



ANNOUNCEMENT

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New Zealand Stock Exchange

FROM: Tag Pacific Limited

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UPDATE ON ACTIVITIES

Tag Pacific Limited (ASX: TAG, NZX: TPC) provides the following update on its activities:

Building Group

The foreshadowed improvement in the trading results of Potter Interior Systems has commenced and the company is expected to make a larger contribution to the Tag Group result in the second half of this financial year. Operating from its new Auckland premises, Potter Interior Systems has recorded strong sales and increased demand for many of its specialised products in recent months. Sales of fabricated board products for the educational and commercial sectors have been particularly pleasing, as have certain products in the company's expanded insulation range.

Comprador Pacific, which is 51% owned and based in Brisbane, continues to strive for improved results, but they have remained elusive to date. Changes to the management structure have recently been made with the establishment of an Australasian Business Team which coordinates the management and strategy of both Potter Interior Systems and Comprador Pacific. Whilst it is too early to determine the results of this reorganisation, a harmonisation of regional activities will be of ultimate benefit.

The desire to broaden the scope and scale of activities in this sector continues and a number of investment propositions are under consideration.

Electrical Group

Tag's investment in the electrical sector through M+H Power Systems is proving to be very meaningful with operating profit for the 9 months to 31 March 2004 standing at record levels.

M+H Power Systems, which operates throughout Australia and New Zealand, has developed as a fully integrated provider for stand-by power systems, offering flexible and packaged solutions to customer's needs, no matter how large, complex or remote.

The company has increased its Australian earnings significantly this financial year as a result of buoyant trading and with the assistance of favourable currency conditions. Most divisions have shown gains this financial year, but in particular the Bardic emergency lighting division has evolved as a major contributor to the company's success.

M+H Power Systems is actively considering the acquisition of compatible businesses to expand its activities.

Tag will for the first time consolidate the results for M+H Power Systems this financial year, having increased its ownership of M+H Power Systems to 55.7% in July 2003.

Meanwhile, the Melbourne property occupied by M+H Power Systems (and 46% owned by Tag) has a market value in excess of its current carrying value.

Technology Investments

IBA Health Limited, in which Tag holds some 13.3 million shares, has undergone a modest market re-rating in recent months and the return of the IBA share price to more positive territory is pleasing. IBA shares are recorded in Tag's accounts at the written down carrying value of approximately 15 cents per share and if the IBA share price continues to trade above that level, Tag may revalue its holding at the end of the financial year.

Unique World, although still a relatively small company, continues to impress. Tag has recently increased its holding in the Unique World Group to approximately 27%, thus reaffirming Tag's confidence in management. The company's future prospects are quite exciting and are predicated not only on continued growth in revenue from the already impressive and increasing list of contract services clients, but also on future revenue expected to be derived from Microsoft based packaged solutions that Unique World Software has developed.

Financial Position

Tag continues to maintain a strong balance sheet and significant cash reserves and is actively pursuing opportunities to unlock value for shareholders.

Meanwhile, Tag has announced an offer to buy-back Tag shares from shareholders who held 1,500 Tag shares or less in any one holding at close of business on 6 May 2004 for AUS\$0.19 per share (NZ\$0.22 per share). The minimum holding buy-back will provide an opportunity for small shareholders to dispose of their shares without incurring the usual selling costs. The buy-back will reduce the cost to Tag of maintaining its share register.

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