the issue of the Convertible Preference shares:
 - (a) Issue price of 20 cents per Convertible Preference share.
 - (b) Dividend rate is 50% over the latest Reserve Bank of New Zealand Official Cash Rate, to be set at the start of each quarter commencing 1st of December, March, June and September. The initial dividend rate will be 12.375% pa. Dividends will be paid monthly for investments of \$10,001 and over, otherwise 3 monthly. The Company is required to deduct withholding tax from dividends.
 - (c) The Convertible Preference shares can be converted into ordinary shares at any time on the giving of 30 days notice in writing to the Company.
 - (d) The conversion rate is one ordinary share for each Convertible Preference share.
 - (e) The final conversion date is the date 3 years from the date of issue. Any Convertible Preference shares still registered at that date will automatically be converted by the Company into ordinary shares in the Company.
 - (f) No voting rights attach to the Convertible Preference shares.
 - (g) Minimum subscription will be \$400 (i.e. 2,000 Convertible Preference shares). If any subscriber's Entitlement is less than 2,000 Convertible Preference shares, then that Entitlement will be automatically increased to 2,000 Convertible Preference shares.
4. Application will be made to the NZX to list the Convertible Preference shares on the NZSX.
5. The purpose of the issue is to provide additional liquidity for the Cynotech Group in the form of equity rather than debt funding.

The funds will be used for the expansion of the finance and mortgage lending activities of the Group.
6. The following are the names of any director of the Company, or associated person of the Company or any director, who will receive an entitlement to subscribe for the Convertible Preference shares, and the level of each person's entitlement:

<u>Name</u>	<u>Entitlement</u>
Interests associated with Allan Hawkins	
Cynotech Securities Ltd	1,936,889
Newmarket Securities Ltd	1,922,889
Glenn and Sonja Hawkins	317,165
Wayne Hawkins	16,722
Mark Hawkins	10,000
Maree Hawkins	15,547
K.P. McDonald	234,955
Farquharson and Fraser (N.B. Tawes)	100,000

All such persons have indicated their intention to accept their entitlement.

7. The proposed offer timetable, including the record date for entitlements, opening and closing dates, and the intended allotment date is:

22/11/07	Record date for entitlements to Convertible Preference shares.
26/11/07	Entitlement letters mailed to shareholders.
27/11/07	Offer opening date
20/12/07	Closing date for the offer
22/12/07	Allotment date for Convertible Preference shares
22/12/07	Mailing of FASTER statements

8. The Convertible Preference shares to be issued will rank equally with other Preference shares issued by the Company, ahead of the ordinary shares of the Company for payments of dividends and upon a winding up or liquidation of the Company.
9. The exercise price for the Convertible Preference shares was determined by referring to the current market price of ordinary shares in the Company and after consideration of the difference in yields available from an investment in the ordinary shares and the Convertible Preference shares and the fact that Convertible Preference shares are non voting.

This exercise price compares with the current market price of the Company's ordinary shares of 20 cents per share (as at 24th October 2007).

10. 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 to be determined by the Board) to the greatest extent possible.
11. If all the Convertible Preference shares are converted into ordinary shares the potential dilutionary effect, based on the current number of ordinary shares on issue, will be nil, based on the fact that the value at which the Convertible Preference shares are issued for cash is 20 cents per share which is higher than the existing asset backing per ordinary share.
12. If the resolution is approved, shareholders can expect to receive their letters of entitlement and investment statement on or within a few days of 27th November 2007.
13. An ordinary resolution is required to pass this resolution. An ordinary resolution is a resolution that is approved by a simple majority of the votes of those shareholders entitled to vote and voting on the question.

14. The approval of shareholders to this resolution is necessary because of the requirements of Listing Rule 7.3.1(a).
15. The Board recommends that shareholders approve this resolution 1.

PART 2

Resolution 2 – Issue of Perpetual Preference Shares
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1. We seek shareholder approval to raise up to \$60 million by the issue of up to 300 million Perpetual Preference shares at an issue price of 20 cents per share (*Perpetual Preference shares*).
2. The Perpetual Preference shares can be allotted at such times but not later than 26th November 2008 and in such amounts as the Directors approve. The Perpetual Preference shares will be used to:
 - acquire finance receivables; and
 - raise cash to provide funds for lending.
3. Terms for the issue of the Perpetual Preference shares:
 - (a) Issue price of 20 cents per Perpetual Preference share.
 - (b) Dividend rate is 35% over the latest Reserve Bank of New Zealand Official Cash Rate, to be set at the start of each quarter commencing 1st of December, March, June and September. The initial dividend rate offered will be 11.138% pa. Dividends will be paid monthly for investments of \$10,001 and over, otherwise 3 monthly. The Company is required to deduct withholding tax from dividends.
 - (c) The Perpetual Preference shares are “perpetual”, which means that they will continue in force unless and until redeemed by the Company, but pending redemption they will continue to earn dividends at the variable rate set in accordance with these terms of issue.
 - (d) The Perpetual Preference shares are redeemable at the option of the Company but not of the holder. The Company may redeem the Perpetual Preference shares at face value at any time after 3 years from the date of allotment of the particular parcel (there will be differing allotment dates) on giving the holder 3 months written notice.
 - (e) No voting rights attach to the Perpetual Preference shares.
 - (f) The Perpetual Preference shares rank in priority to ordinary shares of the Company.
 - (g) Minimum subscription will be \$400 (i.e. 2,000 Perpetual Preference shares).
4. Application will be made to the NZX to list the Perpetual Preference shares on the NZSX. Application will not be made for listing until a sufficient spread of Perpetual Preference shareholders have invested to qualify under NZX listing rules.
5. The Perpetual Preference shares are intended to be offered to institutional and public investors. It is not intended that this class of preference shares will be the subject of a rights issue to the shareholders of the Company. The ordinary shareholders or Directors and associates will not be restricted from an investment in Perpetual Preference shares but none of these have expressed any intention to invest in Perpetual Preference shares at this time.

6. The proposed offer timetable, including the record date for entitlements, opening and closing dates, and the intended allotment date is not able to be determined at this time. The issue of Perpetual Preference shares will be at the discretion of Directors of the Company and Perpetual Preference shares will be issued from time to time either for cash or in the acquisition of finance receivables.
7. The issue price for the Perpetual Preference shares is 20 cents but is not comparable to the ordinary share price of the Company because the Perpetual Preference shares are issued at a yield calculated on a predetermined formula based on the Reserve Bank of New Zealand Official Cash Rate.

This issue price compares with the current market price of the Company's ordinary shares of 20 cents per share (as at 24th October 2007).

8. An ordinary resolution is required to pass this resolution. An ordinary resolution is a resolution that is approved by a simple majority of the votes of those shareholders entitled to vote and voting on the question.
9. The approval of shareholders to this resolution is necessary because of the requirements of Listing Rule 7.3.1(a).
10. The Board recommends that shareholders approve this resolution 2.

PART 3

Resolution 3 – Alterations to the Constitution

1. In order to apply to move the Company's stock exchange listing from NZAX to the main board (NZSX) it is necessary to alter the Company's Constitution to reflect the requirements of the NZX for an NZSX listing.
2. The reason why the Board proposes to seek NZSX listing is because the Directors believe that the Cynotech Group has reached sufficient size and presence in the market to justify a change from the NZAX to the NZSX main board. The potential benefits to the Company and shareholders are related to the opportunities on the main board for the Company to have a higher profile and the potential to attract a wider range of equity investors to assist with future expansion plans.
3. The following are the alterations referred to in Resolution 3. Approval of the Resolution will involve approving these alterations.
 - (a) In the present Constitution, wherever the initials *NZAX* occur they are deleted and are replaced by the initial *NZSX*.
 - (b) In clause 1.1 of the Constitution:
 - (i) the definitions *NZAX*, *NZX* and *Ruling* are deleted and are replaced, respectively, by the following:

NZSX means the main board equity security market operated by NZX.

NZX means New Zealand Exchange Limited and its successors and assigns and as the context permits includes any duly authorised delegate of New Zealand Exchange Limited including NZX Discipline (as that term is defined in the Listing Rules).

Ruling means any decision or determination by NZX as to the meaning or interpretation or application of the Listing Rules and includes any ruling, waiver or revocation of a waiver by NZX given pursuant to the Listing Rules.

(ii) the definition *Shareholders' Funds* is deleted.

(iii) the following new definition is inserted:

Security means any interest or right to participate in any capital, assets, earnings, royalties or any other property of the Company, and includes any renewal or variation of the terms or conditions of any existing security, and any option or right.

(c) In clause 2 of the Constitution, the following new subclause is inserted as subclause 2.5:

2.5 **Voting:** Shareholders and directors must not cast a vote if prohibited from doing so by the Listing Rules.

with the consequential renumbering of existing clauses 2.5, 2.6, 2.7 and 2.8 as, respectively, 2.6, 2.7, 2.8 and 2.9.

(d) In clause 6.1(c) of the Constitution, insert *issue and* before *redeem*.

(e) In clause 24.2 of the Constitution, alter the second sentence by:

(i) deleting *The notice* and replacing with *At a minimum the proxy form*; and

(ii) inserting *(for and against)* after *two way voting*.

4. The proposed amended Constitution has been approved by NZX.

5. Copies of the current Constitution and the proposed Constitution may be viewed at the Company's office at Level 4, National Bank Building, 187 Broadway, Newmarket, Auckland between the hours of 9.00am and 5.00pm on week days.

6. Section 32(2) of the Companies Act 1993 permits the shareholders of the Company to alter the constitution by special resolution. A special resolution of Shareholders of the Company must be approved by a majority of 75 percent of the votes of those shareholders entitled to vote and voting on the question.

7. The Board recommends that shareholders approve this resolution 3.

PART 4

Resolution 4 – Amend the terms of the warrants that are set to mature on 27th June 2008.

The warrants are due to expire after 27th June 2008. At that date warrant holders can exercise their warrants by subscribing for ordinary shares at an exercise price of 30 cents per share.

It is proposed that the warrants be extended so that they can be exercised on any of the following dates, but without any change to the exercise price.

<i>Exercise price</i>	<i>Exercise date</i>
30 cents per share	27 th June 2008
30 cents per share	27 th June 2009
30 cents per share	27 th June 2010
30 cents per share	27 th June 2011

The Resolution will be passed if it has the support of at least 75% of those holders of ordinary shares entitled to vote and voting on the Resolution.

There are currently 17,293,689 warrants on issue and if all of these were to be exercised at 30 cents per warrant the addition to Group equity would be \$5,188,107.

The terms of issue of the share warrants at present are:

1. A share warrant gives the holder the right but not the obligation to subscribe for a new share in the Company at a price of 30 cents per share, that right to be exercised on 27th June 2008.
2. A warrant entitles the holder to:
 - certain information from the Company including its annual and half yearly reports and notices of meeting;
 - any other rights conferred by the Constitution and the Companies Act 1993; and
 - attend (but not vote at) any general meetings of the shareholders of the Company.
3. A warrant does not entitle the holder to:
 - vote at a meeting of the Company's shareholders;
 - participate in any dividends declared by the Board; or
 - participate with other securities in the residual assets upon liquidation of the Company.
4. The amended terms of exercise of the share warrants are proposed as follows:

The proposal is to amend the terms of the warrants by inserting additional dates on which the warrants may be exercised. These dates are set out in the resolution. The amendments represent a change to the terms originally approved by the Shareholders and accordingly, require the approval of Shareholders. No change is proposed to any of the other terms of issue of the warrants.

5. Reasons for change to terms of warrants

The Company wishes to amend the warrants so that warrant holders may exercise their right to convert to shares in future years at an exercise price which will be beneficial to the Company.

The Directors wish to keep the ratio of shareholders funds to external liabilities high to build in a conservative element to the Group's financing. The Directors wish the Company to be well placed

to cover adverse economic and industry related factors. This is particularly a factor in the finance company sector.

6. All shareholders are expected to benefit from this change as follows:

- Equity funds will increase and thus the Group will be more conservatively financed.
- The Company's operating costs will be lower because of the need to borrow less in the current high interest rate environment.
- Net tangible assets per share will increase overall.

7. There are potential effects on the share price of the Company by reason of the exercise of warrants. The dilution effect of the issue of more shares could reduce the share price. The increased net tangible asset backing per share and reduced borrowing costs (if the funds from the exercise of warrants is used to repay borrowings) could increase the share price.

8. **Effect on the Company's accounts**

If all warrant holders exercise their warrants in 2008 the indicative changes are as follows:

	As at 30/6/07 unaudited \$	After exercise of warrants \$
Shareholders funds	8,345,029	13,533,136
External debt and other liabilities	12,454,824	7,266,717
Total assets	20,799,853	20,799,853
Net tangible assets per share (diluted)	9.59cps	12.97cps
Percentages Shareholders funds to total assets	40.12%	65.06%
Total liabilities to total assets	59.88%	34.94%

(assumes new equity funds are used to reduce external liabilities).

9. **Effect of not passing the resolution**

There are no negative effects on the Company if the resolution is not passed but the Company will not gain any of the benefits as set out in the previous sections.

10. **Interested parties**

Cynotech Securities Limited and Newmarket Securities Limited, companies associated with Allan Hawkins, may benefit from the amended terms attaching to the warrants in their capacity as shareholders and warrant holders of the Company. They will receive the same benefits as all other shareholders and warrant holders.

Mr P Hutchinson is a Director of the Company and a shareholder in Newmarket Securities Ltd.

Mr K McDonald is a Director of the Company and is also a shareholder and warrant holder in the Company.

11. The Board recommends that shareholders approve this resolution 4.