

**QUARTERLY REPORT**

On consolidated results for the second quarter ended 30 June 2008

The Directors are pleased to announce the following:

**Unaudited Condensed Consolidated Income Statement for the second quarter ended 30 June 2008**

	Note	Individual Quarter ended		Cumulative Quarter ended	
		30.6.2008	30.6.2007	30.6.2008	30.6.2007
		RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>					
Revenue	A7	41,401	44,691	83,470	77,205
Operating profit		4,295	3,913	7,317	7,040
Finance costs		(623)	(888)	(1,245)	(1,972)
Profit before tax	A7	3,672	3,025	6,072	5,068
Income tax expense	B5	294	1,285	(317)	665
Profit for the period from continuing operations		3,966	4,310	5,755	5,733
<b>Discontinued Operations</b>					
Loss for the period from discontinued operations		-	83	-	(453)
<b>Profit for the period</b>		<b>3,966</b>	<b>4,393</b>	<b>5,755</b>	<b>5,280</b>
Attributable to:					
Equity holders of the Company		3,218	3,796	4,525	4,287
Minority interests		748	597	1,230	993
		<u>3,966</u>	<u>4,393</u>	<u>5,755</u>	<u>5,280</u>
<b>Earnings per share attributable to equity holders of the Company (sen):</b>					
Basic/Diluted, for profit/(loss) from					
- continuing operations	B13	0.51	0.56	0.72	0.72
- discontinued operations	B13	-	0.01	-	(0.07)
Basic/Diluted, for profit for the period	B13	<u>0.51</u>	<u>0.57</u>	<u>0.72</u>	<u>0.65</u>

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

**Unaudited Condensed Consolidated Balance Sheet**

	Note	<b>Unaudited 30.6.2008 RM'000</b>	<b>Audited 31.12.2007 RM'000</b>
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	A8	40,060	35,125
Other intangible assets		4,495	4,872
Goodwill		117,118	108,906
Deferred taxation		463	541
		<u>162,136</u>	<u>149,444</u>
<b>Current assets</b>			
Inventories		291	471
Trade receivables		34,848	30,441
Other receivables		10,299	8,685
Tax recoverable		8,344	8,344
Marketable securities		10	13
Cash and bank balances		70,367	100,753
		<u>124,159</u>	<u>148,707</u>
<b>TOTAL ASSETS</b>		<u><u>286,295</u></u>	<u><u>298,151</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		66,000	66,000
Reserves		149,922	156,190
Shares held by Employee Share Trust Scheme ("ESTS")		(2,586)	-
		<u>213,336</u>	<u>222,190</u>
<b>Minority interests</b>		11,979	14,522
<b>Total equity</b>		<u><u>225,315</u></u>	<u><u>236,712</u></u>
<b>Non-current liabilities</b>			
Borrowings	B9	35,116	35,741
Deferred taxation		79	28
		<u>35,195</u>	<u>35,769</u>
<b>Current liabilities</b>			
Trade and other payables		19,898	17,137
Borrowings	B9	4,877	6,513
Taxation		1,010	2,020
		<u>25,785</u>	<u>25,670</u>
<b>Total liabilities</b>		<u>60,980</u>	<u>61,439</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>286,295</u></u>	<u><u>298,151</u></u>
		RM	RM
Net assets per share attributable to ordinary equity holders of the Company		<u>0.34</u>	<u>0.35</u>

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the annual audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

**Unaudited Condensed Consolidated Statement of Changes in Equity for the half year ended 30 June 2008**

Group	<----- Attributable to shareholders of the Company ----->											
	<----- Non Distributable ----->						Distributable					
	Share Capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation reserve RM'000	Warrant reserve RM'000	Share option reserve RM'000	Other reserve RM'000	Retained profits RM'000	Shares held by ESTS RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
At 1 January 2007	66,000	61,777	-	(508)	560	177	63,476	35,226	-	226,708	14,878	241,586
Foreign currency translation, representing net expense recognised directly in equity	-	-	-	(157)	-	-	-	-	-	(157)	-	(157)
Additional investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	(436)	(436)
Net profit for the period	-	-	-	-	-	-	-	4,287	-	4,287	993	5,280
Effect of disposal group	-	-	-	-	-	-	(4,441)	-	-	(4,441)	-	(4,441)
Dividends	-	-	-	-	-	-	-	(7,135)	-	(7,135)	-	(7,135)
At 30 June 2007	66,000	61,777	-	(665)	560	177	59,035	32,378	-	219,262	15,435	234,697
At 1 January 2008	66,000	61,777	(6,239)	(862)	560	618	-	100,336	-	222,190	14,522	236,712
Foreign currency translation, representing net expense recognised directly in equity	-	-	-	87	-	-	-	-	-	87	8	95
Additional investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	(3,781)	(3,781)
Net profit for the period	-	-	-	-	-	-	-	4,525	-	4,525	1,230	5,755
Share-based payment under ESOS	-	-	-	-	-	(472)	-	-	-	(472)	-	(472)
Dividends	-	-	-	-	-	-	-	(6,345)	-	(6,345)	-	(6,345)
Purchase of treasury shares	-	-	(4,063)	-	-	-	-	-	-	(4,063)	-	(4,063)
Purchase of shares by ESTS	-	-	-	-	-	-	-	-	(2,586)	(2,586)	-	(2,586)
At 30 June 2008	66,000	61,777	(10,302)	(775)	560	146	-	98,516	(2,586)	213,336	11,979	225,315

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 2007 and the accompanying explanatory notes attached to the interim financial statements.

**Unaudited Condensed Consolidated Cash Flow Statement for the half year ended 30 June 2008**

	<b>Period ended 30.6.2008 RM'000</b>	<b>Period ended 30.6.2007 RM'000</b>
Net cash generated from operating activities	5,435	23,273
Net cash (used in)/generated from investing activities	(19,722)	44,873
Net cash used in financing activities	<u>(15,522)</u>	<u>(39,845)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(29,809)</b>	<b>28,301</b>
<b>Effects of exchange rate changes</b>	<b>83</b>	<b>(151)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>99,251</b>	<b>53,529</b>
<b>Cash and cash equivalents at end of financial period*</b>	<b><u><u>69,525</u></u></b>	<b><u><u>81,679</u></u></b>

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

Cash and bank balances	70,367	64,423
Bank overdrafts (included in short term borrowings)	(250)	(3,228)
Deposits pledged for bank guarantees	<u>(592)</u>	<u>(596)</u>
	69,525	60,599
Cash and bank balances classified as held for sale	<u>-</u>	<u>21,080</u>
Total cash and cash equivalents	<b><u><u>69,525</u></u></b>	<b><u><u>81,679</u></u></b>

The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

**SYMPHONY HOUSE BERHAD**  
**(Company No : 592563-P)**  
**Notes to the quarterly report - 30 June 2008**

**A. EXPLANATORY NOTES PURSUANT TO FRS 134**

**A1. Basis of preparation**

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 conjunction with the audited financial statements for the year ended 31 December 2007. 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 2007.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007.

**A2. Comments about seasonal or cyclical factors**

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

**A3. Unusual items due to their nature, size or incidence**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group during the quarter under review.

**A4. Changes in estimates**

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

**A5. Debts and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review except that the Company repurchased 2,176,500 of its issued ordinary shares from the open market at an average price of RM0.28 per share.

As at 30 June 2008, the total number of shares repurchased amounted to 32,000,000 at an average price of RM0.32 per share. The total consideration paid for the repurchase including transaction costs was RM10.302 million. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and none were resold or cancelled to date.

**A6. Dividends paid**

No dividends were paid during the quarter under review.

**SYMPHONY HOUSE BERHAD**  
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**A7. Segmental reporting**

The core business is now outsourcing with Symphony Xen Solutions Sdn Bhd and Symphony Xen Solutions Pte Ltd as the only IT Services business involved in solutions and application development.

Primary reporting format	Period ended 30.6.2008		Period ended 30.6.2007	
	Revenue RM '000	Profit before tax RM '000	Revenue RM '000	Profit before tax RM '000
Business segments				
Investment holding	796	(2,229)	3,063	79
IT Services	1,924	242	2,058	333
Outsourcing	82,527	7,380	75,190	7,933
	<u>85,247</u>	<u>5,393</u>	<u>80,311</u>	<u>8,345</u>
Inter-segment eliminations	(1,777)	28	(3,106)	(2,108)
	<u>83,470</u>	<u>5,421</u>	<u>77,205</u>	<u>6,237</u>
Finance costs	-	(1,245)	-	(1,972)
Interest income	-	1,896	-	803
	<u>83,470</u>	<u>6,072</u>	<u>77,205</u>	<u>5,068</u>

**A8. Carrying amount of revalued assets**

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

**A9. 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.

**A10. Changes in the composition of the Group**

On 21 April 2008, the Company increased its equity interest in Symphony BPO Solutions Sdn Bhd (formerly known as Vsource Asia Sdn Bhd) ("SymBPO") via the acquisition of 1,454 ordinary shares of RM1.00 each (0.42% of the total issued and paid-up capital in SymBPO) at a cash consideration of USD145,400 (equivalent to RM458,010). As a result, the Company's effective interest in SymBPO has increased from 76.95% to 77.37% comprising 45.76% held indirectly via Ironbeak and 31.61% held directly in SymBPO.

Other than the above, there were no changes in the composition of the Group during the quarter ended 30 June 2008.

**A11. Changes in contingent liabilities or contingent assets**

As at 30 June 2008, guarantees extended to third parties amounted to approximately RM2.8 million and this excludes a guarantee to a third party on the performance of a disposed subsidiary of which it is not practical to estimate the contingent liability.

**A12. 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 June 2008 is as follows:

Approved but not contracted for	RM '000
	7,240
Approved and contracted for	637
	<u>7,877</u>

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS**

**B1. Review of group results for the quarter ended 30 June 2008**

The Group recorded a 21% increase in profit before tax ("PBT") to RM3.7million during the quarter under review despite a 7% shortfall in revenue to RM41.4 million compared to the previous year corresponding quarter. The lower revenue was mainly due to the higher project based revenue included in the previous year corresponding quarter whereas the increased PBT was contributed by improved performance from most of the business units.

However, profit after tax and minority interest of RM3.2million for the quarter under review was 15% lower due to higher tax credit in the previous year corresponding quarter which the Company gained from the utilization of tax incentive granted to the Company for the acquisition of a foreign company .

**B2. Variation of results against the preceding quarter**

For the second quarter ended 30 June 2008, the Group recorded profit before tax ("PBT") of RM3.7million compared to RM2.4million in the immediate preceding quarter ended 31 March 2008. The increase in PBT was mainly due to the improved gross margins in most outsourcing business units despite higher provision for doubtful debts as disclosed in Note B11 (b).

**B3. Prospects for the Year 2008**

The Group anticipates an increasingly demanding business environment for the second half of 2008 given the operational challenges of its cheque processing services and the uncertain global economic climate. Nevertheless, the Directors anticipate that the performance of the remaining outsourcing business to be satisfactory .

**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	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	RM '000	RM '000	RM '000	RM '000
In respect of the current period				
Malaysian income tax	(935)	1,531	(1,546)	911
In respect of prior years				
Malaysian income tax	1,335	-	1,335	-
Foreign taxation	23	-	23	-
	<u>423</u>	<u>1,531</u>	<u>(188)</u>	<u>911</u>
Deferred taxation	(129)	(246)	(129)	(246)
Income tax credit/ (expense)	<u>294</u>	<u>1,285</u>	<u>(317)</u>	<u>665</u>

The effective tax rate for the quarter under review was lower than the statutory tax rate mainly due to over provision of tax amounting to RM1.358million in respect of prior years. After excluding the prior years' tax, the effective tax rate for the current quarter was actually higher due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries and certain expenses which are not deductible for tax purpose.

**B6. Sale of unquoted investments and/or properties**

There was no sale of unquoted investments or properties during the quarter under review.

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**Notes to the quarterly report - 30 June 2008**

**B7. Quoted and marketable securities**

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

Details of the investment in quoted and marketable securities held by the Group as at 30 June 2008 are as follows:

	RM '000
Cost	28
Carrying value	10
Market value	10

**B8. Status of corporate proposals as at 13 August 2008**

On 16 June 2008, the Group made the announcement on the following acquisitions:

- a) Acquisition of 15.02% equity interest in Symphony BPO Solutions Sdn Bhd (formerly known as Vsource Asia Sdn Bhd) ("SymbPO"), comprising 52,250 ordinary shares of RM1.00 each in SymbPO from Employee Provident Fund ("EPF") for a purchase consideration of RM25,190,247.50, payable wholly in cash:
- b) Acquisition of 1.58% equity interest in SymbPO, comprising 5,500 ordinary shares of RM1.00 each in SymbPO from Eastern Polar Sdn Bhd ("EPSB") for a purchase consideration of RM2,651,605, payable wholly in cash and
- c) Acquisition of 10.38% equity interest in Ironbeak Limited ("Ironbeak"), comprising 10,386,572 ordinary shares of USD0.01 each in Ironbeak from John Gerard Cantillon for a purchase consideration of RM8,884,673.69, payable wholly in cash.

The above acquisitions have been completed as at 7 July 2008. As a result of the completion, the Group's effective interest in SymbPO has increased from 77.37% to 99.27%.

Other than the above, there were no outstanding corporate proposals announced but not completed as at 13 August 2008.

**B9. Group borrowings**

Group borrowings as at 30 June 2008 were as follows:

	RM '000
Short term borrowings	4,877
Long term borrowings	35,116
	<u>39,993</u>

As at 30 June 2008, the group's borrowings were denominated in Ringgit Malaysia and secured by the following:

- a) negative pledge;
- b) letter of support by the Company; and
- c) assignment of a Sinking Fund Account and a Finance Service Reserve Account.

**B10. Off balance sheet financial instruments**

As at 13 August 2008, the Group has entered into the following outstanding contracts to hedge its sales from fluctuations in foreign currency:

	Contract amount in USD'000	Equivalent amount in RM'000	Expiry Dates
Foreign Exchange Contracts			
- Forward	400	1,294	5.9.2008 to 5.12.2008
- Target Redemption Forward monthly notional amount	200	638	Up to 17.4.2009



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**B11. Material litigation**

- a) On 11 October 2004, the Company was served with a writ of summons and statement of claim by the plaintiff, Tam Kut Hing against the Company as second defendant. On 20 June 2008, the Group announced that the plaintiff has filed a notice of discontinuance of the suit against the Company with no order as to costs and without liberty to file proceedings afresh.

Accordingly, the Company has also discontinued its counterclaim in the suit against plaintiff, with no order as to costs and without liberty to file proceedings afresh. As a result, the dispute is deemed to have been amicably settled.

- b) On 24 June 2008, the Company announced that its subsidiary, Symphony BPO Solutions Sdn Bhd (formerly known as Vsource Asia Sdn Bhd) ("SymbPO") and Alorica Inc., a company incorporated in the United States of America ("Alorica") have agreed to settle the respective claims made by SymbPO against Alorica and by Alorica against SymbPO. Under the aforesaid arbitration proceedings which were initiated by SymbPO, SymbPO claimed a sum of USD424,509 (equivalent to RM1,400,880) for services rendered by SymbPO to Alorica.

On 20 June 2008, both parties have executed a Settlement Agreement and Mutual General Release of Claims whereby Alorica has agreed to pay to SymbPO the sum of USD292,000 (equivalent to RM963,000) as full and final settlement of the claim made by SymbPO against Alorica. In addition, both SymbPO and Alorica have also mutually agreed to release each other from all liabilities and claims, whether based on contract, tort of equity.

In relation to the above settlement, SymbPO has recognised USD132,509 (equivalent to RM437,280) as provision for doubtful debts in its accounts for the current quarter under review.

As at 13 August 2008, the Group has no outstanding material litigation which might materially and adversely affect the position or business of the Group.

**B12. Dividend**

On 27 March 2008, the Directors recommended final dividend of 1.0 sen single tier dividend, amounting to RM6.28million in respect of the financial year ended 31 December 2007. The dividends were approved by the shareholders' at the Annual General Meeting on 28 May 2008 and paid on 3 July 2008.

**B13. Earnings per share ("EPS")**

	Individual quarter ended		Cumulative quarter ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
<b>(a) Basic EPS</b>				
(RM'000)				
Profit for continuing operations attributable to ordinary equity holders of the Company	3,218	3,713	4,525	4,740
Profit/(Loss) for discontinued operations attributable to ordinary equity holders of the Company	-	83	-	(453)
Profit attributable to ordinary equity holder of the Company	<u>3,218</u>	<u>3,796</u>	<u>4,525</u>	<u>4,287</u>
Weighted average number of ordinary shares excluding treasury shares ('000)	628,385	660,000	632,714	660,000
Basic EPS (sen) for:				
Profit for continuing operations	0.51	0.56	0.72	0.72
Profit/(Loss) for discontinued operations	-	0.01	-	(0.07)
Profit for the period	<u>0.51</u>	<u>0.57</u>	<u>0.72</u>	<u>0.65</u>

**SYMPHONY HOUSE BERHAD**  
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**B13. Earnings per share ("EPS") (Continued)**

**(b) Diluted EPS**

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 Order of the Board  
Chin Ngeok Mui  
Company Secretary  
19 August 2008