

**THREE-A RESOURCES BHD (“TARB” OR THE “COMPANY”)
RESEARCH REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007**

1. CONSOLIDATED FINANCIAL RESULTS

(a) Summary of financial results for the past five (5) financial years

	Audited results for the past financial years ended 31 December				Unaudited financial results for the financial year ended 31 December 2007
	2003	2004	2005	2006	2007
Revenue (RM'000)	40,501	60,595	70,786	84,016	107,118
Profit before Tax (“PBT”) (RM'000)	3,238	6,267	5,573	9,400	12,320
PBT Margin (%)	7.99	10.34	7.87	11.19	11.50
Profit after tax (“PAT”) (RM'000)	2,617	4,445	4,839	8,632	10,118
Gross earnings per share (“EPS”) (sen)	2.3	4.5	3.6	5.3	6.4
Net EPS (sen)	1.9	3.2	3.1	4.9	5.6

For the current financial year ended (“FYE”) 31 December 2007, TARB Group recorded revenue and PBT of approximately RM107.118 million and RM12.32 million respectively. Comparing to preceding FYE 31 December 2006, the Group has recorded an increase in revenue and PBT by approximately 27.50% and 31.10% respectively.

Further, the Group’s PAT increased by 17.2% or from RM8.632 million to RM10.118 million in line with the increase in revenue during the year.

(b) Summary of financial results for the period under review

	3 rd Quarter ended 30.9.2007 (“3Q”) (RM'000)	4 th quarter ended 31.12.2007 (“4Q”) (RM'000)	Quarter on Quarter (%)	FYE 31.12.2007 (RM'000)	FYE 31.12.2006 (RM'000)	Year on Year (%)
Turnover	27,723	33,639	21.34	107,118	84,016	27.50
PBT	3,403	2,760	(18.90)	12,320	9,400	31.06
PAT	2,962	1,626	(45.10)	10,118	8,632	17.22

1.1 Turnover

The Group turnover has increased 21.34% during the current quarter under review as compared to the immediate preceding quarter. This is mainly due to higher demand for the Group’s products during the current quarter under review.

1.2 Profit Before Tax and Profit After Tax

However, PBT decreased by 18.90% or from RM3.403 million to RM2.760 million mainly resulting from increase in raw material costs during the quarter under review.

2. INDUSTRY OUTLOOK

Malaysian and foreign investors are encouraged to invest in the food processing industry, which has been given a renewed focus aimed at moving the country to become a net food exporter by 2020.

Speaking at the pre-launch of the Malaysia International Food and Beverage Trade Fair (MIFB) 2008, Deputy Minister of International Trade and Industry, Datuk Ahmad Husni Hanadzlah, said the Government is promoting investments in ethnic food, functional food based on Malaysian traditional herbs and food ingredients with an emphasis on halal food.

Potential investors can also benefit from the country's established base in cocoa processing and cocoa-related products, which has a strong grinding capacity estimated at 290,000 tonnes, currently.

Other areas where Malaysia's food industry has developed a strong presence are seafood and sugar and sugar confectionery.

Under the Third Industrial Master Plan, a total of RM24.6 billion or an annual investment of RM1.6 billion is projected to transform the country into a global food supplier, targeting export growth of 7.8% a year to reach an export trade of RM24.2 billion in 2020.

To further spur investments in the food industry, the Government has put in place specific incentives such as 100% Investment Tax Allowance for five years for investment in halal food production.

For the first nine months of the year, 60 projects with investments of RM1.12 billion were approved, of which RM319.6 million were foreign direct investments (FDIs).

(Source: http://www.mida.gov.my/beta/news/view_news.php?id=2751)

3. FUTURE PROSPECTS OF TARB

The installation and commissioning of the Spray Dryer to produce Maltodextrin Project had been completed in May 2007. Meanwhile, the product launching and commercial production of the product have started in June 2007. The Group has sent product samples to numerous interested parties mainly of which are widely known multinational companies in the "Fast Moving Consumer Goods" industries. The market response on the product has been encouraging by encouraging response from its customer. The Group expects further good response to come from other multinational companies having even bigger appetite.

As demonstrated by the quarter's results under review, demand on the Group's products had been strong. In order to cater to the increasing demand, plant expansion plans have already been carried out and the Group expects this plant expansion plan to complete by early 2008. After which, the Group expects increase in its production capacity.

Recently, the Group was selected and presented with the "Merit Award" and the best "MESDAQ Category Award" in Corporate Governance Award 2006 by the premier Malaysian Business magazine for excellence in corporate governance practices. These awards are recognition for the Group's values in transparency and accountability, independence and social responsibility.

The coming months should be exciting as the Group expects further contribution from the new product, Maltodextrin and also reaping rewards from current plant expansion plans. The learning curve for the Maltodextrin plant utilization for the initial six (6) months ended December 2007 is approximately 20% of rated capacity. Going forward, we expect the plant utilization to reach 70% of rate capacity and contribute approximately RM15 million in turnover for the year 2008.

As such, the Group anticipates the performance for the year 2008 to be satisfactory.

(Source: Management of TARB)

4. **BUSINESS DEVELOPMENT PLAN, RESEARCH AND DEVELOPMENT AND ITS FINANCIAL IMPACT**

The recent commercially launched powder product, Maltodextrin is part of the Group's strategy to broaden the product base. The Group is foreseeing tremendous potential in powder-based products as the market demand for these products is high and they are higher value-added products. Other powder-based products the Group is producing are Caramel Powder, HVP Powder and Soya Sauce Powder. In view of this development, the Group has already implemented business strategies including plant expansion plan and more allocation for marketing efforts to realize this potential.

The Group with its Research and Development ("R&D") capabilities has managed to develop new product grades to cater to the ever changing market demand. Some of these tailor-made products are developed for specific major customers with substantial volume.

The current economic development, specifically China with the abolishing of the 17% export rebate/incentive from 1 July 2007 onwards bodes well for the Group which results in the Group's products being more cost competitive. Competitive pricing with good product quality places the Group in a good position to penetrate the market. The Group foresees great market potential for our products in China with its huge population of about 1.3 billion. Other potential markets that TARB have received numerous inquiries include the European Union and the Asia-Pacific region with its growing population and increase in standards of living.

All expenses incurred for R&D are expensed out and purchases of equipments are recognized as property, plant and equipment. In future, capital expenditure for the R&D will be provided for when the need arises. The Board is of the view that the future capital expenditure and allocation for the R&D will depend on the business developments of which the financial impact for the FYE 2008 is not quantifiable at this juncture.

(Source: Management of TARB)

6. **10 LARGEST SECURITIES HOLDER AS AT 31 JANUARY 2008**

No.	Shareholders name	No of Shares	%
1.	Fang Chew Ham	57,780,000	30.02
2.	Fong Chiew Hean	9,919,350	5.15
3.	Foong Chiew Fatt	9,919,350	5.15
4.	Teo Kwee Hock	8,406,200	4.37
5.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Teo Siew Lai	8,403,600	4.37
6.	Fong Chu King @ Tong Chu King	7,185,425	3.73
7.	Lembaga Tabung Haji	6,409,600	3.33
8.	Tan Bee Geok	3,192,375	1.66
9.	Mohd Nor Bin Abdul Wahid	3,150,000	1.64
10.	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account For Mohd Nor Bin Abdul Wahid	2,831,250	1.47

7. **FINANCIAL FORECAST**

TARB did not disclose any financial forecast in its prospectus dated 29 June 2002.

8. **UTILISATION OF PROCEEDS**

The Company had fully utilised the proceeds amounting to RM4,637,500 raised from its private placement exercise which was completed on 20 November 2007.