

Chairman's Address to the 2007 AGM

In April this year I announced that we had signed Heads of Agreement to acquire the total issued capital of the Tele-Paper Group of Malaysia. Full details of this merger have been detailed in the latest Annual Report and previous announcements.

I am pleased to advise that following extensive due diligence by both parties the Sale and Purchase agreement has now reached its final form only awaiting execution and approval by the ASX under its listing rules which is expected shortly.

We have been working closely over recent months with the majority owner of the Tele-Paper Group Mr. Teoh Ewe Jin who has been assisting in the integration of the Mark Sensing Group into the Tele-Paper Group. This close association even before final documentation has been completed has demonstrated to your Board the vast industry knowledge of Mr. Teoh; his commitment to the merger and his capacity to assist Mark Sensing in its various issues that have been confronting us, particularly in South East Asia and China.

I must say the year overall has been of great disappointment to the Board as our initiatives which looked so promising 12 months ago have not reached fruition. The venture with the Sunway Group was terminated with a write down of the loan made to that company due to internal difficulties that company faced that were not contemplated when the venture was entered into. The other initiatives previously mentioned last year in other parts of the Group including the move into the gaming markets were not successful.

The merger with the Tele-Paper Group is the great hope for the future of the Company. This merger has been achieved as a result of the Board's strategy over recent years to find a strong partner who could utilize our undoubted technology leadership in thermal coatings into their vertical markets. We have finally found a merger partner who has all the attributes of strong market leadership in thermal coated products to the retail markets in South East Asia and in other parts of the world who can utilize our thermal coated technology as a manufacturer in China and Australia and add value to its own retail converted thermal products.

Profits of the Tele -Paper Group have continued to increase over the latest year to projected levels of over \$3.5 m after tax p.a. for the year ended December 2007. The merger will ensure that earnings per share of the merged Mark Sensing Group on the increased capital will be substantially in excess of earnings per share of Mark Sensing without the merger. Mark Sensing will then become a far larger company with a strong balance sheet and able to take advantage of the many opportunities available to the merged group in the thermal paper products markets in the Asia Pacific region.

I would like to thank our management team for their efforts over the past year in most difficult circumstances.

Your Board believes the merger with the Tele-Paper Group will transform our Company and belatedly bring value back to shareholders after some years of disappointment.



Peter Sherman
Chairman
29 November 2007

Managing Director's Report – AGM 2007

Ladies and Gentleman, good morning and welcome to the Mark Sensing 2007 AGM.

Results 06/07

Normalised EBIT was \$776,000, down from \$933,000 in the previous year despite sales increasing by 8%.

The main reasons behind this profit decrease are the strong Australian Dollar and its effects on our margin in Australia and in China the shift of work from 'end users' to becoming a supplier to the trade which has brought a significant decrease in our margins.

Sales increased in Australia & China but fell in S.E Asia including the Philippines. Overall sales increased by 8% last year. The shortfalls in S.E. Asia region were reduced sales to both the Hong Kong Jockey Club (HKJC) and to the Philippines Charity Sweepstakes Organisation (PCSO).

The HKJC are replacing their ticket based system with touch screen technology and will cease using our tickets in 2009.

The PCSO has suffered from unusually large storms which damaged infra structure several times, sometimes being off the air for 3 or 4 weeks at a time and together with the introduction of a new system have lost some business during the year.

External Sales AUD Millions	2007	2006	% change
Australia	5,442	5,226	+4%
China	9,303	6,703	+38%
Philippines	4,380	5,179	-15%
S.E.Asia	5,301	5,562	-5%
Other	907	751	+20%
Total	25,333	23,421	+8%

Significant Events

This year we incurred several significant events which have been detailed in the Annual report.

The one item that I would like to expand on a little is the Sunway project.

Sunway

Our strategies for going into this project were

- To make a low cost entry into lightweight thermal work
- To become successful at blade coating
- To supply our UK and Asian markets (with a complete product range)
- To bring onboard a strong Chinese partner

We recognised that for the project to move forward we needed

- Control over our intellectual property (ship pre mixed coatings)
- Management control over the process.

Initially we made good progress, improving their 'non top coated' product by improving their process, but after about 3 months we came to a point where we were to apply our formulations to give them a 'top coated product'.

Unfortunately our formulations on their machine did not produce a satisfactory product and the debate of disclosing our IP began. Rather than share this IP, we decided to withdraw from site, and tried to develop the product back in our China plant.

While we were off site, they were forced to find an alternate paper supplier who supplied new paper samples which were accepted. After the approval process the supplier changed the paper to include a percentage of recycled paper.

This recycled paper was subsequently found to damage the thermal coating, rendering the product sold between March and May 2007, faulty. In view of claims made against Sunway by their customers for this faulty product we decided to terminate the Co-operation agreement and make a full provision of our loan. These were events beyond their control but in view of these events we decided it was prudent to cease our relationship with Sunway.

Australia

Overall sales improved by four percent despite the strong Australian dollar which has made imported products relatively cheap by comparison. This has resulted in a highly competitive domestic market with very tight margins.

We have been delighted with the continued customer support from our export customers.

We have changed our methods of purchasing (ie more direct and less via brokers) which together with the stronger dollar have enabled MSA to maintain margins.

China

Sales increased by 38 percent over the previous year. However, this growth did not flow through to the bottom line because the new work was not well suited to our equipment, using less than our full machine width which reduced our margins.

Philippines

Sales decreased by 15 percent for the year due mainly to decreased volume required by the PCSO, (Philippine Charity and Sweepstakes Office) as a result of teething problems from running a new system and storm effected communication systems.

A Supreme Court decision to cancel the "Clark Development Zone's" authority that empowered us to operate in the Philippines from January 2007 has caused us to incur an additional seven percent of duty and VAT on our imports into the Philippines. This will have an initial impact of reducing our profit by about AUD 350,000pa. We plan to restructure our Philippine operations and we are confident that we will be able to claw back most of this increase.

The courts decision in 2007 was a result of an appeal from a judgment in 2005, effectively opening the door for Customs to request payments they allege are outstanding for duty and taxes over the last two years. The level of the claims is approximately \$125,000 but we have legal advice that we will successfully defend these charges as legal action has commenced. These events have recently led to MSP being temporarily restrained from importing product which is currently being remedied.

The 6 year supply contract with the PCSO continues to operate through to September 2011.

S E Asia

Sales decreased by five percent for the year to the factors cited in the introduction:

- reduced demand for football tickets from the Hong Kong Jockey Club
- stronger Australian dollar.

The Hong Kong Jockey Club has renewed its contract with us until December 2008, but on reducing volumes as they slowly withdraw the old system and replace it with touch screen technology by June 2009.

Research and Development

We have learnt from our push into lightweight thermal coating that we must and will focus in our own niche thermal market segments.

R&D is ongoing and we expect that we will continue to achieve long term benefits for the Group.

Targets for the coming year

Our primary goal is to develop our niche markets in Polypropylene based thermals and thermal products that require security or anti forgery features.

Our secondary goal is to expand with strong partners in our industry.

We will achieve these goals through:

- Our own in-house product development capability (R&D),
- Vertical integration through joint ventures, mergers or acquisitions,
- Specialising and applying a greater emphasis in unique thermal products like our Polypropylene based products,
- Developing a more extensive range of anti forgery solutions,
- Boosting our income from technology sales.

In Conclusion

We have been set back by the Sunway events, the lack of a strong partner in China and an extended period of a strong Australian Dollar, but we are working our way through these issues, continuing to develop many opportunities for Mark Sensing. Our merger with the Tele-Paper Group is an exciting development for the Company and we are confident that this will produce significantly improved results for shareholders.



Michael Whelan
Managing Director
29 November 2007