

QUARTERLY REPORT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the second quarter ended 30 June 2010

	Note	Individual quarter ended		Cumulative quarter ended	
		30.6.2010 RM'000	30.6.2009 RM'000	30.6.2010 RM'000	30.6.2009 RM'000
Revenue	A7/B1	44,334	40,483	85,728	85,147
Cost of sales		<u>(31,706)</u>	<u>(27,975)</u>	<u>(61,746)</u>	<u>(60,739)</u>
		12,628	12,508	23,982	24,408
Other income		183	183	626	381
Operating Expenses		<u>(11,734)</u>	<u>(9,843)</u>	<u>(23,589)</u>	<u>(19,485)</u>
Operating profit		1,077	2,848	1,019	5,304
Finance costs		<u>(504)</u>	<u>(598)</u>	<u>(1,056)</u>	<u>(1,276)</u>
Profit/(Loss) before tax	A7/B1	573	2,250	(37)	4,028
Taxation	B5	<u>(928)</u>	<u>(727)</u>	<u>(1,769)</u>	<u>(1,433)</u>
(Loss)/Profit for the period		<u><u>(355)</u></u>	<u><u>1,523</u></u>	<u><u>(1,806)</u></u>	<u><u>2,595</u></u>
Attributable to:					
Equity holders of the Company		(519)	1,364	(2,141)	2,239
Minority interests		<u>164</u>	<u>159</u>	<u>335</u>	<u>356</u>
(Loss)/Profit for the period		<u><u>(355)</u></u>	<u><u>1,523</u></u>	<u><u>(1,806)</u></u>	<u><u>2,595</u></u>
Other comprehensive (loss)/income, net of tax					
Foreign currency translation differences for foreign operations		<u>174</u>	<u>55</u>	<u>(86)</u>	<u>17</u>
Total comprehensive (loss)/income for the period		<u><u>(181)</u></u>	<u><u>1,578</u></u>	<u><u>(1,892)</u></u>	<u><u>2,612</u></u>
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company		(345)	1,419	(2,227)	2,256
Minority Interests		<u>164</u>	<u>159</u>	<u>335</u>	<u>356</u>
		<u><u>(181)</u></u>	<u><u>1,578</u></u>	<u><u>(1,892)</u></u>	<u><u>2,612</u></u>
(Loss)/Earnings per share attributable to equity holders of the Company (sen):					
Basic	B13	<u>(0.08)</u>	<u>0.22</u>	<u>(0.34)</u>	<u>0.37</u>

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the annual audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

SYMPHONY HOUSE BERHAD
(Company No : 592563-P)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2010

	Note	Unaudited 30.6.2010 RM'000	Audited 31.12.2009 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A8	56,236	39,965
Intangible assets		140,413	141,521
Deferred taxation		928	965
		<u>197,577</u>	<u>182,451</u>
Current assets			
Inventories		730	749
Trade receivables		31,057	25,102
Other receivables		8,222	7,314
Tax recoverable		2,852	2,967
Marketable securities		11	10
Cash and bank balances		32,006	54,931
		<u>74,878</u>	<u>91,073</u>
TOTAL ASSETS		<u><u>272,455</u></u>	<u><u>273,524</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		66,000	66,000
Reserves		145,165	150,613
Shares held by Employee Share Trust Scheme ("ESTS")		(7,097)	(7,097)
		<u>204,068</u>	<u>209,516</u>
Minority interests		<u>3,069</u>	<u>2,734</u>
Total equity		<u>207,137</u>	<u>212,250</u>
Non-current liabilities			
Borrowings	B9	35,905	26,504
Deferred taxation		3,852	3,852
		<u>39,757</u>	<u>30,356</u>
Current liabilities			
Trade and other payables		20,484	19,044
Borrowings	B9	3,706	11,211
Taxation		1,371	663
		<u>25,561</u>	<u>30,918</u>
Total liabilities		<u>65,318</u>	<u>61,274</u>
TOTAL EQUITY AND LIABILITIES		<u><u>272,455</u></u>	<u><u>273,524</u></u>
		RM	RM
Net assets per share attributable to ordinary equity holders of the Company		<u>0.32</u>	<u>0.34</u>

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the annual audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

SYMPHONY HOUSE BERHAD
(Company No : 592563-P)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the period ended 30 June 2010

Group	<----- Attributable to equity holders of the Company ----->											
	<----- Non-Distributable ----->							<--Distributable-->				
	Share capital RM'000	Share premium RM'000	Capital reserves RM'000	Treasury shares RM'000	Translation reserve RM'000	Warrant reserve RM'000	Share option 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 2009	66,000	61,777	-	(10,305)	(506)	560	66	98,855	(6,884)	209,563	2,899	212,462
Total comprehensive income	-	-	-	-	17	-	-	2,239	-	2,256	356	2,612
Purchase of treasury shares	-	-	-	(1)	-	-	-	-	-	(1)	-	(1)
Purchase of shares by ESTS	-	-	-	-	-	-	-	-	(213)	(213)	-	(213)
Dividends	-	-	-	-	-	-	-	(3,140)	-	(3,140)	-	(3,140)
Distribution of share dividend	-	(5,051)	-	5,051	-	-	-	-	-	-	-	-
Expiry of warrants	-	-	-	-	-	(560)	-	560	-	-	-	-
At 30 June 2009	66,000	56,726	-	(5,255)	(489)	-	66	98,514	(7,097)	208,465	3,255	211,720
At 1 January 2010	66,000	56,726	3,075	(5,257)	(512)	-	-	96,581	(7,097)	209,516	2,734	212,250
Total comprehensive (loss)/income	-	-	-	-	(86)	-	-	(2,141)	-	(2,227)	335	(1,892)
Purchase of treasury shares	-	-	-	(3)	-	-	-	-	-	(3)	-	(3)
Dividends	-	-	-	-	-	-	-	(3,218)	-	(3,218)	-	(3,218)
At 30 June 2010	66,000	56,726	3,075	(5,260)	(598)	-	-	91,222	(7,097)	204,068	3,069	207,137

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 2009 and the accompanying explanatory notes attached to the interim financial statements.

SYMPHONY HOUSE BERHAD
(Company No : 592563-P)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the period ended 30 June 2010

	Period ended 30.6.2010 RM'000	Period ended 30.6.2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(37)	4,028
Adjustments for:		
Non cash items	7,478	7,191
Non operating items	732	928
Operating profit before working capital changes	<u>8,173</u>	<u>12,147</u>
Net changes in current assets	(6,884)	(123)
Net changes in current liabilities	<u>(352)</u>	<u>(731)</u>
	937	11,293
Tax (paid)/refund	<u>(908)</u>	<u>6,968</u>
Net cash generated from operating activities	<u>29</u>	<u>18,261</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipment	(19,548)	(4,130)
Proceeds from disposal of equipment	150	11
Addition of software development expenditure	(1,415)	(1,797)
Interest received	324	348
Net cash used in investing activities	<u>(20,489)</u>	<u>(5,568)</u>
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Purchase of treasury shares	(3)	(1)
Purchase of shares held under ESTS	-	(213)
Release for borrowings	6,565	(9,931)
Repayment of hire purchase and finance lease	(736)	(825)
Interest paid	(1,056)	(1,276)
Dividends paid	(3,218)	(3,140)
Net cash generated from/(used in) financing activities	<u>1,552</u>	<u>(15,386)</u>
Net decrease in cash and cash equivalents	(18,908)	(2,693)
Cash and cash equivalents at beginning of the financial year	47,633	33,973
Foreign exchange differences	(84)	33
Cash and cash equivalents at end of the financial period*	<u>28,641</u>	<u>31,313</u>

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

Cash and bank balances	32,006	44,221
Bank overdrafts (included in short term borrowings)	(2,916)	(2,381)
Deposits pledged for Islamic Medium Term Notes	(449)	(10,527)
Total cash and cash equivalents	<u>28,641</u>	<u>31,313</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 2009 and the accompanying explanatory notes attached to the interim financial statements.

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Notes to the quarterly report - 30 June 2010

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009. 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 2009.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards ("FRSs"), Amendments to FRSs and Interpretations by the Group with effect from 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (as revised in 2009)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Cash Flow Statements
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events After the Balance Sheet Date
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 128	Investments in Associates
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131	Interests in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 138	Intangible Assets
Amendment to FRS 140	Investment Property
Amendments to FRS 139, FRS 7, and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives

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A1. Basis of preparation (cont'd)

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards ("FRSs"), Amendments to FRSs and Interpretations by the Group with effect from 1 January 2010 (cont'd.):

Improvement to FRSs 2009	Improvement to FRSs (2009)
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The above new FRSs, Amendments to FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes arising from the adoption of FRS 7, FRS 8, FRS 101 and FRS 139 as discussed below:

a) FRS 8: Operating Segments

Segment Reporting requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

b) FRS 101: Presentation of Financial Statements

The revised FRS 101 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. As this is a disclosure standard, there will be no impact to the financial position or results of the Group.

The Company is exempted from disclosing the possible impact to the financial statements upon the initial application of FRS 7 and FRS 139.

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.

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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 on 2 April 2010 the Company distributed 16,083,989 treasury shares as share dividend ("Share Dividend") to the shareholders on the basis of one (1) treasury share for every forty (40) ordinary shares held on 15 March 2010.

As at 30 June 2010, out of the total 660,000,000 issued and fully paid ordinary shares, 260,816 shares were held as treasury shares at an average purchase price of RM0.32 per share. The share buyback transactions were financed by internally generated funds.

A6. Dividends paid

The following dividends in respect of the financial year ended 31 December 2009 were distributed/paid on 2 April 2010:

- (a) Distribution of Share Dividend as disclosed in Note A5 and
- (b) A single tier interim cash dividend of RM0.005 per ordinary share amounting to RM3.22 million.

A7. Segmental reporting

The core business of the Symphony Group consists of outsourcing services (being business process outsourcing ("BPO") and corporate services). The Group's only information technology ("IT") services business is in solutions and application development.

There are three primary segments which are identified by service offerings as follows:-

- (a) Outsourcing services consisting of BPO services which include contact management solutions providing complete technical helpdesk services and solutions, human resource outsourcing solutions, financial solutions and corporate services which include corporate secretarial, share registration, accounting, administering the process of share issuance and offers for sale in relation to initial public offerings and cheque processing;
- (b) IT services which include sale of computer solution, computer parts, application software and consultancy services; and
- (c) Others which include the business of letting properties to mainly subsidiaries of Symphony, provision of management services and investment holding.

These segments are consistent with the Company's management of business and reflects its internal financial reporting structure and operating focus.

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A7. Segmental reporting (cont'd.)

Primary reporting format

	Outsourcing Services RM'000	IT Services RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<u>Quarter ended 30 June 2010</u>					
Revenue from external customers	42,985	958	391	-	44,334
Inter-segment revenue	140	-	2,226	(2,366)	-
Total revenue	<u>43,125</u>	<u>958</u>	<u>2,617</u>	<u>(2,366)</u>	<u>44,334</u>
Segment results	2,149	328	(1,558)	(15)	904
Interest income					173
Interest expense					(504)
Profit before tax					<u>573</u>
Taxation					(928)
Loss for the period					<u>(355)</u>

	Outsourcing Services RM'000	IT Services RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<u>Quarter ended 30 June 2009</u>					
Revenue from external customers	39,897	586	-	-	40,483
Inter-segment revenue	73	-	385	(458)	-
Total revenue	<u>39,970</u>	<u>586</u>	<u>385</u>	<u>(458)</u>	<u>40,483</u>
Segment results	3,629	21	(941)	(31)	2,678
Interest income					170
Interest expense					(598)
Profit before tax					<u>2,250</u>
Taxation					(727)
Profit for the period					<u>1,523</u>

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A7. Segmental reporting (cont'd.)

Primary reporting format (Cont'd)

	Outsourcing Services RM'000	IT Services RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<u>Period ended 30 June 2010</u>					
Revenue from external customers	83,427	1,647	654	-	85,728
Inter-segment revenue	154	-	4,450	(4,604)	-
Total revenue	<u>83,581</u>	<u>1,647</u>	<u>5,104</u>	<u>(4,604)</u>	<u>85,728</u>
Segment results	3,622	549	(3,456)	(20)	695
Interest income					324
Interest expense					(1,056)
Loss before tax					(37)
Taxation					(1,769)
Loss for the period					<u>(1,806)</u>

	Outsourcing Services RM'000	IT Services RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<u>Period ended 30 June 2009</u>					
Revenue from external customers	83,814	1,333	-	-	85,147
Inter-segment revenue	118	235	771	(1,124)	-
Total revenue	<u>83,932</u>	<u>1,568</u>	<u>771</u>	<u>(1,124)</u>	<u>85,147</u>
Segment results	6,308	460	(1,807)	(5)	4,956
Interest income					348
Interest expense					(1,276)
Profit before tax					4,028
Taxation					(1,433)
Profit for the period					<u>2,595</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.

SYMPHONY HOUSE BERHAD
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A10. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A11. Changes in contingent liabilities or contingent assets

As at 30 June 2010, guarantees extended to third parties amounted to approximately RM7.7 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 2010 is as follows:

	RM'000
Approved but not contracted for	7,065
Approved and contracted for	460
	<u>7,525</u>

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B. ADDITIONAL INFORMATION REQUIRED UNDER BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS

B1. Review of group results for the quarter ended 30 June 2010

During the quarter under review, the Group recorded a 9.5% increase in revenue from RM40.48 million to RM44.33 million mainly due to the increased corporate activities which led to the higher revenue as well as profit contribution from its share issuance and registration business unit.

However, the Group registered a lower profit before tax of RM573k compared to RM2.25 million in the previous year corresponding quarter. The lower profit was attributable to the increased staffing and operating expenses to support expansion in the outsourcing business and the non-recurring move related costs amounting to RM1.14 million pursuant to the Group's move to its current office in Petaling Jaya.

B2. Variation of results against the preceding quarter

	Quarter ended	
	30.6.2010	31.3.2010
	RM'000	RM'000
Revenue	44,334	41,394
Profit/(Loss) before tax	573	(610)
Loss after tax and minority interest	(519)	(1,622)

The current quarter's revenue of RM44.33 million is 7.1% higher than the immediate preceding quarter while profit before tax improved from a loss of RM610k to a profit before tax of RM573k. The improved performance is supported by the higher profit contribution from the share issuance and registration business unit as well as the lower non-recurring move related costs which reduced by RM0.8 million.

B3. Prospects for the Year 2010

The Group anticipates the outsourcing industry to see an encouraging longer term upward trend in terms of business opportunities and growth. However, there are still shorter term challenges on the back of uncertain economic turnaround outside Asia and thus resulting in clients putting pricing and margin pressures on service providers. In addition, the RM appreciation against US and European currencies also impacts exporters of products and services.

With the completion of the investment in physical infrastructure, the Group is currently focusing on investing in its soft infrastructure, namely people and processes, to enable it to chart its next phase of growth. On the back of these continued investments, the external factors mentioned above and also the non-recurring move related costs incurred during the year, the Directors anticipate the performance of its international business to be challenging while its domestic and capital market related businesses are expected to be satisfactory.

B4. Profit forecast

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

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B5. Taxation

	Individual quarter ended		Cumulative quarter ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	RM'000	RM'000	RM'000	RM'000
In respect of				
- current period	(928)	(692)	(1,732)	(1,398)
Deferred taxation	-	(35)	(37)	(35)
Taxation	<u>(928)</u>	<u>(727)</u>	<u>(1,769)</u>	<u>(1,433)</u>

The effective tax rate for the current quarter under review was significantly higher than the statutory tax rate mainly 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.

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 2010 are as follows:

	RM'000
Cost	25
Carrying value	<u>11</u>
Market value	<u>11</u>

B8. Status of corporate proposals as at 9 August 2010

There were no outstanding corporate proposals announced but not completed as at 9 August 2010.

B9. Group borrowings

Group borrowings as at 30 June 2010 were as follows:

	RM'000
Short term borrowings	3,706
Long term borrowings	35,905
	<u>39,611</u>

As at 30 June 2010, the Group's borrowings were denominated in Ringgit Malaysia and secured by the following:

- negative pledge;
- letter of support from the Company; and
- assignment of a Sinking Fund Account and a Finance Service Reserve Account.

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B10. Financial Instruments - Derivatives

As at 30 June 2010, the outstanding derivative financial instrument which have been entered into by the Group are as follows:

	Contract Value RM'000	Fair Value RM'000	Changes in Fair Value RM'000
<u>Foreign Currency Contracts</u>			
US dollar - less than 1 year	2,506	2,474	32

The Group's derivatives are principally in respect of forward foreign currency contracts used to hedge its foreign currency sales.

Derivative financial assets and liabilities are initially recognised, and subsequently measured at fair value. The fair value of the foreign currency contracts is determined using a forward market rate at the end of report period and changes in the fair value is recognised in income statement.

Credit Risk

The above financial instruments were executed with creditworthy financial institutions in line with the Group's policy.

Cash requirements

The Group will fund the cash requirements of these derivatives from its net cash flow from operating activities when the payments fall due.

B11. Material litigation

As at 9 August 2010, the Group has no outstanding material litigation which might materially and adversely affect the position or business of the Group.

B12. Dividend

There were no dividends declared during the quarter under review.

B13. (Loss)/Earnings per share ("EPS")

	Individual quarter ended		Cumulative quarter ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
(Loss)/profit attributable to equity holders of the Company (RM'000)	(519)	1,364	(2,141)	2,239
Weighted average number of ordinary shares excluding treasury shares and shares held by ESTS	633,525	614,189	625,619	608,612
Basic EPS (sen)	<u>(0.08)</u>	<u>0.22</u>	<u>(0.34)</u>	<u>0.37</u>

By Order of the Board
Chin Ngeok Mui
Company Secretary
16 August 2010