Symphony House

(Company No: 592563-P)

QUARTERLY REPORT

On consolidated results for the third quarter ended 30 September 2006

The Directors are pleased to announce the following:

Unaudited Condensed Consolidated Income Statement for the third quarter ended 30 September 2006

	Note	Individual Quarter ended 30.09.2006 RM'000	Individual Quarter ended 30.09.2005 RM'000 (restated)	Cumulative Quarter ended 30.09.2006 RM'000	Cumulative Quarter ended 30.09.2005 RM'000 (restated)
Revenue	A10	41,143	42,340	152,118	130,653
Cost of sales/services provided		(25,398)	(26,560)	(101,881)	(82,871)
Gross profit		15,745	15,780	50,237	47,782
Other income		143	35	1,427	4,331
Selling and distribution expenses		(417)	(509)	(798)	(1,489)
Administration expenses		(9,776)	(9,565)	(29,258)	(29,304)
Other expenses		(2,966)	(2,548)	(8,066)	(8,929)
Profit from operations		2,729	3,193	13,542	12,391
Finance costs		(1,287)	(742)	(3,522)	(2,030)
Profit before taxation	A10	1,442	2,451	10,020	10,361
Taxation	B5	(104)	213	(2,857)	(3,337)
Profit for the period		1,338	2,664	7,163	7,024
Attributable to:					
Equity holders of the parent		1,008	2,645	6,723	7,775
Minority interests		330	19	440	(751)
		1,338	2,664	7,163	7,024
Earnings per share attributable to equity holders of the parent (sen)					
- Basic	**B13**	0.15	0.40	1.02	1.18
- Diluted	**B13**	0.15	0.40	1.02	1.18

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

(Company No: 592563-P)

Unaudited Condensed Consolidated Balance Sheet

	Note	Unaudited 30.09.2006 RM'000	Audited 31.12.2005 RM'000 (restated)
ASSETS			
Non-current Assets			
Property, plant and equipment	A11	33,314	30,480
Investment property		7,206	7,264
Other investment		1,234	1,234
Other intangible assets		9,369	10,766
Goodwill		106,670	93,786
Deferred taxation		2,446	2,456
		160,239	145,986
Current assets			
Inventories		2,716	1,106
Trade and other receivables		54,710	70,945
Due from contract customers		44,827	41,761
Tax recoverable		6,677	4,599
Marketable securities		9	8
Cash and bank balances		40,445	36,030
		149,384	154,449
TOTAL ASSETS		309,623	300,435
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		66,000	66,000
Reserves		102,186	102,811
		168,186	168,811
Minority interests		14,646	14,247
Total equity		182,832	183,058
Non-current liabilities			
Borrowings	B9	34,183	27,628
Deferred taxation		438	439
		34,621	28,067
Current liabilities			
Trade and other payables		41,926	50,252
Borrowings	B9	47,554	35,353
Taxation		2,690	3,705
		92,170	89,310
Total liabilities		126,791	117,377
TOTAL EQUITY AND LIABILITIES		309,623	300,435
		RM	RM
Net assets per share		0.28	0.28

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the annual audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

Unaudited Condensed Consolidated Statement of Changes in Equity for the period ended 30 September 2006

	<---- Attributable to shareholders of the Company ---->								
		<---- Non Distributable ---->				Distributable			
Group	**Share Capital RM'000**	**Share premium RM'000**	**Translation reserve RM'000**	**Warrant reserve RM'000**	**Other reserve RM'000**	**Retained profits RM'000**	**Total RM'000**	**Minority interests RM'000**	**Total equity RM'000**
At 1 January 2005	66,000	61,777	79	560	-	29,338	157,754	8,130	165,884
Foreign currency translation, representing net expense recognised directly in equity	-	-	(159)	-	-	-	(159)	(29)	(188)
Issuance of shares by a subsidiary to a minority interest	-	-	-	-	-	-	-	1,870	1,870
Purchase of shares from a minority interest	-	-	-	-	-	-	-	(3,330)	(3,330)
Net profit for the period	-	-	-	-	-	7,775	7,775	(751)	7,024
Dividend	-	-	-	-	-	(7,128)	(7,128)	-	(7,128)
Share-based payment under ESOS	-	-	-	-	89	-	89	-	89
At 30 September 2005	66,000	61,777	(80)	560	89	29,985	158,331	5,890	164,221
At 1 January 2006 (as previously stated)	66,000	61,777	81	560	-	40,393	168,811	14,247	183,058
Prior year adjustments									
Effects of adopting FRS 2	-	-	-	-	123	(123)	-	-	-
At 1 January 2006 (restated)	66,000	61,777	81	560	123	40,270	168,811	14,247	183,058
Foreign currency translation, representing net expense recognised directly in equity	-	-	(246)	-	-	-	(246)	(41)	(287)
Share-based payment under ESOS	-	-	-	-	58	-	58	-	58
Net profit for the period	-	-	-	-	-	6,723	6,723	440	7,163
Dividend	-	-	-	-	-	(7,160)	(7,160)	-	(7,160)
At 30 September 2006	66,000	61,777	(165)	560	181	39,833	168,186	14,646	182,832

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 2005 and the accompanying explanatory notes attached to the interim financial statements.

Unaudited Condensed Consolidated Cash Flow Statement for period ended 30 September 2006

	Period ended 30.09.2006 RM'000	Period ended 30.09.2005 RM'000
Net cash generated from operating activities	20,236	503
Net cash used in investing activities	(21,454)	(10,708)
Net cash used in financing activities	3,282	(2,716)
Net increase/(decrease) in cash and cash equivalents	2,064	(12,921)
Effects of exchange rate changes	(270)	(150)
Cash and cash equivalents at beginning of financial period	35,263	35,709
Cash and cash equivalents at end of financial period*	37,057	22,638

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

Cash and cash equivalents	40,445	27,997
Bank overdrafts (included within short term borrowings)	(1,596)	(1,966)
Deposits pledged for bank guarantees	(1,792)	(3,393)
Cash and cash equivalents per cash flow statement	37,057	22,638

The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

SYMPHONY HOUSE BERHAD
(Company No : 592563-P)
Notes on the quarterly report - 30 September 2006

A. EXPLANATORY NOTES AS PER FRS STANDARD NO. 134

A1. Basis of preparation

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 : Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjuction with the audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

A2. Changes in accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") issued by Malaysian Accounting Standard Board effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The following sets out further information on the changes in accounting policies which have been reflected in this interim financial report.

(a) FRS 2 : Share-based Payment

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets or equity instruments of the entity. The Company operates an equity-settled, share-based compensation plan for the employees of the Group, the Symphony House Berhad Employee Share Options Scheme ("ESOS"). Prior to 1 January 2006, no compensation expense was recognised in profit or loss for the share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a Black Scholes model.

A2. Changes in accounting policies (cont'd.)

(a) FRS 2 : Share-based Payment (cont'd)

At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. The application is retrospective and accordingly, the comparative amounts as at 31 December 2005 are restated and the opening balance of retained earnings as at 1 January 2006 has been adjusted. The financial impact to the Group arising from this change in accounting policy is as follows:

	As at 1.1.2006
	RM'000
Decrease in retained earnings	(123)
Increase in equity compensation reserve (included within other reserves)	123

	Individual quarter ended		Cumulative quarter ended	
	30.09.2006	30.09.2005	30.09.2006	30.09.2005
	RM'000	RM'000	RM'000	RM'000
Decrease in profit for the period	-	89	58	89

As disclosed in Note A3, certain comparatives have been restated due to this change in accounting policy.

(b) FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

(c) FRS 140 : Investment Property

The adoption of this new FRS has affected the presentation of a freehold land and building. In the balance sheet of the Group, the freehold land and building is now reclassified as Investment Property as it is held to earn rentals or for capital appreciation or both. There is no change on the accounting policy as the Group measures its investment property using the cost model. Investment property is stated at cost less accumulated depreciation and impairment losses. The adoption of FRS 140 does not have significant financial impact on the Group.

A3. Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

	Previously stated	<----------Adjustments----------> FRS 2 Note A2 (a)	FRS 140 Note A2 (c)	Restated
	RM'000	RM'000	RM'000	RM'000
At 31 December 2005				
Property, plant and equipment	37,744	-	(7,264)	30,480
Investment property	-	-	7,264	7,264
Retained earnings	40,393	(123)	-	40,270
Other reserve	-	123	-	123
3 months ended 30 September 2005				
Administrative expenses	(9,531)	(34)	-	(9,565)
Profit before taxation	2,485	(34)	-	2,451
Profit for the period	2,698	(34)	-	2,664
9 months ended 30 September 2005				
Administrative expenses	(29,215)	(89)	-	(29,304)
Profit before taxation	10,450	(89)	-	10,361
Profit for the period	7,113	(89)	-	7,024

A4. Auditors' report on preceeding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

A5. Comments about seasonal or cyclical factors

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

A6. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter under review except as disclosed in Note A2.

A7. Changes in estimates

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

A8. Debts and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review except that on 27 July 2006, the Company completed the first issuance of Murabahah Islamic Commercial Papers (“CP”) and Islamic Medium Term Notes (“MTN”) with an aggregate issue size of RM25.0 million in nominal value.

A9. Dividends paid

The final dividends of 0.30 sen per share, tax exempt amounting to RM1,980,000 and 1.09 sen per share, less 28% taxation amounting to RM5,179,680, in respect of the financial year ended 31 December 2005 was paid on 3 July 2006.

A10. Segmental reporting

Primary reporting format	Period ended 30.09.2006		Period ended 30.09.2005	
Business segments	Revenue RM'000	Profit before taxation RM'000	Revenue RM'000	Profit before taxation RM'000
Investment holding	2,313	(950)	2,669	1,499
IT Services	80,539	5,655	70,986	4,024
Managed Services	74,116	8,662	64,391	4,938
	156,968	13,367	138,046	10,461
Inter-segment eliminations	(4,850)	(35)	(7,393)	1,585
	152,118	13,332	130,653	12,046
Finance costs	-	(3,522)	-	(2,030)
Interest income	-	210	-	345
	152,118	10,020	130,653	10,361

A11. Carrying amount of revalued assets

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

A12. Material events subsequent to the balance sheet date

One of the principal activities of the Group is the provision of system integration services and application know how. It is common that contracts are signed with the customers that contain inter-alia the technical specifications and timing of deliverables. Any delay to deliver within the agreed timeline can result in liquidated ascertained damages (LAD) being imposed by the customers. This risk is inherent in the system integration services business and is in the ordinary course of business. As at 16 November 2006, a customer has granted an extension of the completion date for an ongoing project. However, this extension will be subject to LAD in accordance to the completion status and terms and conditions of its agreement with one of the subsidiary companies. The quantum of any potential claims on the LAD cannot be ascertained with high certainty at this stage and thus has not been provided for in the accounts of the period under review.

Other than the above and as disclosed in Note B8, there were no material events subsequent to the end of the quarter under review that have not been reflected in the financial statements.

A13. Changes in the composition of the Group

On 28 July 2006, the Company completed the acquisition of the entire issued and paid up share capital of Corporatehouse Services Sdn Bhd comprising 24,999 Class A ordinary shares of RM1.00 each and 1 Class B ordinary share of RM1.00 each, for a total cash consideration of RM16,500,000. Subsequently on 8 August 2006, Corporatehouse Services Sdn Bhd changed its name to Symphony Corporatehouse Sdn Bhd.

A14. Changes in contingent liabilities or contingent assets

As at 30 September 2006, there were no material changes in contingent liabilities or contingent assets since the last annual audited balance sheet as at 31 December 2005.

A15. Capital commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2006 is as follows:

	RM '000
Approved but not contracted for	7,017
Approved and contracted for	2,283
	9,300

SYMPHONY HOUSE BERHAD
(Company No : 592563-P)
Notes on the quarterly report - 30 September 2006

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1. Review of group results for the quarter and financial period ended 30 September 2006

The Group recorded revenue and profit before taxation ("PBT") for the quarter ended 30 September 2006 of approximately RM41.1 million and RM1.4 million respectively. Revenue was slightly lower by 3% but PBT was lower by 41% mainly due to higher interest rates for the quarter under review as compared to the same quarter of the last financial year.

For the financial period ended 30 September 2006, the Group's revenue and PBT amounted to approximately RM152.1 million and RM10.0 million respectively. Revenue increased by 16% mainly due to higher contribution by the business process outsourcing unit. The slight decrease in PBT by 3% as compared to the previous financial period was mainly due to higher borrowing costs in the current period and due to a one-off gain of RM2.6 million arising from the disposal of Tri-Isthmus Group Inc. (formerly known as Vsource Inc.) warrants as part of the settlement of Vsource Asia Sdn Bhd's legacy debt with its previous holding company, Tri-Isthmus Group Inc. in the previous financial period.

B2. Variation of results against the preceding quarter

PBT for the quarter ended 30 September 2006 decreased by 68% to approximately RM1.4 million as compared to RM4.4 million for the quarter ended 30 June 2006. The decrease in PBT was mainly due to lower contribution by the IT division.

B3. Prospects for the Year 2006

The Managed Services Division continues to register healthy growth in revenue and earnings, mainly contributed by the business process outsourcing unit. The Group also expects positive contribution from the recently acquired subsidiary, Symphony Corporatehouse Sdn Bhd (formerly known as Corporatehouse Services Sdn Bhd).

The IT Division however continues to face challenges from margin pressures, long sales cycle and implementation complexities. In addition, the increase in interest rates have had a negative impact on the Group's borrowing costs. Thus, the Directors anticipate that the overall financial performance of the Group for 2006 will be affected accordingly.

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	
	30.09.2006	30.09.2005	30.09.2006	30.09.2005
	RM'000	RM'000	RM'000	RM'000
In respect of the current period				
Malaysian income tax	475	427	3,072	3,887
Deferred taxation	(6)	72	150	162
Malaysian income tax in respect of prior year	(365)	(712)	(365)	(712)
Tax expense/(reversal)	104	(213)	2,857	3,337

The effective tax rate for the quarter and period under review was higher than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

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 30 September 2006 are as follows:

	RM '000
Cost	1,261
Carrying value	1,243
Market value	831

B8. Status of corporate proposals as at 16 November 2006

On 29 September 2006, the High Court has approved the scheme for the transfer of the business of Symphony Incorporations Sdn Bhd ("SISB") to Symphony Corporatehouse Sdn Bhd ("SCH") (formerly known as Corporatehouse Services Sdn Bhd) thereby given effect to the Business Transfer Agreement between SISB & SCH dated 11 September 2006 as amended by a Supplemental Business Transfer Agreement dated 11 October 2006. The effective transfer date was on 31 October 2006.

B9. Group borrowings

Group borrowings as at 30 September 2006 were as follows:	RM'000
Short term borrowings	47,554
Long term borrowings	34,183
	81,737

As at 30 September 2006, there were no material changes on the securities of term loans and trust receipts since the last annual audited balance sheet as at 31 December 2005.

	USD'000	RM'000 equivalent
Borrowings denominated in foreign currency - United States Dollars	9,409	35,049

B10. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at 16 November 2006 except for the following:

(i) Put Option to Employees Provident Fund Board ("EPF"), as disclosed in the last annual audited financial statements as at 31 December 2005; and

(ii) Forward collar foreign exchange contracts

		Notional amount RM'000
Forward collar foreign exchange contracts	- Within 1 year	7,725

The settlement dates of these forward contracts range between 1 and 4 months.

Credit risk, or the risk of counterparties defaulting, is controlled by limiting the Group's association to creditworthy financial institutions in Malaysia.

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Exposure to market risk may be reduced through offsetting on and off balance sheet positions.

There are no significant credit and market risks posed by the above off balance sheet financial instruments.

Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of foreign currency monetary assets and liabilities are included in the income statement.

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 16 November 2006, the Group has no outstanding material litigation which might materially and adversely affect the position or business of the Group.

B12. Dividends

No interim dividend has been declared for the financial period ended 30 September 2006 (30 September 2005 : Nil).

B13. Earnings per share ("EPS")

	Individual quarter ended		Cumulative quarter ended	
	30.09.2006	30.09.2005	30.09.2006	30.09.2005
Basic EPS				
Net profit for the period (RM'000)	1,008	2,645	6,723	7,775
Weighted average number of ordinary shares in issue ('000)	660,000	660,000	660,000	660,000
Basic EPS (sen)	0.15	0.40	1.02	1.18
Diluted EPS				
Net profit for the period (RM'000)	1,008	2,645	6,723	7,775
Weighted average number of ordinary shares in issue ('000)	660,000	660,000	660,000	660,000
Basic EPS (sen)	0.15	0.40	1.02	1.18

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
22 November 2006