

QUARTERLY REPORT

On consolidated results for the fourth quarter ended 31 December 2005

The Directors are pleased to announce the following:

Unaudited Condensed Consolidated Income Statement for the fourth quarter of the financial year ended 31 December 2005

	Note	Individual Quarter ended		Cumulative Quarter ended	
		31 Dec 2005 RM'000	31 Dec 2004 RM'000	31 Dec 2005 RM'000	31 Dec 2004 RM'000
Revenue	A8	67,019	41,291	197,672	133,124
Other operating income		354	846	4,685	2,618
Staff costs		(13,697)	(9,983)	(54,394)	(23,507)
Depreciation and amortisation expenses		(2,877)	(1,664)	(10,984)	(5,240)
Purchases of hardware and software sold		(18,496)	(23,746)	(39,703)	(49,708)
Other operating expenses		(22,870)	(1,187)	(75,363)	(28,104)
Operating profit		<u>9,433</u>	<u>5,557</u>	<u>21,913</u>	<u>29,183</u>
Finance costs		(844)	(265)	(2,874)	(637)
Share of profits of associated companies		-	447	-	69
Profit before taxation	A8	<u>8,589</u>	<u>5,739</u>	<u>19,039</u>	<u>28,615</u>
Taxation	B5	2,919	(1,427)	(418)	(7,791)
Profit after taxation		<u>11,508</u>	<u>4,312</u>	<u>18,621</u>	<u>20,824</u>
Minority interests		(1,189)	994	(438)	(669)
Net profit for the period		<u><u>10,319</u></u>	<u><u>5,306</u></u>	<u><u>18,183</u></u>	<u><u>20,155</u></u>
Earnings per share (sen)					
- Basic	B13	1.56	0.80	2.76	3.23
- Diluted	B13	1.56	0.80	2.76	3.23

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2004.

Unaudited Condensed Consolidated Balance Sheet

	Note	Unaudited 31 Dec 2005 RM'000	Audited 31 Dec 2004 RM'000
Property, plant and equipment	A9	37,744	35,982
Other investments		1,233	2,184
Deposit with a financial institution		-	375
Other intangible assets		10,766	7,178
Goodwill		93,786	98,736
Deferred taxation		2,456	468
Current assets			
Inventories		1,106	2,291
Trade and other receivables		112,706	85,078
Tax recoverable		4,599	378
Other investments		8	18
Cash and cash equivalents		36,030	39,102
		<u>154,449</u>	<u>126,867</u>
Current liabilities			
Trade and other payables		50,251	53,480
Borrowings	B9	35,353	4,888
Taxation		3,705	4,217
		<u>89,309</u>	<u>62,585</u>
Net current assets		65,140	64,282
		<u>211,125</u>	<u>209,205</u>
Financed by:			
Capital and reserves			
Share capital		66,000	66,000
Reserves		102,811	91,754
Shareholders' fund		<u>168,811</u>	<u>157,754</u>
Minority interests		<u>14,247</u>	<u>8,130</u>
		<u>183,058</u>	<u>165,884</u>
Long term and deferred liabilities			
Borrowings	B9	27,628	42,916
Deferred taxation		439	405
		<u>211,125</u>	<u>209,205</u>
		RM	RM
Net assets per share		<u>0.28</u>	<u>0.25</u>

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the annual audited financial statements for the year ended 31 December 2004.

Unaudited Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2005

Group	Share Capital RM'000	<----- Non Distributable ----->			Other reserve RM'000	Distributable Retained profits RM'000	Total RM'000
		Share premium RM'000	Translation reserve RM'000	Warrant reserve RM'000			
At 1 January 2004	28,000	18,701	48	-	-	14,223	60,972
Issue of shares	16,000	229,000	-	-	-	-	245,000
Issue of warrants	-	-	-	560	-	-	560
Bonus issue	22,000	(22,000)	-	-	-	-	-
Transfer	-	(162,162)	-	-	162,162	-	-
Share issue expenses	-	(1,762)	-	-	-	-	(1,762)
Write off of goodwill	-	-	-	-	(162,162)	-	(162,162)
Exchange differences on translation of the financial statements of foreign entities	-	-	31	-	-	-	31
Net gain and loss not recognised in the income statement	-	(1,762)	31	-	(162,162)	-	(163,893)
Net profit for the year	-	-	-	-	-	20,155	20,155
Dividends	-	-	-	-	-	(5,040)	(5,040)
At 31 December 2004 and at 1 January 2005	66,000	61,777	79	560	-	29,338	157,754
Exchange differences on translation of the financial statements of foreign entities	-	-	2	-	-	-	2
Net loss not recognised in the income statement	-	-	2	-	-	-	2
Net profit for the year	-	-	-	-	-	18,183	18,183
Dividends	-	-	-	-	-	(7,128)	(7,128)
At 31 December 2005	66,000	61,777	81	560	-	40,393	168,811

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the annual audited financial statements for the year ended 31 December 2004.

Unaudited Condensed Consolidated Cash Flow Statement for the year ended 31 December 2005

	Financial year ended 31 Dec 2005 RM'000	Financial year ended 31 Dec 2004 RM'000
Net cash (used in)/generated from operating activities	(4,889)	23,910
Net cash used in investing activities	(13,949)	(120,159)
Net cash generated from financing activities	<u>18,565</u>	<u>113,775</u>
Net (decrease)/increase in cash and cash equivalents	(273)	17,526
Effects of exchange rate changes	7	(16)
Cash and cash equivalents at beginning of financial year	35,709	18,199
Cash and cash equivalents at end of financial year*	<u><u>35,443</u></u>	<u><u>35,709</u></u>

*Cash and cash equivalents at the end of the financial year comprise the following:

Cash and cash equivalents (including non-current portion)	36,030	39,477
Deposits pledged for bank guarantees	<u>(587)</u>	<u>(3,768)</u>
Cash and cash equivalents as per cash flow statement	<u><u>35,443</u></u>	<u><u>35,709</u></u>

The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2004.

SYMPHONY HOUSE BERHAD
(Company No : 592563-P)
Notes on the quarterly report - 31 December 2005

A. EXPLANATORY NOTES AS PER FRS STANDARD NO. 134

A1. Basis of preparation

These interim unaudited financial statements have been prepared in compliance with the Financial Reporting Standard ("FRS") No. 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and should be read in conjunction with the Group's annual audited financial statements for the financial year ended 31 December 2004. The accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those adopted for the financial year ended 31 December 2004.

A2. Audit report

There were no audit qualifications on the annual financial statements for the financial year ended 31 December 2004.

A3. Seasonality or cyclicity of interim operations

The Group's interim operations were not affected by seasonal or cyclical factors.

A4. Unusual items

During the quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A5. Changes in estimates

There were no changes in the estimates of amounts reported that have a material effect on the results in the quarter under review.

A6. Issuance, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review.

A7. Dividends paid

No dividends were paid during the quarter under review.

A8. Segmental reporting

Primary reporting format

Business segments

	Financial year ended 31 December 2005		Financial year ended 31 December 2004	
	Revenue RM'000	Profit before taxation RM'000	Revenue RM'000	Profit before taxation RM'000
Investment holding	19,470	17,142	16,613	13,121
IT Services	117,162	8,310	117,084	19,815
Managed Services	89,685	10,380	28,143	8,264
	<u>226,317</u>	<u>35,832</u>	<u>161,840</u>	<u>41,200</u>
Inter-segment eliminations	<u>(28,645)</u>	<u>(14,410)</u>	<u>(28,716)</u>	<u>(12,912)</u>
	197,672	21,422	133,124	28,288
Finance costs	-	(2,874)	-	(637)
Interest income	-	491	-	895
Share of profits of associated companies	-	-	-	69
	<u>197,672</u>	<u>19,039</u>	<u>133,124</u>	<u>28,615</u>

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A9. Property, plant and equipment

The Group did not carry out any valuation on its property, plant and equipment.

A10. Material events subsequent to the balance sheet date

There were no material events subsequent to the end of the quarter under review that have not been reflected in the financial statements except as indicated in Note B8.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review except that a subsidiary, Vsource Asia Sdn Bhd ("VsAsia") entered into a share subscription agreement with the Employees Provident Fund Board ("EPF") ("Share Subscription Agreement") whereby, EPF subscribed for 33,153 ordinary shares of RM1.00 each ("VsAsia Share") at RM413.49 per VsAsia Share, for a total cash consideration of RM13,708,434.

The Company acquired an additional 24,440 VsAsia Shares at RM413.49 per VsAsia Share via capitalisation of debts amounting to RM10,105,467 and the balance of RM229 via cash payment. As a result, the Company's effective interest in VsAsia has decreased from 77.4% to 71.6%.

A12. Changes in contingent liabilities or contingent assets

As at 20 February 2006, there were no material changes in contingent liabilities or contingent assets since the last annual audited balance sheet as at 31 December 2004.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1. Review of group results for the quarter and financial year ended 31 December 2005

The Group recorded revenue and profit before taxation ("PBT") for the quarter ended 31 December 2005 of approximately RM67.0 million and RM8.6 million respectively. This is an increase of 62% and 50% respectively as compared to the same quarter of the last financial year. The increase in PBT for the quarter under review as compared to the same quarter of the last financial year were largely due to commencement of a major project in the IT Division and inclusion of Vsource Asia Sdn Bhd's ("VsAsia") results for the full quarter as compared to 1 month in the previous year's corresponding quarter.

For the financial year ended 31 December 2005, the Group's revenue and PBT amounted to approximately RM197.7 million and RM19.0 million respectively, or an increase of 48% in revenue and a decrease of 33% in PBT as compared to the previous financial year. The revenue increased significantly as compared to 2004 mainly due to inclusion of VsAsia which became a subsidiary of the Group in December 2004. As such, only 1 month of VsAsia's revenue was reflected in 2004 as compared to the full year in 2005. However, the decrease in PBT as compared to the previous year were largely due to the mixture of product revenue with lower margin for IT Division, loss from the start-up cheque processing business and one-off costs associated with the Company's transfer listing to the Main Board of Bursa Securities.

B2. Variation of results against the preceding quarter

PBT for the quarter ended 31 December 2005 increased by 244% to approximately RM8.6 million as compared to RM2.5 million for the quarter ended 30 September 2005. The increase in PBT for the quarter under review was mainly due to higher contribution by the IT division as a major project has commenced during the quarter and the business process outsourcing unit.

B3. Prospects for the Year 2006

Barring any unforeseen circumstances, the Directors anticipate that the performance of the Group for 2006 will be better than 2005 due to expected higher contributions from the business process outsourcing unit.

B4. Profit forecast

Not applicable as the Company has not provided a profit forecast for the year under review.

B5. Taxation

	Individual quarter ended		Cumulative quarter ended	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
	RM'000	RM'000	RM'000	RM'000
In respect of the current period				
Malaysian income tax	(711)	2,518	3,176	8,978
In respect of prior years				
Malaysian income tax	(82)	-	(794)	-
Foreign taxation	5	84	5	84
	<u>(788)</u>	<u>2,602</u>	<u>2,387</u>	<u>9,062</u>
Deferred taxation	(2,131)	(1,175)	(1,969)	(1,271)
Tax (reversal)/expense	<u>(2,919)</u>	<u>1,427</u>	<u>418</u>	<u>7,791</u>

The effective tax rate for the quarter and year under review was lower than the statutory tax rate mainly due to the non provision of income tax by a subsidiary which has been granted an income tax free period as a result of it being awarded the Multimedia Super Corridor ("MSC") status and a tax incentive granted to the Company for the acquisition of a foreign company.

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B6. Sale of unquoted investments and/or properties

There were no disposal of unquoted investments or properties during the quarter under review.

B7. Quoted and marketable securities

There were no acquisition or disposal of quoted investments during the quarter under review.

Details of investment in quoted and marketable securities held by the Group as at 31 December 2005 are as follows:

	RM '000
Cost	1,261
Carrying value	1,241
Market value	745

B8. Status of corporate proposals as at 20 February 2006

(a) On 18 July 2005, the Company received a Notice of Voluntary Offer ("Offer") from Bolton Berhad through Commerce International Merchant Bankers Berhad, for the following:

- (i) to acquire the remaining 527,953,704 ordinary shares of RM0.10 each in the Company ("Symphony Shares") representing 79.99% of the issued and paid-up share capital of the Company as at 15 July 2005;
- (ii) any new Symphony Shares that may be allotted and issued by the Company up to the close of the Offer following the exercise of options granted by the Company to its employees under its employee share option scheme;
- (iii) any new Symphony Shares that may be allotted and issued by the Company up to the close of the Offer following the exercise of any outstanding warrant in the Company; and
- (iv) all outstanding warrants in the Company.

Announcement of receipt of the said Offer was made to Bursa Securities and released to the press on 19 July 2005. The said Notice of Voluntary Offer dated 18 July 2005 was also posted to the shareholders and warrant holders of the Company on 21 July 2005 and the ESOS holders of the Group on 22 July 2005, in compliance with the Code.

On 15 August 2005, the Securities Commissions ("SC") approved the appointment of Avenue Securities Sdn Bhd as the Independent Advisor in relation to the Offer.

(b) Status of utilisation of listing proceeds

All proceeds raised from the public issue pursuant to the listing of the Company on the MESDAQ Market of Bursa Securities amounting to RM15.0 million have been utilised as detailed in the prospectus dated 30 December 2002.

B9. Group borrowings

Group borrowings as at 31 December 2005 were as follows:

	RM'000	RM'000
Short term		
Hire purchase and finance lease	835	
Revolving credit and trust receipts	18,466	
Term loans	16,052	35,353
Long term		
Hire purchase and finance lease	1,283	
Term loans	26,345	27,628
		<u>62,981</u>

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B9. Group borrowings (cont.)

The term loans are secured by the following:

- a) First and second legal charges over certain subsidiaries' properties
- b) First and third party charge over shares in certain subsidiaries
- c) Corporate guarantees by certain subsidiaries
- d) Jointly and severally guaranteed by all Directors of a certain subsidiary; and
- e) Fixed deposits of certain subsidiaries
- f) Assignment of proceeds from the sales of shares in certain subsidiaries charged to the Bank
- g) Assignment of all rights and entitlements in respect of shares in certain subsidiaries including all dividends payable

The trust receipts are secured by the following:

- a) Letter of support by the Company
- b) Fixed deposits of a subsidiary
- c) Assignment of contract proceeds by a subsidiary

	USD'000	RM'000 equivalent
Borrowings denominated in foreign currency - United States Dollars	<u>10,455</u>	<u>39,546</u>

B10. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at 20 February 2006 except that in December 2005, in consideration of Employees Provident Fund Board ("EPF") agreeing to subscribe for the Vsource Asia Sdn Bhd ("VsAsia") shares under the Share Subscription Agreement detailed in Note A11, the Company entered into a put option agreement with EPF for the grant of an option to EPF to dispose to the Company, EPF's 33,153 ordinary shares of RM1.00 each of VsAsia shares ("Option Shares") to be subscribed under the Share Subscription Agreement ("Put Option").

Details of the Put Option are as follows:

- a) EPF shall be entitled to exercise the Put Option if:
 - i) VsAsia fails to meet the minimum requirements for listing on the Main Board of Bursa Securities or any application for listing is rejected by the SC or any other relevant authority by the cut-off date ("Inability to List Scenario"); or
 - ii) VsAsia meets the minimum requirements for listing on the Main Board of Bursa Securities but VsAsia refuses or declines to list on the Main Board of Bursa Securities as at the cut-off date for any reason whatsoever ("Intentional Non-listing Scenario")
- b) The exercise period is within three (3) months after the cut-off date. The cut-off date is the date of expiry of a three-(3) year period after the date of completion of the Share Subscription Agreement. If an application for listing to the SC or any other authority is rejected after the cut-off date, the exercise period shall be for a period of three (3) months from the date of receipt of the letter stating such rejection.
- c) The exercise price shall be as follows:
 - i) Inability to List Scenario
The cost of investment of EPF for the Option Shares of RM13,708,434 ("Cost to EPF").
 - ii) Intentional Non-listing Scenario
The higher of:
 - (a) 115% of the Cost to EPF; or
 - (b) The value of the Option Shares to be determined based on the historical earnings method by an independent valuer appointed by EPF and consented by the Company.

It is not practicable to estimate the fair value of the Put Option reliably due to uncertainties of timing, cost and eventual outcome.

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B11. Material litigation

On 11 October 2004, the Company was served with a writ of summons and statement of claim by Tam Kut Hing against the Company as second defendant. On the advice of its lawyers, the Company is of the view that the suit is without merit and the Company does not expect any material adverse financial impact or material losses to the Group arising from the suit.

As at 20 February 2006, the Group has no outstanding material litigation which might materially and adversely affect the position or business of the Group.

B12. Dividends

There were no dividends declared or paid during the quarter under review.

B13. Earnings per share ("EPS")

	Individual quarter ended		Cumulative quarter ended	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Basic EPS				
Net profit for the period (RM'000)	10,319	5,306	18,183	20,155
Weighted average number of ordinary shares in issue ('000)	660,000	660,000	660,000	624,098
Basic EPS (sen)	<u>1.56</u>	<u>0.80</u>	<u>2.76</u>	<u>3.23</u>
Diluted EPS				
Net profit for the period (RM'000)	10,319	5,306	18,183	20,155
Weighted average number of ordinary shares in issue ('000)	660,000	660,000	660,000	624,098
Basic EPS (sen)	<u>1.56</u>	<u>0.80</u>	<u>2.76</u>	<u>3.23</u>

There is no dilutive effect on the EPS of the Group of the assumed conversion of the warrants and the exercise of the ESOS due to the exercise price of the warrants and the ESOS being higher than the average fair value of the ordinary shares.

By the Order of the Board

Chin Ngeok Mui
 Company Secretary
 24 February 2006