A S X   A N N O U N C E M E N T

ANNUAL GENERAL MEETING 2008

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Tag Pacific Limited (ASX: TAG, NZX: TPC) – Sydney – 13 November 2008

As we have reported, the Tag Group's subsidiaries and associate companies had a reasonable year which was reflected in them delivering a solid result. Progress was made on a number of fronts and the overall result for the year was primarily impacted by a significant fall in the share price of listed investments.

Group revenue was up by around 5% and the cash that flowed from operating activities showed a healthy 65% increase. As we all know, the backdrop to this result was a softening economic environment; and the malaise worsened progressively as the 2008 financial year came to a close. At the June 30th balance date, we found ourselves with reasonable cash reserves on a group-wide basis; a conservative balance sheet with no borrowings at the parent company level; and a net debt to equity ratio of only 5% across the Group.

Notwithstanding the market value of Tag shares on the Australian and New Zealand exchanges, at June 30th the balance sheet showed a net tangible asset backing of A$0.312 per Tag share despite the beating that the market value of our holding in the IBA Health Group took as a result of market movements.

Since balance date and contrary to general market trends, the market value of our holding in the IBA Health Group has as at close of trade yesterday increased by around 12% which is quite pleasing when one considers the experiences of some listed companies in the last few months. We believe that this increase reflects the relatively defensive health IT sector that IBA operates within, nowadays on a global scale as a result of the ISOFT acquisition. Furthermore, the global launch earlier this week of the eagerly awaited and next generation Lorenzo IT solution holds considerable promise. Ultimately, however, we are required to mark the value of our investment to market, so we are unable to predict future performance with any certainty. The sharemarket fortunes of IBA are of course a major determinant of our own results.

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The current position with our other investments is mixed. After a very pleasing equity accounted contribution in the 2008 year from our other technology investment, Unique World has witnessed some changes in momentum since that time. On a year to date basis, profitability has been disappointing, which has been attributed to reduced or delayed decision making on the part of some clients.

The position is somewhat contrary to earlier expectations, but notwithstanding this, forward prospects would appear to be positive with management holding a more optimistic assessment for the second half outlook.

We read in the daily press that construction activity across Australia and New Zealand has slowed and this has certainly been evident in some aspects of the results for both Comprador Pacific and Potter Interior Systems where sales are down by about 5% on last year; but at the same time there has been a notable inconsistency when measured on a month on month basis. For example, October in Australia was close to a recent record sales month, but it came after three below budget months. This inconsistency has been both regional and across most product categories, with the effects of currency volatility making life somewhat more challenging than normal for management.

Whilst the results on a year-to-date basis leave a lot to be desired, management is cognisant of market forces and circumstances; and tight control is being maintained in all areas, particularly inventory levels, margins and debtors. One factor worth noting is that the interior products that our companies distribute and in some cases also assemble, are generally used in the fit-out stage which occurs at the tail end of commercial construction projects. Exposure to the residential construction sector is limited.

In the power products and renewable energy arena, overall sales are comfortably ahead of the same time last year, although their composition is somewhat different and profitability is flat. The economic environment has had some impact in recent months, although this has generally been confined to margin erosion in a number of imported product categories. There are some signs of slowing activity in some areas, although the order book for engineered solutions remains at an all time high, particularly in the areas of defence and petrochemicals. At the same time New Zealand has continued to fare very well as a result of continuing contractual arrangements to supply and maintain batteries and related power equipment.

M+H Power is maturing progressively and is at a stage now where increased recognition of group-wide capabilities and a greater consistency and alignment in marketing will bear fruit. There will no doubt be challenges ahead of M+H Power in these uncertain economic times, but it is expected in part to be offset by the nation’s general push into sustainable energy solutions, where M+H power already has some runs on the board and the potential to excel.

All in all and in summary, the Tag Group is well positioned in the current financial climate; but we are operating in an unpredictable environment which requires us to increase our short term focus on prudential management of our investments. Further pain in coming months could well occur and if it does, it would take its toll on profitability this year as well as on liquidity.

At the same time, however, there are several areas where with good management and good fortune, progress should still be made – progress which in the longer term will have its own rewards. I want to take this opportunity to record our appreciation to management and staff at all levels throughout the Group.

I would now like open the meeting up for discussion and any questions.

ENDS

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