



ASX ANNOUNCEMENT

**ANNUAL GENERAL MEETING 2010
CHAIRMAN'S ADDRESS TO SHAREHOLDERS**

Tag Pacific Limited (ASX: TAG, NZX: TPC) – Sydney – 29 October 2010

As noted in the annual report, last year was peppered with a number of highs and lows.

On the highlight side, the significant increase in the scope and scale of the MPower Group's activities together with the successful sale of the interior building products businesses and the commencement of the Unique World Group's turnaround were all welcome developments.

Not so welcome was the market downgrade of iSOFT Group Limited which caused us to write down the value of our holding by just over A\$5 million. In the four months since June, the iSOFT share price has fallen further, which has decreased the market value of our holding by a further A\$600,000. This is not the forum for me to comment in any depth about the fortunes or otherwise of iSOFT itself, but I do want to note that whilst it was historically one of our largest investments and now it is arguably one of our smallest, Tag continues to be one of the largest investors in iSOFT; and as a long term supporter, we remain hopeful that the current situation is only temporary.

Across the Tag Group, we are seeing a continuation of a number of positive trends. In the first quarter of the last financial year, group revenue was A\$19.3 million, but that included just over A\$9 million from our building products businesses, which have since been sold. In the first quarter of the current financial year, group revenues were around A\$17 million without any contribution from the building products businesses, so it is clear that on a like for like basis, this reflects a major increase in revenues from the power sector.

The continued rise of the power sector stems from a ramp up of activities and an increase in the scope and scale of MPower's operations. About a year ago we announced a significant milestone for the company with the win of a major contract for the Gorgon Project in Western Australia and I am pleased to say that the contract is proceeding in accordance with plan. As foreshadowed at the time, this has acted as a catalyst for the expansion of MPower's platform on which future growth and the development of new initiatives is predicated. We are now in the process of



finalising relocation plans which will see the establishment of a large new production and engineering facility in Sydney within a few months. This expansion will serve as an anchor for MPower's expertise, which is now increasingly moving towards cogeneration and other sustainable energy projects.

This coincides with our announcement last week that in line with our ambition to deepen involvement in renewable energy solutions, we have negotiated the purchase of Solaris Technology. Solaris will be integrated into MPower's "Green" business unit and will bring to us specialisation in the design, construction and integration of solar power systems for both residential and, more importantly, commercial applications which are not as reliant on government programs and incentives. This is consistent with the previously expressed objective of becoming a leading provider of innovative and dependable power solutions, which supplements an already recognised capability as a proficient and dependable marketer of solar system components.

In a similarly positive vein, it is worth noting that the fortunes of the Unique World Group are also progressively improving. Revenue is not consolidated into Tag because of the equity accounted ownership structure, but it is very encouraging to note that the first quarter of this financial year has brought with it an 18% increase in the Unique World Group's revenue when compared to the same time last year.

What is even more significant, however, is the quality of the client base, particularly in the Telco sector, and the extent of the committed pipeline which has a strong bias towards information management solutions. We expect that this will ultimately translate into a greatly improved result for Unique World; and together with the still nascent RecordPoint software business, augurs well for a strong presence in the increasingly important field of information management.

The Tag Group balance sheet at year end was very robust and I am pleased to report that this continues to be the case. Group cash decreased from A\$15.5 million at balance date to A\$11.4 million at the end of September, but this was in line with expectations and in accordance with the timing of cash flows relating to major projects. Whilst group cash will not remain at this high level on a continuing basis, it does demonstrate the strength of the balance sheet and the ability to take advantage of opportunities as they arise. After adjusting for the timing of cash flows relating to major projects, the underlying cash flow from operating activities in the first quarter of 2011 was strong and on a group wide basis, cash reserves continue to exceed bank debt by a very healthy margin.

As I mentioned in the Chairman's Report, although the fall in the carrying value of the iSOFT investment during the year had no cash effect, it did cause us to adopt a conservative approach in relation to the non-payment of a 2010 dividend. But I would like to emphasise that the underlying activities and operations of Tag's core investments remain sound and the reinstatement of dividends will be back on the agenda as soon as possible.



We are, as always, somewhat constrained by the size of our balance sheet, but as you can see from the Solaris purchase and our more acute focus on discrete sectors, we are still in an acquisitive mood and anxious to maximise the potential of our investments. We are well positioned and minded to do that, notwithstanding the constraints.

In conclusion, I can say that apart from the fortunes of our share market linked investment in iSOFT, we have made a good start to the current financial year and we are reasonably confident of this trend continuing for the remainder of the period.

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