Notes:-

* *Based on the number of subscribers as at the end of the respective financial year end and financial period end.*

^ *Inclusive of convergent ARPU.*

As our Group only commenced business operations in FYE2009, there were no subscribers prior to FYE2009. The ARPU measures and tracks the average revenue generated by XOX Group's subscribers on a monthly basis. The increase in ARPU from FYE2009 to FYE2010 was due to the increase in XOX's subscribers' usage and acceptance of our Group's product and services.

In FYE2009, all of our Group's subscribers are under our Group's prepaid plan, i.e. subscriber to our Group's *XinXun* services. As our Group continues to acquire more subscribers and implement our Group's future plans, our Group will gradually convert all of our Group's subscribers from the prepaid plans to convergence subscription plans from FYE2011. Please refer to Section 4.23 of this Prospectus for our Group's future plans and convergence subscription plans.

The following table sets forth the selected unaudited subscribers usages for the period under review:-

	← Unaudited			→
	Cumulative results for the quarter ended March 2010 RM'000	**Cumulative results for the quarter ended June 2010 RM'000**	**Cumulative results for the quarter ended September 2010 RM'000**	**Cumulative results for the quarter ended December 2010 RM'000**
- Voice	1,356	3,835	7,954	13,657
- SMS and MMS	195	499	953	1,626

The increase in the usages was due to the increasing number of XOX's subscribers due to the increasing awareness of XOX as a telecommunications service provider in the local market.

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9.4.4 SIGNIFICANT FACTORS MATERIALLY AFFECTING OUR GROUP'S REVENUE AND PROFITS

Our results from operations are affected by a number of factors, the most significant of which are:-

(i) Competition

The market for mobile telecommunications services in Malaysia is highly competitive. Our Group's ability to operate profitably will depend upon our ability to compete successfully with existing and new competitors. Increasing competition in the key segments in which we operate and intend to grow our business in the future, has had, and is expected to continue to have, a significant impact on our Group's performance in terms of financial and operational condition.

Mobile service providers compete for subscribers in a number of different areas including price, services and products offered, the technical quality of the mobile system, network coverage and capacity, and subscriber service. In addition, the mobile telecommunications industry in Malaysia may experience technological changes, evolving industry standards, liberalisation and changes in subscribers' preferences. Competition in the telecommunications industry may increase as a result of the entry of new competitors, foreign investment in existing competitors and the development of new technologies, products and services. Increased competition from existing and new operators has resulted in, and is expected to continue to result in, higher subscriber acquisition costs and greater price competition, with operators lowering monthly access fees and tariffs, providing substantial handset subsidies and offering more attractive products and services packages, resulting in higher churn rate and lower ARPU.

(ii) Industry trends

Mobile market penetration in Malaysia was 116.6% in the fourth quarter of 2010. As the market saturates, there has been a steady pace of prepaid to postpaid migration as a result of simpler and lower entry postpaid plans *(Source: Independent Market Research Report of The Mobile Virtual Network Operator Industry In Malaysia prepared by Dun & Bradstreet (D&B) Malaysia Sdn Bhd).*

XOX expects to see an increase in the adoption of multiple SIMs per individual and the availability of devices supporting dual SIMs. Although the new entry of players are unlikely, XOX expects the entry of new players, if any, to further increase competition. New entrants may leverage on pricing tactics, while incumbents may introduce innovative offers, bundled incentives and focus on differentiation via service levels and/or network quality.

Both MNOs and MVNOs have long recognised the problem of ARPU, mainly through price erosion as a result of competition and the adoption of multiple cellular phones per user. Subscribers who have more than one cellular phone tend to dilute their monthly usage over these cellular phones although there may be growth in their total usages. In mobile telephony, ARPU includes not only the revenues billed to the customer each month for usage, but also the revenue generated from incoming calls, payable within the regulatory interconnection regime. This is partly mitigated by industry players focusing their resources at innovating and developing data-centric services to subscribers, with wireless voice services reaching stagnation point. The wireless data revolution is creating ground breaking data applications for the consumer as well as the enterprise segments. Hence, there is increasing emphasis on generating revenues from data services, such as streaming media. Wireless data services are an important factor for the success of MVNOs and to drive the differentiation with which they establish uniqueness.

(iii) Products and pricing

XOX's financial performances are affected and will continue to be affected by the products and services which our Group has implemented. The products and services would need to be innovative and have to be priced competitively, such as our Group's convergence subscription plan, in order to attract potential subscribers.

The convergence subscription plan is an attractive alternative to the traditional prepaid and postpaid plans as it is a convergence of both prepaid and postpaid mobile plans into one (1) single subscription. The convergence plan allows subscribers the flexibility of a prepaid plan, with attractive rates of a postpaid plan. We believe our subscribers will be able to appreciate our simple value proposition and service that is easy to understand, evaluate, buy and use.

(iv) Distribution channels of XOX's products and services

Our Group's financial performances are also affected by the adequacy of our Group's distribution channels. A good distribution channel is essential to our Group as it would create an awareness of our Group's product and services thus increasing the number of our Group's subscribers. Furthermore, it would also enable our Group's subscriber to easily purchase our Group's recharge vouchers thus reducing subscribers' churn rate. This would increase our Group's revenue and profitability and reduce customer churn.

(v) Customer churn

Customer turnover, frequently referred to as customer churn, varies due to a number of factors, including the cost of voice minutes and SMS, brand appeal, customer loyalty, quality of customer service and products and services being offered by MVNOs and MNOs. Prepaid subscribers generally result in higher customer churn than postpaid subscribers because there is no minimum commitment fee and/or contract signed for prepaid subscription. Our Group performance may be materially affected by customer churn.

(vi) Advertising and promotion

Our Group being a relatively new entrant into the telecommunications industry does not have the financial strength to launch advertising and promotion campaigns on the same scale as the incumbent players in the industry. As the existing prepaid plans subscribers within Malaysia may not be aware of our Group's products and services, the number of advertising and promotion campaigns may affect our financial performances. Nevertheless, our Group has been focusing in our advertising and promotion campaigns which targets our niche market i.e. ethnic Chinese population in Malaysia and this has contributed to the increasing subscribers of our Group.

9.4.5 IMPACT OF FOREIGN EXCHANGE/ INTEREST RATES/ COMMODITY PRICES ON OUR GROUP'S OPERATIONS

Our Group's operations are based locally and only services subscribers throughout Malaysia. Although our Group had a revolving credit facility denominated in USD, as disclosed in Section 9.3 of this prospectus, fluctuations in foreign exchanges did not materially affect our Group's financial performance.

Our Group had not been materially affected by the movements in interest rates in Malaysia during the financial years and financial periods under review. A major increase in interest rate would raise the cost of borrowings and the cost of doing business and investment, thus creating an adverse effect on the performance of the Group.

9.4.6 IMPACT OF INFLATION ON OUR GROUP'S OPERATIONS

There is no material impact of inflation on our historical profits during the financial years and financial periods under review.

9.4.7 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Risks relating to the government, economic, fiscal or monetary policies factors, which may materially affect our operations, are as set out in Section 3 of this Prospectus.

There were no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits during the financial years or financial periods under review.

9.4.8 LIQUIDITY AND CAPITAL RESOURCES

(a) **Working Capital**

Our business operations are funded through a combination of cash generated from our operating activities and external sources of funds. We only have one (1) credit facility granted by a financial institution as detailed in Section 9.3 of this Prospectus.

As at FYE2010, we have cash and cash equivalents of approximately RM5.5 million after the Bonus Issue in XOX Com, Acquisitions and Share Split.

As at FYE2010, our total borrowings are set-up under Section 9.3 of this Prospectus.

After incorporating the effects of the Listing Scheme, as at 31 December 2010, the proforma Group has cash and cash equivalents of RM30.5 million.

The Directors of our Company are of the opinion that, after taking into account our existing sources of liquidity, such as our Group's short term investment as well as cash and bank balances, and our capacity to obtain further financing and the net proceeds from the Public Issue, our Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

(b) Cash Flow

The following is a summary of our proforma statement of cash flow for the FYE2010, and should be read in conjunction with the Reporting Accountant's Letter on the Proforma Consolidated Financial Information as set-out in Section 9.1 of this Prospectus.

	Audited FYE2010* (RM'000)
Net cash from operating activities	3,652
Net cash for investing activities	(1,988)
Net cash from financing activities	3,040
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,704
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	773
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**5,477**

Note:-

* *Based on the audited financial statements of the proforma XOX Group as at 31 December 2010 before taking into account the Special Issue, Public Issue and Utilisation of Proceeds.*

Net Cash From Operating Activities

The net cash flow from operating activities of approximately RM3.7 million was mainly due to the timing difference between the billing from XOX's trade suppliers and the actual payment of such expenses amounting to approximately RM18.4 million.

Net Cash For Investing Activities

Our net cash for investing activities of approximately RM2.0 million was mainly for the development cost for our Group's telecommunications systems and purchases of office equipment.

Net Cash From Financing Activities

Net cash from financing activities of approximately RM3.0 million was mainly attributed to capital injection of approximately RM10.0 million from the issuance of approximately 1.9 million of XOX Com's ordinary shares of RM1.00 each. This was partially offset by the repayment of the revolving credit facility of approximately RM6.6 million. During the period under review, our Group has also repaid our Directors amounting to approximately RM0.5 million which was provided to finance our Group's working capital during FYE2009.

(c) Borrowings

As at LPD, all the bank borrowings of our Group had been fully settled as detailed in Section 9.3 of this Prospectus.

Our Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof up to FYE 2010.

To the best of our Directors' knowledge, as at the last practicable date, neither we nor our subsidiaries are in breach of any terms and conditions or covenants associated with credit arrangement or bank loan, which can materially affect our financial results or business operations, or the investments by holders of securities in our Company.

(d) Financial Instruments Used

Financial instruments, from an accounting perspective, may include investments, short term funds, borrowings, trade and other receivables, amounts due from or due to related companies and associated companies, trade and other payables, as shown on the statement of financial position. The abovementioned financial instruments are used in our Group's ordinary course of business

As at 31 December 2010, we do not have nor are we using any financial instruments for hedging purposes.

(e) Treasury Policies and Objectives

We have been financing our operations through both our internal and external sources of funds. Please refer to Section 9.3 for further details on our borrowings as external sources of funds.

As at LPD, our Group does not have any bank borrowing.

It is our objective to minimise external borrowings to a minimum level so as to reduce risks related to borrowings.

There is no material impact of foreign exchange fluctuations on our historical profits for the past four (4) FYE2007 to FYE2010.

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(f) Material Commitment

Save as disclosed below, as at LPD, we do not have any material capital commitments for capital expenditure, which upon becoming enforceable, may have a material effect on our financial position.

	Amount (RM'000)
Convergence Charging System	10,696
SOA System	863
Social Network Portal	608
eStore & ePayment Platform	700
Network Management System	95
Dealer Support System	99
Customer Services System	20
Avalanche Application	146
Motor Vehicle	1,118
Total	**14,345**

The above commitment will be financed by internally generated funds, borrowings and/or IPO proceeds pursuant to the Public Issue. Our management expects that we should have the necessary funds available to fund the above mentioned commitments.

(g) Material Litigation / Arbitration

Save as disclosed in Section 13.6 of this Prospectus, as at LPD, we are not engaged in any material litigation or arbitration, either as plaintiff or defendant, which has or might have material effects on our business and financial position, and our Directors do not know of any proceeding pending and threatened, and of any fact likely to give rise to any proceeding which might materially and adversely affect our business and financial position.

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(h) Material Capital Expenditure

Save as disclosed below, there are no other material capital expenditures and divestitures (including interests in other corporations) made by us for the last four (4) financial years to the date of this Prospectus:-

	Audited			
	FYE2007 RM'000	FYE2008 RM'000	FYE2009 RM'000	FYE2010 RM'000
Expenditures				
Convergence Charging System	-	352	7,273	908
SOA System	-	6	545	223
Security and firewall system	-	246	91	34
Social Network Portal	-	181	864	247
eStore & ePayment Platform	-	-	100	-
Data Centre System	-	47	280	-
Customer Service System	-	1	165	5
Dealer Support System	-	54	127	15
Network Management System	-	-	50	123
Renovation	-	167	109	3
Furniture and Fittings	-	17	99	5
Office equipment	1	151	485	425
Total Expenditures	**1**	**1,222**	**10,188**	**1,988**

As at LPD, save as disclosed in Section 8.4 of the Prospectus, there are no other material capital expenditure and divestitures (including interests in other corporations) made by our Group which are currently in progress.

(i) Key Financial Ratios

The key financial ratios of our Group are as follows:-

	← Audited →			
	FYE2007	FYE2008	FYE2009	FYE2010
Trade receivables turnover (days)^	-	-	3	31
Trade payable turnover (days)#	-	-	12	2
Inventory turnover (days)*	-	-	60	4

Notes:

^ *Based on closing balance of trade receivables of the respective financial year over revenue of the respective financial year.*

Based on closing balance of trade payable of the respective financial year over cost of sales of the respective financial year.

* *Based on closing balance of inventory value of the respective financial year over cost of sales of the respective financial year.*

Trade Receivables Turnover

The normal credit period given to our trade debtors is 7 days to 60 days. Our trade receivables turnover period for the financial year under review showed that our debtor balances were adequately managed and is consistent with our policy for credit control purposes. The longer period for FYE2010 was due to granting of a longer credit period for selected XOX Group's distributors based on the distributor's performance and market penetration such as 7-Eleven Malaysia Sdn Bhd.

Our trade receivables as at 31 December 2010 are set out as follows:-

	TOTAL (RM'000)	0-30 days (RM'000)	31-60 days (RM'000)	61-90 days (RM'000)	91-120 days (RM'000)	120-180 days (RM'000)	> 180 days (RM'000)
Trade Receivables^	1,679	1,375	304	-	-	-	-
Less: Subsequent Receipts*	(1,425)	(1,375)	(50)	-	-	-	-
Net Trade Receivables*	**254#**	-	**254**	-	-	-	-

Notes:

^ *As at 31 December 2010.*

* *As at LPD.*

\# *This amount is in relation to an amount owing from one of our Group's customer. Please refer to Section 13.6 of this Prospectus for further details on the recoverability of the amount.*

The Group's major concentration of credit risk relates to four (4) trade receivable which constituted approximately 99.7% of our Group's total trade receivables as at 31 December 2010.

As at LPD, approximately 85% of the above trade receivables have been collected.

Trade Payable Turnover

The credit period granted by our suppliers to us ranged from 30 to 45 days, unless we have negotiated with specific suppliers and vendors for specific repayment terms. Our trade payable turnover periods for FYE2009 to FYE2010 fall within the credit terms granted to us by our suppliers.

Our trade payable as at 31 December 2010 are set out as follows:-

	TOTAL (RM'000)	0-30 days (RM'000)	31-60 days (RM'000)	61-90 days (RM'000)	91-120 days (RM'000)	120-180 days (RM'000)	> 180 days (RM'000)
Trade Payable	122	93	22	7	-	-	-
% of total trade payable	100.0	76.3	18.0	5.7	-	-	-

As at LPD, all of our total trade payable as at 31 December 2010 has been paid.

As at the LPD, we are not aware of any actions, legal or otherwise, that have been taken against us by trade suppliers for the recovery of debts due to them or due to any defaults in payment.

Inventory Turnover

Our inventories mainly comprise printed starter packs and printed recharge vouchers.

Our Group's starter packs do not have any expiration period as each starter pack is assigned to a specific number within the range of "010-3000000 to 010-3499999", "010-8300000 to 010-8799999" and "011-13000000 to 011-13499999". Any numbers which have been cancelled and/or terminated can be recycled and be reissued to new subscribers. Our Group's printed recharge vouchers have an expiration period ranging from one (1) and half years to two (2) years.

As at LPD, we are of the view that there are no slow-moving or obsolete inventories.

9.4.9 TREND INFORMATION

As at 31 December 2010, to the best of our Directors' knowledge and belief, our operations have not been and are not expected to be affected by any of the following:-

(a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and Section 3 and Section 4 of this Prospectus;

(b) material commitment for capital expenditure, as set out in Section 9.4.8 (h) of this Prospectus;

(c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and in Section 3 of this Prospectus;

(d) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/or profits save for those that have been disclosed in this section, industry overview as set out in Section 11 of this Prospectus and future plans and strategies as set out in Section 4.23 of this Prospectus;

(e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 3 of this Prospectus; and

(f) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and in Section 3 of this Prospectus.

Information on our business information is set out in Section 4 of this Prospectus, and our financial information and segmental analysis is set out in this section. Discussion on the industry overview and outlook is further elaborated in Section 4.23 of this Prospectus.

The Board of Directors of our Company is optimistic about the future prospect of our Group given the favourable outlook as set out in Section 4.23 of this Prospectus, our competitive advantages set out in Section 4.11 of this Prospectus and our Group's dedication to implement the future plans and strategies set out in Section 4.23 of this prospectus.

9.4.10 SENSITIVITY ANALYSIS

The following sensitivity analysis is prepared based on the forecast assumptions as set out in Sections 9.6 of the Prospectus, assuming all factors remain unchanged, except for the respective upward or downward variation in the number of registered subscribers, average monthly revenue from the sales of recharge voucher per subscriber and dealers' commission from March 2011 to December 2011. Notwithstanding the impact of the variation in the abovementioned three (3) factors, there may exist other factors which have not been taken into account, which may have a significant effect, either positively or negatively, on the financials of the Group. The sensitivity analysis is as follows:-

(i) Variations in growth of registered subscribers

	Revenue (RM'000)	Cost of sales (RM'000)	Gross Profit (RM'000)	Profit before tax (RM'000)	Profit after tax (RM'000)	Gross Profit Margin (%)
Forecast for FYE 2011						
Up to 50%	395,027	(250,277)	144,750	37,914	31,827	36
Up to 25%	313,945	(199,528)	114,417	29,187	25,281	36
Up to 10%	273,485	(174,164)	99,321	24,622	21,858	36
Base case	**249,466**	**(159,092)**	**90,374**	**21,833**	**19,766**	**36**
Down 10%	227,582	(145,347)	82,235	19,231	17,514	36
Down 25%	198,371	(126,981)	71,390	15,776	14,383	36
Down 50%	158,012	(101,563)	56,449	10,601	10,601	36

Note:-

The sensitivity analysis on growth of registered subscribers is prepared based on the assumption that all other factors remain unchanged except for the above upward and downward variations on the growth of registered subscribers.

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(ii) Variations in average monthly revenue from the sales of recharge voucher per subscriber

	Revenue (RM'000)	Cost of sales (RM'000)	Gross Profit (RM'000)	Profit before tax (RM'000)	Profit after tax (RM'000)	Gross Profit Margin (%)
Forecast for FYE 2011						
Up to 10%	272,143	(173,832)	98,311	27,066	23,691	36
Base case	**249,466**	**(159,092)**	**90,374**	**21,833**	**19,766**	**36**
Down 10%	226,788	(144,351)	82,437	16,713	15,055	36

Note:-

The sensitivity enelysis on average monthly revenue from the sales of recharge voucher per subscriber is prepered based on the assumption that all other factors remain unchanged except for the above upward and downward variation on the average monthly revenue from the sales of recharge voucher per subscriber.

(iii) Variations in dealers commission

	Revenue (RM'000)	Cost of sales (RM'000)	Gross Profit (RM'000)	Profit before tax (RM'000)	Profit after tax (RM'000)	Gross Profit Margin (%)
Forecast for FYE 2011						
Up to 10%	249,466	(159,092)	90,374	19,857	18,007	36
Base case	**249,466**	**(159,092)**	**90,374**	**21,833**	**19,766**	**36**
Down 10%	249,466	(159,092)	90,374	23,808	21,248	36

Note:-

The sensitivity analysis on dealers commission is prepared based on the assumption that all other factors remain unchanged except for the above upward and downward variation on the dealers commission.

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9. FINANCIAL INFORMATION *(Cont'd)*

9.5 FORECAST OF RESULTS OF OPERATIONS

The Directors' forecast of the consolidated profit and cash flow of XOX Group for FYE2011, which have been prepared based on the accounting principles consistent with those previously adopted in the preparation of the audited financial statements of XOX Com for FYE2010, is as set out below. The consolidated profit and cash flow forecast of the Group should be read in conjunction with the accompanying notes and assumptions as set out in the accompanying statements to the consolidated profit and cash flow forecast included in Section 9.6 of this Prospectus respectively.

Consolidated Profit Forecast of the Group

	Forecast FYE2011 RM'000
Revenue	249,466
Gross profit	90,374
Profit Before Tax	21,833
Income tax expenses	(2,067)
Profit After tax / Total comprehensive expenses / income	**19,766**
Number of Shares#	302,000
Gross profit margin (%)	36.2
Profit Before Tax margin (%)	8.8
Gross earnings per share (sen)[(1)]	7.2
Net eamings per share (sen)[(2)]	6.5

Notes:-

\# ` *Numbar of Shares in issue based on the enlarged issued and paid up share capital.*

(1) *Gross EPS was computed based on PBT for the financial year and divided by the enlarged issued and paid up share capital.*

(2) *Net EPS was computed based on PAT after MI for the financiel year and divided by the enlarged issued and paid up share capital.*

Consolidated Cash Flow Forecast of the Group

	Forecast FYE2011 RM'000
Net cash from operating activities	107,974
Net cash for investing activities	(23,451)
Net cash from financing activities	38,329
NET INCREASE IN CASH AND CASH EQUIVALENTS	**122,852**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	3,256*
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**126,108**

Note:-

* *Based on the aggregate amount of cash and cash equivalents of XOX Group as at 31 December 2010*

The consolidated profit and cash flow forecast of our Group for FYE2011 have been prepared based on the Directors' assessment of the present industry conditions, and a number of best estimate and/or assumptions regarding the future events and actions which the Directors expect to take place, as at the date the forecast was approved.

These future events may or may not take place. The principal assumptions which may impact their achievement are set in the accompanying statements to the Reporting Accountant's letter relating to the consolidated profit and cash flow forecast included in Section 9.6 of this Prospectus respectively. The Directors of XOX Group have reviewed and analysed the bases and assumptions used in arriving at the consolidated profit and cash flow forecast of our Group for FYE2011 respectively and is of the opinion that the consolidated profit forecast are fair and reasonable in light of the business growth potential, future plans, strategies and prospects of XOX Group as set out in Section 4.23 of this Prospectus and the outlook of the MVNO industry set out in Section 11 of this Prospectus.

A forecast, by its very nature, is subject to uncertainties and unexpected events, many of which are outside the control of XOX Group and its Directors. Also, events and circumstances often do not occur as anticipated and therefore actual results are likely to differ from the forecast, and the differences may be material.

9.5.1 Summary Analysis on Forecast Results of Operations

	MNO @ (1) **2010**	**MVNO @ (2)** **2010**	**XOX Actual FYE2009**	**XOX Actual FYE2010**	**XOX Forecast FYE2011**
Total number of registered subscribers in the Malaysian telecommunications Industry (**'million**)	n/a	n/a	30.1@	33.1@	35.2@
Number of registered subscribers ('**000**)	33,900	1,565	124	315	1,487
Market share (**%**)(3)	n/a	n/a	0.4	0.9	4.2
Number of cumulative active subscribers ('**000**)	n/a	n/a	58	115	1,093
Percentage of active subscribers (**%**)	n/a	n/a	46.8	36.5	73.5
Average ARPU					
- Convergent (**RM**)	-	n/a	7.6*	17.3*	40.3*
- Prepaid (**RM**)	38.7	n/a	-	-	-
- Postpaid (**RM**)	94.7	n/a	-	-	76.0*

Notes:-

@ *Source: Independent Market Research Report of Tha Mobile Virtual Network Operator Industry in Malaysia prepared by Dun & Bradstreet (D&B) Malaysia Sdn Bhd.*

* *Average monthly revenue from the sales of recharge voucher per subscriber.*

(1) *MNOs consisting of Maxis Bhd, Celcom Axiata Bhd, Digi.com Bhd and U Mobile Sdn Bhd.*

(2) *MVNOs consisting of Tune Talk Sdn Bhd, XOX, REDtone Mobile Sdn Bhd and Merchantrade Asia Sdn Bhd.*

(3) *Market share is computed based on the number of registered subscribers divided by the total number of registered subscribers in the Malaysian telecommunications Industry.*

Our forecast results have been prepared based on the bases and assumptions as set out in Section 9.6 of this Prospectus. They include, amongst others, assumptions in relation to our Group's subscriber base and the average monthly revenue from the sales of recharge vouchers per subscriber.

Our Group's subscriber base as at the end of FYE2010 stood at approximately 315,000 subscribers and this is forecast to increase to approximately 1.5 million subscribers or approximately 4.2% total registered subscribers by the end of FYE2011. As at LPD, our Group has a subscriber base of approximately 395,000 subscribers.

Meanwhile, our Group's average ARPU is forecasted to be approximately RM40.00 (convergent) and approximately RM76.00 (postpaid). This is consistent with the average prepaid and postpaid ARPU of the MNOs as at the fourth quarter of 2010 amounting to approximately RM39.00 and RM95.00 respectively.

The growth in our Group's subscriber base and average monthly revenue from the sales of recharge voucher per subscriber is expected to be supported by the following factors:-

(a) expected wider acceptance and availability of XOX Group's products and services amongst its target market via increased distribution channels which allow XOX subscribers wider access to recharge vouchers, as well as increase in traditional trade channels;

(b) higher forecasted rate of subscriber retention through the increased distribution channel which allows its subscribers to purchase their recharge vouchers conveniently; and

(c) introduction of new products and services such as additional convergence subscription plans and convergence value added services.

In evaluating our forecast results, please refer to Section 9.6 of this prospectus for the detailed bases and assumptions used to arrive at the forecast results of our Group.

Our Group has also identified certain future plans to realise our forecasted results, such as the implementation of our Mobile Wallet and Social Network Portal as set out in Section 4.23 of this prospectus.

Investors should also take into consideration our Group's risk factor on the "Forward looking statements and achievability of our Group's Forecast" as set out in Section 3 of this prospectus in making an investment decision.

The Reporting Accountant has expressed their opinion that subject to the matters stated in their letters as set out in the aforementioned Section 9.6 of this Prospectus:-

(i) nothing has come to our attention which causes us to believe that the Directors' assumptions, as set out in the accompanying statement, which we have initialed for identification purpose, do not provide a reasonable basis for the preparation of the consolidated profit and cash flow forecast; and

(ii) in our opinion, the consolidated profit and cash flow forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in their audited financial statements for the financial year ended 31 December 2010.

AmInvestment Bank, being the sponsor of XOX for its listing on the ACE Market, has also expressed their opinion on the bases and assumptions of the profit and cash estimate and forecast as disclosed below.

AmInvestment Bank Group

4 May 2011

The Board of Directors
XOX Bhd
Suite 11.1A, Level 11
Menara Weld
76, Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs,

XOX BHD ("XOX" or the "Company")
CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2011

This letter has been prepared solely for inclusion in the Prospectus of XOX Bhd ("**XOX**" or the "**Company**") in connection with the listing and quotation of the enlarged issued and paid-up share capital of XOX on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied on for any other purposes.

The Directors of XOX (the "**Directors**") are responsible for the assumptions used in the preparation and presentation of the Profit Forecast as set out in Section 9.6 of the Prospectus.

In arriving in our opinion, we have also considered the letters dated 13 April 2011 addressed to yourselves from Messrs Crowe Horwath regarding the accounting policies and calculations upon which the Profit Forecast have been made, as set out in Section 9.6 the Prospectus.

Based on our discussions with the Directors and examination of evidence supporting the relevant assumptions, nothing has come to our attention which causes us to believe that the assumptions do not provide a reasonable basis for the preparation of the Profit Forecast.

The Profit Forecast have been prepared by the Directors based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Profit Forecast. Actual results may vary materially from the Profit Forecast and the variation may be positive or negative. Accordingly, investors should have regard to the description of investment risks set out in Section 3 of the Prospectus, as well as the Sensitivity Analysis set out in Section 9.4.10 of the Prospectus.

Yours faithfully,
For and on behalf of
AmINVESTMENT BANK BERHAD

ANUAR OMAR
Director / Head of Corporate Finance

JOSEPHINE KONG POH YOKE
Associate Director
Corporate Finance

AmInvestment Bank Berhad (23742-V)
A member of the AmBank Group (A Participating Organisation of Bursa Malaysia Securities Berhad)
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9.6 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT AND CASH FLOW FORECAST OF THE XOX GROUP FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2011

Crowe Horwath™

Crowe Horwath *AF 1018*
Chartered Accountants
Member Crowe Horwath International

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13 April 2011

The Board of Directors
XOX Bhd
Suite 11.1A, Level 11,
Menara Weld,
76, Jalan Raja Chulan,
50200 Kuala Lumpur.

Dear Sirs

XOX BHD ("XOX" or "the Company")
CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2011

We have reviewed the consolidated profit forecast of XOX and its proposed subsidiaries ("XOX Group" or the Group") for the financial year ending 31 December 2011 as set out in the accompanying statements (which we have initialled for the purpose of identification), in accordance with International Standard on Assurance Engagements 3400 - The Examination of Prospective Financial Information, applicable to the review of forecast. The Directors of the Group are responsible for the preparation and presentation of the consolidated profit forecast and the assumptions on which the consolidated profit forecast are based.

The consolidated profit forecast has been prepared solely for inclusion in the Prospectus in connection with the following listing scheme. Accordingly, the consolidated profit forecast should not be relied on for any other purposes.

(a) Details of Listing Scheme

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital on the ACE Market of Bursa Securities, the Company will implement the following:-

(i) Bonus Issue by XOX Com Sdn. Bhd. ("XOX Com")

Bonus Issue of 7,999,998 new ordinary shares of RM1.00 each in XOX Com to all existing shareholders of XOX Com on the basis of approximately one (1) new ordinary share of RM1.00 each for every two (2) existing ordinary shares of RM1.00 each in XOX Com. The Bonus Issue by XOX Com is to be completed prior to the Acquisition of Subsidiaries by XOX as detailed in Note (ii) of this report ("Bonus Issue by XOX Com").

(a) Details of Listing Scheme (Cont'd)

(ii) Acquisition of Subsidiaries

(a) Acquisition by XOX of the entire issued and paid-up share capital of XOX Com amounting to RM24,879,998 comprising 24,879,998 ordinary shares of RM1.00 each in XOX Com for a purchase consideration of RM24,879,998 wholly satisfied by the issuance of 24,879,998 new ordinary shares of RM1.00 each in XOX at an issue price of RM1.00 per ordinary share;

(b) Acquisition by XOX of the entire issued and paid-up share capital of XOX Media Sdn. Bhd. ("XOX Media") amounting to RM100,000 comprising 100,000 ordinary shares of RM1.00 each in XOX Media for a purchase consideration of RM100,000 wholly satisfied by the issuance of 100,000 new ordinary shares of RM1.00 each in XOX at an issue price of RM1.00 per ordinary share; and

(c) Acquisition by XOX of the entire issued and paid-up share capital of XOX Management Services Sdn. Bhd. ("XOX Management Services") amounting to RM40,000 comprising 40,000 ordinary shares of RM1.00 each in XOX Management Services for a purchase consideration of RM40,000 wholly satisfied by the issuance of 40,000 new ordinary shares of RM1.00 each in XOX at an issue price of RM1.00 per ordinary share.

(iii) Share Split

The Share Split involving the sub-division of every one (1) existing ordinary share of RM1.00 each in XOX into ten (10) ordinary shares of RM0.10 each ("Share Split").

(iv) Special Issue

The Special Issue of 5,000,000 new ordinary shares of RM0.10 each ("XOX Share") to the selected pioneer management team of XOX Group at an issue price of RM0.36 per XOX Share ("Special Issue").

(v) Public Issue

The Public Issue of 46,800,000 new XOX Shares ("Public Issue Shares") at an indicative Public Issue price of RM0.80 per XOX Share, payable in full on application.

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(a) **Details of Listing Scheme (Cont'd)**

(v) **Public Issue (Cont'd)**

The Public Issue is to be allocated and allotted in the following manner:-

(i) Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia ("Malaysian Public")

7,500,000 Public Issue Shares, to be allocated via balloting, will be made available for application by the Malaysian Public.

(ii) Eligible Directors, Employees and Business Associates of XOX Group

9,500,000 Public Issue Shares will be made available for application by eligible Directors, employees and business associates of XOX Group.

(iii) Selected Investors via placement

29,800,000 Public Issue Shares will be made available to selected investors by way of private placement.

(vi) **Listing**

Upon completion of the Public Issue, the Company shall list its entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities.

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in their audited financial statements for the financial year ended 31 December 2010.

Crowe Horwath™

A forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which the management expects to take place and the actions which the management expects to take as of the date the information is prepared (best-forecast assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

As disclosed under Specific Assumptions 1 and 2 of the principal bases and assumptions of the consolidated profit forecast as set out in Section B of the accompanying statement to this letter:-

(a) the achievability of the Group's revenue is dependent on the following:-

    (i) the Group's ability to achieve the forecasted revenue of starter packs;

    (ii) the Group's ability to increase its subscriber base through the sales of its recharge vouchers to achieve the forecasted growth rate of registered subscribers; and

    (iii) the Group's ability to achieve the forecasted average monthly revenue per user through, amongst others, the retention and growth of active subscribers as a result of the increase in distribution channels, increased marketing and promotional activities and the roll out of the Group's future products.

(b) the Group's ability to maintain the forecasted Gross Profit Margin ("GPM") which is dependent on the Group meeting the minimum commitment levels as defined in the Mobile Virtual Network Operator Services Agreement.

There is no assurance that the forecasted sales of starter packs and recharge vouchers sold to the distributors will be achieved. There is also no assurance that the Group will be able to achieve the forecasted growth rate of registered subscribers and the average monthly revenue per user as forecasted is subjected to the uncertainty of market demand.

Accordingly, the consolidated profit forecast for the financial year ending 31 December 2011 is dependent on the above factors, which, if not achieved, could result in a consequential impact on the consolidated profit forecast.

Crowe Horwath

Subject to the matters stated in the preceding paragraphs:-

(i) nothing has come to our attention which causes us to believe that the Directors' assumptions, as set out in the accompanying statement, which we have initialled for identification purposes, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and

(ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in their audited financial statements for the financial year ended 31 December 2010.

Yours faithfully

Crowe Horwath
Firm No : AF 1018
Chartered Accountants

Lee Kok Wai
Approval No : 2760/06/12 (J)
Chartered Accountant

XOX BHD ("XOX" or "the Company")

A. CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2011

The Directors of XOX and its proposed subsidiaries ("XOX Group" or "the Group") forecast that, barring unforeseen circumstances and on the bases and assumptions set out below, the profit after taxation of the Group for the financial year ending ("FYE") 31 December 2011 will be as follows:-

	Proforma Group* RM'000
Revenue	249,466
Cost of sales	(159,092)
Gross profit ("GP")	90,374
Other income	344
Selling and distribution expenses	(47,282)
Administrative expenses	(16,621)
Other expenses	(4,850)
Finance cost	(132)
Profit before taxation ("PBT")	21,833
Income tax expense	(2,067)
Other comprehensive income	-
Profit after taxation ("PAT") / Total comprehensive income	19,766
Number of ordinary shares assumed in issue of RM0.10 each ('000)#	302,000
Gross earnings per share ("EPS") (sen)	7.2
Net EPS (sen)	6.5
GP margin (%)	36.2
PBT margin (%)	8.8
Effective tax rate (%)	9.5
PAT margin (%)	7.9

Notes:-

\# - *Assumed number of ordinary shares in issue is based on the enlarged share capital after the Public Issue.*

* - *The proforma Group assumes that the Group has existed for the forecasted period.*

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B. PRINCIPAL BASES AND ASSUMPTIONS RELATING TO THE CONSOLIDATED PROFIT FORECAST

Specific Assumptions

1. The Group forecasts that the revenue from the sale of starter packs and recharge vouchers for the financial year ending 31 December 2011 will be as follows:-

	Note	Forecasted Revenue RM'000	%
Sales of starter packs	(a)	15,669	6.3
Sales of recharge vouchers	(b)	233,797	93.7
		249,466	100.0

(a) The Group forecasts that there will be 1,778,475 starter packs sold to distributors at an average price of RM8.81 per starter pack for the financial year ending 31 December 2011.

The forecasted number of starter packs sold to distributors for the financial year ending 31 December 2011 is as follows:-

	Note		%
Total registered XOX subscribers	(i)	1,172,599	65.9
Balance of starter packs at distribution channels	(ii)	605,876	34.1
Total starter packs sold to distributors		1,778,475	100.0

(i) The registered XOX subscribers for the financial year ending 31 December 2011 are forecasted to increase on a monthly basis based on the cumulative registered number of XOX subscribers at the following growth rates:-

	Monthly growth rate
January	7.3%
February	6.5%
March to May	8.5%
June	10.5%
July	14.5%
August	16.5%
September	21.0%
October to December	22.0%

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B. PRINCIPAL BASES AND ASSUMPTIONS RELATING TO THE CONSOLIDATED PROFIT FORECAST (CONT'D)

Specific Assumptions (Cont'd)

The monthly growth rates from January 2011 to February 2011 were based on the respective actual monthly growth rates. The growth rate of registered XOX subscribers from March 2011 to December 2011 is forecasted to be higher than that of the industry of approximately 6.3% (according to Dun & Bradstreet (D&B) Malaysia Sdn. Bhd.'s report) because XOX is a new mobile telecommunication service provider with a low registered subscribers base of approximately 315,000 in FYE 2010. XOX is forecasted to achieve approximately 4.2% of the forecasted total subscribers in FYE2011, based on the forecast industry growth rate of 6.3% in 2011 (according to Dun & Bradstreet (D&B) Malaysia Sdn. Bhd.'s report).

The forecasted cumulative registered XOX subscribers at the end of each quarter for the financial year ending 31 December 2011 are as follows:-

FYE 2011	**No. of cumulative registered subscribers ('000)**
First quarter	390
Second quarter	507
Third quarter	819
Fourth quarter	1,487

For FYE2011, XOX Group forecasts its cumulative registered subscriber base will increase by approximately 1.173 million subscribers, representing a forecasted growth rate of approximately 373%. This is in line with the:-

(a) expected wider acceptance and availability of XOX Group's products and services amongst its target market via increased distribution channel such as the appointment of:-

(i) 7-Eleven Malaysia Sdn Bhd, which operates more than 1,100* "7-Eleven" convenience stores in Malaysia *(source: Berjaya Retail Berhad's prospectus dated 30 June 2010)*; and

(ii) MOL AccessPortal Berhad which provides "MOL points" services at more than 1,300* outlets within Malaysia such as cybercafes, "Popular Bookstore" outlets and "Singer" outlets *(source: the management of XOX)*,

Note:-

** - Presently XOX Group's products and services are available at selected stores / outlets and will be expanded gradually to cover more stores / outlets.*

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B. PRINCIPAL BASES AND ASSUMPTIONS RELATING TO THE CONSOLIDATED PROFIT FORECAST (CONT'D)

Specific Assumptions (Cont'd)

which allow XOX subscribers wider access to recharge vouchers as well as a forecasted appointment of 2 new area sales distributors;

(b) higher forecasted rate of subscriber retention through the increased distribution channel which allows its subscribers to purchase their recharge vouchers conveniently; and

(c) introduction of new products and services such as additional convergence subscription plans and convergence value added services.

(ii) The total balance of starter packs available at XOX Group's distribution channels are forecasted at 34% of the total starter packs sold as at the end of the forecasted period.

(b) The forecasted revenue from the sale of recharge vouchers for the financial year ending 31 December 2011 will be as follows:-

	Forecasted Revenue RM'000	%
Convergent sales*	206,563	88.3
Post-paid sales	24,279	10.4
3G data	2,955	1.3
	233,797	100.0

Note:-
** - Convergent sales relate to the sales of the convergent subscription plan which offers subscribers a post-paid account with prepaid flexibility and convenience.*

The sales of recharge vouchers are forecasted based on the average monthly revenue per user and the cumulative active XOX subscribers (net of churn).

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B. PRINCIPAL BASES AND ASSUMPTIONS RELATING TO THE CONSOLIDATED PROFIT FORECAST (CONT'D)

Specific Assumptions (Cont'd)

The average monthly revenue from the sales of recharge voucher per subscriber based on the cumulative active subscribers from convergent and post-paid sales are forecasted to be as follows:-

	2011											
	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Convergent	29	30	30	30	30	30	44	44	44	44	44	44
Post – paid	-	-	40	80	80	80	80	80	80	80	80	80
3G data	80	80	80	100	100	100	100	100	100	100	100	100

The average monthly revenue from sales of recharge voucher is forecasted based on the past 2 months' actual monthly revenue from January 2011 to February 2011. The forecasted higher average monthly revenue per subscriber for convergent and post-paid plans are attributable to expected higher market penetration due to the reasons mentioned in 1(a)(i) above.

The average prepaid ARPU for the incumbents in the mobile telecommunication industry is approximately RM44. Hence XOX Group is forecasting the average revenue for its convergence subscription plan to be in line with the average prepaid ARPU of approximately RM44 from July 2011 to December 2011.

The post-paid service has commenced in March 2011 and the average monthly revenue per subscriber is forecasted based on the forecasted commitment fee of approximately RM80 per month.

The 3G data service has commenced in January 2011 and the average monthly revenue is forecasted based on the data subscription plan the Group intends to offer.

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B. PRINCIPAL BASES AND ASSUMPTIONS RELATING TO THE CONSOLIDATED PROFIT FORECAST (CONT'D)

Specific Assumptions (Cont'd)

The percentage of cumulative active XOX subscribers for the financial year ending 31 December 2011 is forecasted to be as follows:-

	Active subscribers *
January	35%
February	34%
March to April	40%
May	42%
June	68%
July to August	71%
September to December	73%

Note:-
** - out of total forecasted cumulative registered XOX subscribers*

The higher percentage from March 2011 to December 2011 was anticipated due to XOX Group introducing new products such as additional convergence subscription plans and convergence value added services which is forecasted to promote the active usage of XOX Group's products and services. XOX's products and services are expected to gain wider market acceptance and improve its distribution reach via more extensive distribution channels, such as online sales of recharge vouchers and the appointment of 7-Eleven Malaysia Sdn Bhd and MOL AccessPortal Berhad which will allow XOX subscribers wider access to recharge vouchers as well as an increase in traditional trade channels.

The forecasted cumulative active XOX subscribers at the end of each quarter for the financial year ending 31 December 2011 are as follows:-

FYE 2011	**No. of cumulative active subscribers ('000)**
First quarter	158
Second quarter	345
Third quarter	598
Fourth quarter	1,093

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B. PRINCIPAL BASES AND ASSUMPTIONS RELATING TO THE CONSOLIDATED PROFIT FORECAST (CONT'D)

Specific Assumptions (Cont'd)

The percentage of convergent subscribers for the financial year ending 31 December 2011 is as follows:-

	Convergent subscribers ^
January to March	99.9%
April	97.5%
May	93.5%
June	90.4%
July to December	90.0%

Note:-
^ - *out of total forecasted cumulative active XOX subscribers*

2. The cost of the starter packs is forecasted to remain at RM4.00 per starter pack whilst the cost for the recharge vouchers is forecasted to remain the same as set out in the Mobile Virtual Network Operator ("MVNO") services agreement throughout the financial year ending 31 December 2011.

3. The mobile virtual network operator will continue to provide all the services as specified in the MVNO services agreement throughout the period under review.

4. The existing contract signed between XOX Group and its mobile virtual network operator will be executed without any major variations to the existing terms and conditions in the MVNO services agreement and with no significant variations to the business arrangements with the network operator, which will adversely affect the operations, income and expenditure of the Group.

5. The minimum commitment levels for the year as defined in the MVNO services agreement will be achieved.

6. The key performance indices target specified in the MVNO services agreement will be achieved and there will be no changes in the existing wholesale pricing discounted rates as specified in the MVNO services agreement for all services provided by the network operator during the period under review.

7. There will be no disruption or interruption on the Group's host network provider's core network infrastructure which will adversely affect the mobile telecommunications services provided by the Group.

8. There will be no disruption of the network services which will adversely affect the operations, income and expenditure of the Group.

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B. PRINCIPAL BASES AND ASSUMPTIONS RELATING TO THE CONSOLIDATED PROFIT FORECAST (CONT'D)

Specific Assumptions (Cont'd)

9. The Group will continue to operate under the existing licence under the purview of the Communications and Multimedia Act 1998 and there will be no significant changes to the Act which will adversely affect the operations, income and expenditure of the Group.

10. The Malaysian Communications and Multimedia Commission will continue to assign new numbers to the Group for it to continue operating its business.

11. The existing contracts signed between XOX Group and its distributors will be executed without any major variations to the existing terms and conditions in the distributors' agreement and with no significant adverse variations to the business arrangements with the distributors, which will adversely affect the operations, income and expenditure of the Group.

12. There will be no changes in the existing rates given to the distributors which will adversely affect the operations, business, income and expenditure of the Group.

13. There will be no dispute with the Group's distribution network of dealers and distributors which will adversely affect the results of operations and financial conditions of the Group.

14. There will be no breach of customer data protection which will adversely affect the Group's reputation and business.

15. There will be no major adverse effects arising from technological changes, changes in industry standards, liberalisation and changes in customers' preferences which will adversely affect the operations, income and expenditure of the Group.

16. There will be no major adverse effects arising from terminations, cancellations, revocations or other abnormal circumstances, which will adversely affect the operations, income and expenditure of the Group.

17. There will be no major adverse effects arising from equipment breakdowns, distributors disagreements or other abnormal circumstances, which will adversely affect the operations, income and expenditure of the Group

18. There will be no mergers or acquisition of the existing network service providers which will adversely affect the operations, income and expenditure of the Group.

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B. PRINCIPAL BASES AND ASSUMPTIONS RELATING TO THE CONSOLIDATED PROFIT FORECAST (CONT'D)

Specific Assumptions (Cont'd)

19. There will be sufficient resources and there will be no industrial disputes or disruptions or any other abnormal factors which will adversely affect the operations of the Group.

20. The directors' remuneration and directors' fee for the financial year forecasted to be approximately RM1,545,000, based on service contracts signed with the executive directors.

21. The staff costs are forecasted to be approximately RM309,000 per month with an average work force of approximately 63 staffs, based on forecasted head counts.

22. The discount to the Public Issue Price of RM0.80 which amounted to RM2.2 million has been charged to the statement of comprehensive income during the financial year.

23. The rental expenses are forecasted to be approximately RM17,000 per month based on current and expected office space rented.

24. The corporate and administrative expenses are forecasted to be approximately RM21,000 per month.

25. The general and administrative expenses are forecasted to be approximately RM35,000 per month.

26. The marketing and branding expenses are forecasted to be approximately RM345,000 per month. This is forecasted based on XOX's marketing and branding plans, such as radio and print media, road shows, sponsor event and reward programmes.

27. The total sales incentives and commission is forecasted to be approximately RM43.1 million. The sales incentive is based on the forecasted number of new activation of registered subscribers on the existing incentive scheme. Sales commission is based on the sales value of recharge vouchers and starter packs.

28. The maintenance cost for the Group's IT system is forecasted at 5% of the total forecasted cost for IT systems (i.e. convergence charging system, customer service system, web portal, e-store payment system, SOA system and dealer support system).

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B. PRINCIPAL BASES AND ASSUMPTIONS RELATING TO THE CONSOLIDATED PROFIT FORECAST (CONT'D)

Specific Assumptions (Cont'd)

29. Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. The depreciation of the assets is calculated based on an annual rate of 20% on the cost of the equipment.

30. In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company will implement the following:-

(i) **Bonus Issue by XOX Com**

Bonus Issue of 7,999,998 new ordinary shares of RM1.00 each in XOX Com Sdn. Bhd. ("XOX Com") to all existing shareholders of XOX Com on the basis of approximately one (1) new ordinary share of RM1.00 each for every two (2) existing ordinary shares of RM1.00 each in XOX Com. The Bonus Issue by XOX Com is to be completed prior to the Acquisition of Subsidiaries by XOX as detailed in Note 30(ii) of this report ("Bonus Issue by XOX Com").

(ii) **Acquisition of Subsidiaries**

(a) Acquisition by XOX of the entire issued and paid-up share capital of XOX Com amounting to RM24,879,998 comprising 24,879,998 ordinary shares of RM1.00 each in XOX Com for a purchase consideration of RM24,879,998 wholly satisfied by the issuance of 24,879,998 new ordinary shares of RM1.00 each in XOX at an issue price of RM1.00 per ordinary share;

(b) Acquisition by XOX of the entire issued and paid-up share capital of XOX Media amounting to RM100,000 comprising 100,000 ordinary shares of RM1.00 each in XOX Media for a purchase consideration of RM100,000 wholly satisfied by the issuance of 100,000 new ordinary shares of RM1.00 each in XOX at an issue price of RM1.00 per ordinary share; and

(c) Acquisition by XOX of the entire issued and paid-up share capital of XOX Management Services amounting to RM40,000 comprising 40,000 ordinary shares of RM1.00 each in XOX Management Services for a purchase consideration of RM40,000 wholly satisfied by the issuance of 40,000 new ordinary shares of RM1.00 each in XOX at an issue price of RM1.00 per ordinary share.

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B. PRINCIPAL BASES AND ASSUMPTIONS RELATING TO THE CONSOLIDATED PROFIT FORECAST (CONT'D)

Specific Assumptions (Cont'd)

(iii) Share Split

The Share Split involving the sub-division of every one (1) existing ordinary share of RM1.00 each in XOX into ten (10) ordinary shares of RM0.10 each ("Share Split").

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(v) Public Issue

The Public Issue of 46,800,000 new XOX Shares ("Public Issue Shares") at an indicative Public Issue price of RM0.80 per XOX Share, payable in full on application.

The Public Issue is to be allocated and allotted in the following manner:-

(i) Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia ("Malaysian Public")

7,500,000 Public Issue Shares, to be allocated via balloting, will be made available for application by the Malaysian Public.

(ii) Eligible Directors, Employees and Business Associates of XOX Group

9,500,000 Public Issue Shares will be made available for application by eligible Directors, employees and business associates of XOX Group.

(iii) Selected Investors via placement

29,800,000 Public Issue Shares will be made available to selected investors by way of private placement.

(vi) Listing

Upon completion of the Public Issue, the Company shall list its entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities.

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W
Crowe Horwath.
AF 1018

XOX BHD ("XOX" or "the Company")

B. PRINCIPAL BASES AND ASSUMPTIONS RELATING TO THE CONSOLIDATED PROFIT FORECAST (CONT'D)

Specific Assumptions (Cont'd)

31. The Public Issue is assumed to be completed in June 2011 and the proceeds from the Public Issue is assumed to be received in June 2011. The listing expenses are forecasted to be approximately RM3.0 million of which RM1.528 million will be set off against the share premium account and the balance of approximately RM1.472 million will be charged out to the Statement of Comprehensive Income. During FYE 2011, the listing expenses of RM0.636 million have been expensed off to the statements of comprehensive income.

32. The Bonus Issue, Acquisition of Subsidiaries, Share Split and Special Issue has been completed on 4 April 2011.

General Assumptions

1. There will be no significant changes in the principal activities and the existing structure of XOX Group, other than those incorporated in the forecast.

2. There will be no material changes in key management and operating structure of XOX Group.

3. There will be no significant changes in the customer demand, product selling prices, product sales mix and market growth, save for those forecasted by XOX Group.

4. The existing contracts signed between XOX Group and its area sales distributors are executed.

5. There will be no major breakdown in the Group's facilities as well as industrial disputes or disruption or any other abnormal circumstances, which will adversely affect the operations of XOX Group.

6. There will be no significant changes to the present legislation or government regulations, bases and rates of duties, levies and taxes of the industries in which XOX Group is related to, will affect XOX Group's activities. The statutory income tax rate in Malaysia for the financial year ending 31 December 2011 is 25% with no significant changes in the bases of taxation, applicable to the Group.

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B.PRINCIPAL BASES AND ASSUMPTIONS RELATING TO THE CONSOLIDATED PROFIT FORECAST (CONT'D)

General Assumptions (Cont'd)

7. There will be no significant changes to the prevailing political conditions that may have an adverse effect on the activities and performance of the Group.

8. There will be no significant bad debts and obsolete inventories or other abnormal circumstances, other than those incorporated in the forecast, which will adversely affect the operations of XOX Group.

9. Capital expenditure will be implemented and incurred as scheduled and there will be no material acquisition or disposal of equipment or investment other than those planned and incorporated in the consolidated profit forecast.

10. Inflation will not fluctuate significantly from the present and forecast level. Labour cost, production overheads and operating expenses were forecast to increase in tandem with the level of operations of the XOX Group and the effect of inflation, where applicable, has been incorporated in the forecast.

11. There will be no major proceedings against XOX Group which will adversely affect the activities or performance of the Group or give rise to any contingent liabilities which will materially affect the financial position or the business of the Group.

12. Existing credit facilities will remain available at present terms and conditions without significant changes from present and forecast interest rates. Additional credit facilities will be available at similar terms and conditions to meet XOX Group's requirements.

13. There will be no significant changes in technology that will adversely affect the operation of XOX Group.

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XOX BHD ("XOX" or "the Company")

CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2011 (CONT'D)

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated

....
NG KOK HENG
DIRECTOR
XOX BHD

....
WONG YIP KEE
DIRECTOR
XOX BHD

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13 April 2011

The Board of Directors
XOX Bhd
Suite 11.1A, Level 11,
Menara Weld,
76, Jalan Raja Chulan,
50200 Kuala Lumpur.

Dear Sirs

XOX BHD ("XOX" or "the Company")
CONSOLIDATED CASH FLOW FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2011

We have reviewed the consolidated cash flow forecast of XOX and its proposed subsidiaries ("XOX Group" or "the Group") for the financial year ending 31 December 2011, as set out in the accompanying statements (which we have stamped for the purpose of identification) in accordance with International Standards on Assurance Engagements 3400 - The Examination of Prospective Financial Information, applicable to the review of forecast. The Directors of XOX are solely responsible for the preparation and presentation of the consolidated cash flow forecast and the assumptions on which the consolidated cash flow forecast are based.

The consolidated cash flow forecast has been prepared solely for inclusion in the Prospectus in connection with the listing scheme. The details of the Listing Scheme of XOX are set out in our letter dated 13 April 2011 on the consolidated profit forecast for the financial year ending 31 December 2011.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the financial year ended 31 December 2010.

A forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

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Subject to the matters stated in the preceding paragraphs:-

(i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated cash flow forecast; and

(ii) the consolidated cash flow forecast, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the XOX Group in its audited financial statements for the financial year ended 31 December 2010.

Yours faithfully

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/12(J)
Chartered Accountant

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Crowe Horwath.
AF 1018

XOX BHD ("XOX" or "the Company")

A. Consolidated Cash Flow Forecast For The Financial Year Ending 31 December 2011

The Directors of XOX and its proposed subsidiaries ("XOX Group" or "the Group") forecast that, barring unforeseen circumstances and on the bases and assumptions set out below, the consolidated cash flow forecast of XOX Group for the financial year ending 31 December 2011 is as set out in Appendix 1.

B. Principal Bases And Assumptions Relating To The Consolidated Cash Flow Forecast

B1. The consolidated profit forecast of XOX Group for the financial year ending 31 December 2011 will be achieved; therefore the consolidated cash flow forecast must be read in conjunction with the assumptions on the consolidated profit forecast of XOX Group.

B2. Collections from trade receivables are received in accordance with current terms and policies. It is assumed that the trade receivables turnover periods range from 7 to 30 days.

B3. Payments to creditors and suppliers will be made in accordance with the current terms and policies with credit periods ranging from 30 to 120 days.

B4. All other expenses are forecasted to be paid in the month of incurrence with the following additional payments made during the financial year:-

	RM
April 2011	2,000,000
May 2011	3,412,000

B5. The bank borrowing of RM2.78 million has been fully repaid in March 2011.

B6. All tax payables are assumed to be paid in the year the tax liabilities arise.

B7. Capital expenditure will be implemented as scheduled and there will be no acquisition, disposal or adjustments of property, plant and equipment other than those planned and incorporated in the forecast.

B8. Capital expenditure and all other expenses are assumed to be paid in the month of incurrence.

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B. Principal Bases And Assumptions Relating To The Consolidated Cash Flow Forecast

B9. The proceeds from the Proposed Public Issue will be received in the financial year ending 31 December 2011 and will be utilised in accordance with the proposed utilisation of proceeds as follows:-

	RM '000	
Payment to creditor	5,000	
Capital expenditure	6,200	^
Working capital	23,240	
Estimated listing expenses ^^	3,000	*
	37,440	

Notes:-

* - *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

^ - *Should the Group resort to financing the above mentioned capital expenditure prior to the Listing, the Public Issue proceeds shall be used to repay the said financing. The balance of any unutilised proceeds will be utilised for working capital purposes.*

^^ - *The estimated listing expenses for the issue of the new XOX Shares of RM1,528,000 will be written off against the share premium account under Section 60 of the Companies Act, 1965. The balance of the estimated listing expenses of RM1,472,000 will be expensed off against the Statement of Comprehensive Income and this represents a one-off expenditure pursuant to the Public Issue. During FYE 2011, the listing expenses of RM0.636 million have been expensed off to the statements of comprehensive income.*

B10. The estimated listing expenses will be paid in the financial year ending 31 December 2011.

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Appendix 1

XOX BHD ("XOX" or "the Company")

CONSOLIDATED CASH FLOW FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2011

	FYE 2011 RM'000
Cash Flows From Operating Activities	
Receipts from distributors	223,906
Receipts from post-paid subscribers	19,762
Receipts from other receivables and deposits	308
Payments to suppliers	(62,041)
Payments of other payables	(10,191)
Payments of operating expenses	(61,703)
Income tax paid	(2,067)
Net Cash From Operating Activities	**107,974**
Cash Flows For Investing Activities	
Other income received	344
Short-term investment in money market	(10,000)
Purchase of equipment	(13,795)
Net Cash For Investing Activities	**(23,451)**
Cash Flows From Financing Activities	
Proceeds from issuance of shares	5,000
Proceeds from special issue	1,800
Proceeds from public issue	37,440
Listing expenses	(3,000)
Interest paid	(132)
Repayment of term loan	(2,779)
Net Cash From Financing Activities	**38,329**
Net Cash Inflow For The Financial Year	**122,852**
Cash And Cash Equivalents Brought Forward	**3,256**
Cash And Cash Equivalents Carried Forward	**126,108**

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CONSOLIDATED CASH FLOW FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2011 (CONT'D)

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated

....
NG KOK HENG
DIRECTOR
XOX BHD

....
WONG YIP KEE
DIRECTOR
XOX BHD

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9.7 DIVIDEND POLICY

Declarations of dividends are at the discretion of our Directors and prevailing economic and market conditions. Subject to the factors outlined below, our Directors do not intend to recommend and distribute any gross dividends to our Shareholders for FYE2011.

The abovementioned intention is in line with our Directors' policy to retain cash in the initial years for growth of subscribers and business. Our Company will declare dividends, if any, in RM and will make payment of the dividends in RM.

Notwithstanding the above, our ability to pay dividends or make other distributions to our Shareholders for future financial years is subject to various factors, such as having profits and excess funds not required to be retained to fund our business. Our Directors will consider the following factors, amongst others, when recommending dividends for approval by our shareholders or when declaring any interim dividends:-

(i) the availability of adequate distributable reserves and cash flows of the Company;

(ii) our operating cash flow requirements and financing commitments;

(iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans; and

(iv) any material impact of tax laws or other regulatory requirements.

Any declaration and payment of dividends in the future will be at the discretion of the Board of Directors. There is no assurance on whether dividend distributions will occur as intended, the amount of dividend payment, or timing of such payments.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

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Crowe Horwath™

Crowe Horwath *AF 1018*
Chartered Accountants
Member Crowe Horwath International

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13 April 2011

The Board of Directors
XOX Bhd
Suite 11.1A, Level 11,
Menara Weld,
76, Jalan Raja Chulan,
50200 Kuala Lumpur.

Dear Sirs

XOX BHD ("XOX" or "the Company")
ACCOUNTANTS' REPORT

1. PURPOSE OF REPORT

This report has been prepared by Messrs. Crowe Horwath, an approved company auditor and a public accountant registered in Malaysia, for inclusion in the Prospectus of XOX in connection with the listing of XOX on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the listing scheme are disclosed in Section 2.2 of this report.

2. DETAILS OF XOX AND ITS SUBSIDIARIES ("THE GROUP" OR "XOX GROUP")

2.1 THE COMPANY

XOX was incorporated in Malaysia as a public company on 10 May 2010 under the Malaysian Companies Act 1965.

The Company was established as an investment holding company. The principal activities of the subsidiaries are disclosed in Section 3.2 of this report.

2.2 DETAILS OF THE LISTING SCHEME

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of XOX on the ACE Market of Bursa Securities, the Company will implement the following:-

(i) Bonus Issue by XOX Com Sdn. Bhd. ("XOX Com")

Bonus Issue of 7,999,998 new ordinary shares of RM1.00 each in XOX Com to all existing shareholders of XOX Com on the basis of approximately one (1) new ordinary share of RM1.00 each for every two (2) existing ordinary shares of RM1.00 each in XOX Com. The Bonus Issue by XOX Com is to be completed prior to the Acquisition of Subsidiaries by XOX as detailed in Section 2.2 (ii) of this report ("Bonus Issue by XOX Com").

Crowe Horwath

2. DETAILS OF XOX AND ITS SUBSIDIARIES ("THE GROUP" OR "XOX GROUP") (CONT'D)

2.2 DETAILS OF THE LISTING SCHEME (CONT'D)

(ii) Acquisition of Subsidiaries

(a) Acquisition by XOX of the entire issued and paid-up share capital of XOX Com amounting to RM24,879,998 comprising 24,879,998 ordinary shares of RM1.00 each in XOX Com for a purchase consideration of RM24,879,998 wholly satisfied by the issuance of 24,879,998 new ordinary shares of RM1.00 each in XOX at an issue price of RM1.00 per ordinary share;

(b) Acquisition by XOX of the entire issued and paid-up share capital of XOX Media Sdn. Bhd. ("XOX Media") amounting to RM100,000 comprising 100,000 ordinary shares of RM1.00 each in XOX Media for a purchase consideration of RM100,000 wholly satisfied by the issuance of 100,000 new ordinary shares of RM1.00 each in XOX at an issue price of RM1.00 per ordinary share; and

(c) Acquisition by XOX of the entire issued and paid-up share capital of XOX Management Services Sdn. Bhd. ("XOX Management Services") amounting to RM40,000 comprising 40,000 ordinary shares of RM1.00 each in XOX Management Services for a purchase consideration of RM40,000 wholly satisfied by the issuance of 40,000 new ordinary shares of RM1.00 each in XOX at an issue price of RM1.00 per ordinary share.

(iii) Share Split

The Share Split involving the sub-division of every one (1) existing ordinary share of RM1.00 each in XOX into ten (10) ordinary shares of RM0.10 each ("Share Split").

(iv) Special Issue

The Special Issue of 5,000,000 new ordinary shares of RM0.10 each ("XOX Share") to the selected pioneer management team of XOX Group at an issue price of RM0.36 per XOX Share ("Special Issue").

(v) Public Issue

The Public Issue of 46,800,000 new XOX Shares ("Public Issue Shares") at an indicative Public Issue price of RM0.80 per XOX Share, payable in full on application.

2. DETAILS OF XOX AND ITS SUBSIDIARIES ("THE GROUP" OR "XOX GROUP") (CONT'D)

2.2 DETAILS OF THE LISTING SCHEME (CONT'D)

(v) Public Issue (Cont'd)

The Public Issue is to be allocated and allotted in the following manner:-

(i) Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia ("Malaysian Public")

7,500,000 Public Issue Shares, to be allocated via balloting, will be made available for application by the Malaysian Public.

(ii) Eligible Directors, Employees and Business Associates of XOX Group

9,500,000 Public Issue Shares will be made available for application by eligible Directors, employees and business associates of XOX Group.

(iii) Selected Investors via placement

29,800,000 Public Issue Shares will be made available to selected investors by way of private placement.

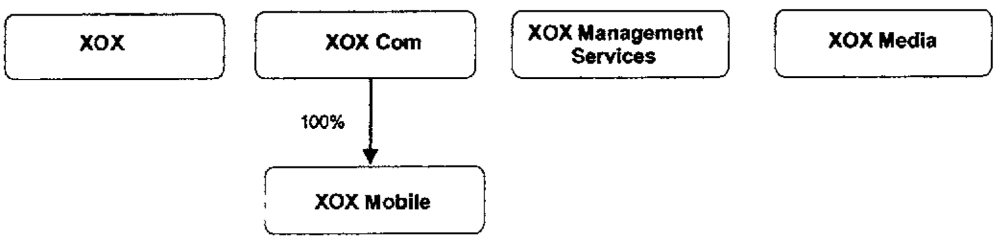
(vi) Listing

Upon completion of the Public Issue, the Company shall list its entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities.

3. GROUP STRUCTURE

3.1 Prior to Internal Rationalisation

The existing group structure of XOX Group is as follows:-

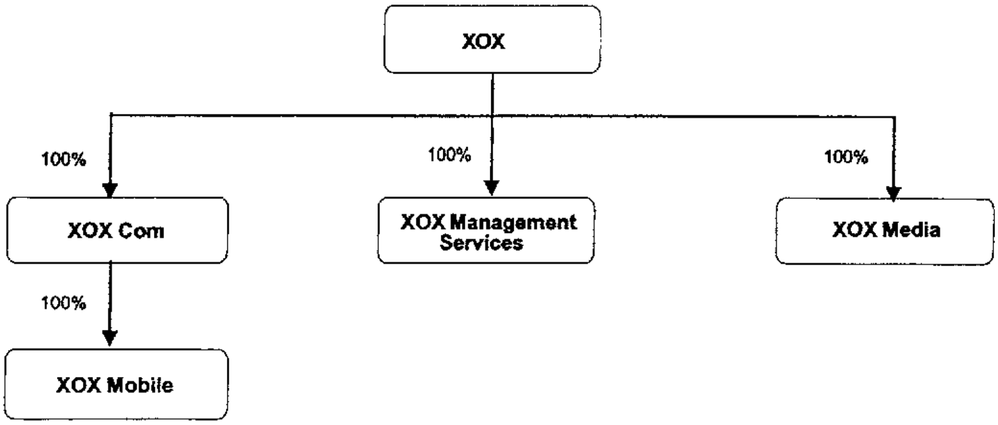


Crowe Horwath

3. GROUP STRUCTURE (CONT'D)

3.2 After the Internal Rationalisation pursuant to the Listing Scheme

The group structure of XOX and its subsidiaries ("XOX Group" or "the Group") is as follows:-



3.3 Details of the subsidiaries as at 31 December 2010, which are all incorporated in Malaysia, are as follows:-

Name of Companies	Date of Incorporation	Issued and paid-up share capital	Effective Equity Interest	Principal Activities
XOX Com	16 September 2005	RM15,940,000	100%	Provider of mobile telecommunication products and services.
XOX Mobile	10 April 2008	RM50,000	100%	Agent for the marketing, promotion, support services and managing the distribution channels of mobile telecommunication products and services.
XOX Media	21 February 2007	RM100,000	100%	Dormant.
XOX Management Services	13 March 2009	RM40,000	100%	Providing management services.

Note:-

All the abovementioned companies are audited by Messrs. Crowe Horwath

4. RELEVANT FINANCIAL PERIODS AND AUDITORS

The relevant financial periods of XOX Group for the purpose of this report ("Relevant Financial Periods") and the auditors of the subsidiaries for the Relevant Financial Periods are as follows:-

Name of Companies	Relevant Financial Periods	Auditors	Auditors' Report
XOX Bhd	Financial period from 10 May 2010 (date of incorporation) to 31 December 2010 ("FPE 2010").	Messrs. Crowe Horwath	Appendix I
XOX Com	Financial year ended 31 December ("FYE") 2007.	Messrs. Lew Lee & Co	Appendix II
	FYE 2008, 2009 and 2010	Messrs. Crowe Horwath	Appendix II
XOX Media	Financial period from 21 February 2007 (date of incorporation) to 31 December 2007 and FYE 2008.	Messrs. Lew Lee & Co	Appendix III
	FYE 2009 and 2010.	Messrs. Crowe Horwath	Appendix III
XOX Mobile	Financial period from 10 April 2008 (date of incorporation) to 31 December 2008.	Messrs. Lew Lee & Co	Appendix IV
	FYE 2009 and 2010.	Messrs. Crowe Horwath	Appendix IV
XOX Management Services	Financial period from 13 March 2009 (date of incorporation) to 31 December 2009 and FYE 2010.	Messrs. Crowe Horwath	Appendix V

The XOX Group shall only exist upon the completion of the Acquisition of Subsidiaries as detailed in Section 2.2 of this Report, and hence, there are no consolidated financial statements of XOX Group and its subsidiaries for the period under review.

Since no audited consolidated financial statements of XOX Group are available, only the audited financial statements of XOX for FPE 2010 and XOX Com for FYE 2007 to FYE 2010 are presented in this report. The financial information on XOX Com are presented in this report as XOX Com itself contributed to more than 75% of XOX Group's proforma consolidated profit before taxation for FYE 2007 to FYE 2010.

The auditors' reports on the financial statements of both XOX and XOX Com for the Relevant Financial Periods were reported upon without any audit qualification or emphasis of matter.

Crowe Horwath

5. ACCOUNTING STANDARDS AND POLICIES

5.1 BASIS OF ACCOUNTING

(a) Basis of Preparation

XOX was incorporated in Malaysia as a public company on 10 May 2010 under the Malaysian Companies Act 1965.

Upon the completion of the Bonus Issue by XOX Com and the Acquisition of Subsidiaries as detailed in Section 2.2(i) and Section 2.2(ii) of this Report, XOX and its subsidiaries are hereinafter collectively referred to as "XOX Group". The Bonus Issue by XOX Com and Acquisition of Subsidiaries were completed on 4 April 2011.

Based on the above, there are no Consolidated Financial Statements of XOX Group for FYE 2007 to 2010 and this report covers only the financial information derived from the audited financial statements of XOX for FYE 2010 and the audited financial statements of XOX Com for the Relevant Financial Periods.

The financial statements of XOX Com have been prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other notes under significant accounting policies, and in compliance with Financial Reporting Standards (FRS) in Malaysia.

(i) During the current financial year, the Company has adopted the following new accounting standards and interpretations (including the consequential amendments):-

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (Revised)	Presentation of Financial Statements
FRS 123 (Revised)	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and FRS127	Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Vesting Conditions and Cancellations

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.1 BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (Cont'd)

(i) During the current financial year, the Company has adopted the following new accounting standards and interpretations (including the consequential amendments) (Cont'd):

Amendments to FRS 7, FRS139 and IC Interpretation 9	
Amendments to FRS 101 and FRS 132	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS132	Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments
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: FRS119	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Annual Improvements to FRSs (2009)	

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Company's financial statements, other than the following:-

FRS 7 requires additional disclosures about the financial instruments of the Group. Prior to 1 January 2010, information about financial statements was disclosed in accordance with the requirements of FRS 132 - Financial Instruments: Disclosures and Presentation. FRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.1 BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (Cont'd)

(i) During the current financial year, the Company has adopted the following new accounting standards and interpretations (including the consequential amendments) (Cont'd):-

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Company's financial statements, other than the following (Cont'd):-

FRS 101 (Revised) introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Company has elected to present this statement as one single statement.

The revised standard also 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 comprehensive income as other comprehensive income.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the statement.

FRS 101 (Revised) also requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. This new disclosure is made in Note 7.2.30(b) to the financial statements.

Comparative information has been re-presented so that it is in conformity with the requirements of this revised standard.

The adoption of FRS 139 (including the consequential amendments) did not have any material impact on the Company's financial statements.

5. **ACCOUNTING STANDARDS AND POLICIES (CONT'D)**

5.1 **BASIS OF ACCOUNTING (CONT'D)**

(a) **Basis of Preparation (Cont'd)**

(ii) The Company has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

FRSs and IC Interpretations (including the Consequential Amendments)	**Effective date**
FRS 1 (Revised) First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised) Business Combinations	1 July 2010
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (Revised) Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)	1 July 2010
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)	1 July 2010
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and Revised FRS 3 (2010)	1 July 2010

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.1 BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (Cont'd)

(ii) The Company has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year (Cont'd):-

FRSs and IC Interpretations (including the Consequential Amendments)	**Effective date**
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Annual Improvements to FRSs (2010)	1 January 2011

The above accounting standards and interpretation (including the consequential amendments) are not relevant to the Company's operations except as follows:-

FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Company for the current financial year but may impact the accounting for future transactions or arrangements.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.1 BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (Cont'd)

(ii) The above accounting standards and interpretation (including the consequential amendments) are not relevant to the Company's operations except as follows (Cont'd):-

FRS 127 (Revised) requires accounting for changes in ownership interests by the Company in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Company will apply the major changes of FRS 127 (Revised) prospectively and therefore there will not have any financial impact on the financial statements of the Company for the current financial year but may impact the accounting its future transactions or arrangements.

Annual Improvements to FRSs (2010) contain amendments to 11 accounting standards that result in accounting changes for presentation, recognition or measurement purposes. These amendments are expected to have no material impact on the financial statements of the Company upon their initial application.

(b) Going Concern

The financial statements are prepared on the basis of accounting principles applicable to a going concern as the Group is embarking on a listing exercise on the ACE Market of Bursa Malaysia Securities Berhad. The listing has been approved by the Securities Commission on 29 November 2010. The Directors are confident that the listing exercise will be successful and implemented by the second quarter of 2011, and accordingly, the Group will be able to operate as a going concern.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5. 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consistency of Application of Accounting Policies

This report is prepared on a basis consistent with the accounting policies adopted by XOX Com as disclosed below. The audited financial statements provided in this report are prepared in accordance with the approved accounting standards as defined in the Financial Reporting Act 1997. There were no changes in the significant accounting policies adopted by XOX during the Relevant Financial Period other than the adoption of all the new and revised FRSs issued by the MASB which are relevant to its operations.

(b) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(i) Depreciation of Equipment

The estimates for the residual values, useful lives and related depreciation charges for the equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Company anticipates that the residual values of its equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

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5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5. 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Critical Accounting Estimates and Judgements (Cont'd)

(iii) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(v) Fair Value Estimates for Certain Financial Assets and Liabilities

The Company carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

(vi) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

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5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5. 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Company are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency. The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the statement of financial position date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(d) Financial Instruments

Financial instruments are recognised in the statement of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5. 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments (Cont'd)

(i) *Financial Assets*

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

  Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

  Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

- *Held-to-maturity Investments*

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables Financial Assets*

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5. 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments (Cont'd)

(i) *Financial Assets (Cont'd)*

- *Available-for-sale Financial Assets*

  Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

  After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

  Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

  Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(ii) *Financial Liabilities*

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5. 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments (Cont'd)

(iii) *Equity Instruments*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(e) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2010.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the purchase method. Under the purchase method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Company.

The gain or loss on the disposal of a subsidiary is the difference between the net disposal proceeds and the Company's share if its net assets.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5. 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

(g) Equipment

Equipment are stated at cost less accumulated depreciation or amortisation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Telecommunication network and equipment	20%
Office equipment	20%
Furniture and fittings	10%
Renovation	10%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each statement of financial position date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the equipment.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable.

5. **ACCOUNTING STANDARDS AND POLICIES (CONT'D)**

5. 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(g) **Equipment (Cont'd)**

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the statement of financial position date. Capital work-in-progress is stated at cost, transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

(h) **Impairment of Non-financial Assets**

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5. 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items. The Company writes down its obsolete or slow moving inventories based on assessment of the condition and the future demand for the inventories. These inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

(j) Provisions

Provisions are recognised when the Company has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

(k) Income Taxes

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5. 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) **Income Taxes (Cont'd)**

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(l) **Borrowing Costs**

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

(m) **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5. 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

(ii) Defined Contribution Plans

The Company's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further liability in respect of the defined contribution plans.

(o) Related Parties

For the purpose of these financial statements, a related party is considered to be related if:-

(i) directly, or indirectly through one or more intermediaries, the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;
(iii) the party is a joint venture in which the entity is a venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5. 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(q) Revenue Recognition

(i) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of sales tax, returns and trade discounts.

(ii) Interest Income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

(iii) Rental Income

Rental income is recognised on an accrual basis.

6. FINANCIAL INFORMATION

The XOX Group shall only exist upon the completion of the Acquisition of Subsidiaries as detailed in Section 2.2 and Section 3 of this Report, and hence, there are no consolidated financial statements of XOX Group and its subsidiaries for the period under review. For the purpose of this report, only the audited financial statements of XOX and XOX Com company level were presented as explained in Section 4 of this report.

The scope of work conducted in the presentation of this report does not constitute an audit in accordance with approved standards on auditing in Malaysia.

All information are extracted from the audited financial statements except those in *italics* which are prepared based on calculations, representations and/or explanations provided by the management of the XOX Group.

For presentation purposes, certain comparative figures in FYE 2007, FYE 2008, FYE 2009 and FYE 2010 have been reclassified to ensure consistency of presentation of information for comparison purposes. The details are disclosed in Section 7.2.31 of this report.

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7. AUDITED FINANCIAL STATEMENTS

7.1 XOX

7.1.1 STATEMENT OF COMPREHENSIVE INCOME OF XOX

	Note	FPE 2010 RM '000
Revenue		-
Administrative expenses		(15)
Other operating expenses		(836)
Loss before taxation ("LBT")	7.1.5	(851)
Income tax expense	7.1.6	-
Loss after taxation ("LAT")/ Total comprehensive expenses		(851)
Gross profit ("GP") margin (%)		*N/A*
LBT margin (%)		*N/A*
LAT margin (%)		*N/A*
Effective tax rate (%)		*N/A*
Interest coverage ratio (times)		*N/A*
Weighted average number of ordinary shares		*N/A*
in issue of RM1.00 each ('000)		*N/A*
Loss per share ("LPS")		*N/A*
- Basic (sen)		*N/A*
- Diluted (sen)		*N/A*
Gross LPS		*N/A*
Net LPS		*N/A*

Note:-

N/A - Not applicable.

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XOX (CONT'D)

7.1.2 STATEMENT OF FINANCIAL POSITION OF XOX

	Note	FPE 2010 RM '000
ASSET		
CURRET ASSETS		
Other receivable and prepayments		163
Cash and bank balance		^
TOTAL ASSETS		163
EQUITY AND LIABILITY		
EQUITY		
Share capital	7.1.7	*
Accumulated loss		(851)
TOTAL EQUITY		(851)
CURRENT LIABILITY		
Other payable and accruals	7.1.8	1,014
Amount owing to a director	7.1.9	^
TOTAL EQUITY AND LIABILITY		163
Number of ordinary shares in issue of RM1.00 each ('000)		*#*
Net liabilities ("NL") (RM'000)		*(851)*
NL per ordinary share (RM' 000)		*(426)*
Trade receivables turnover ratio (days)		*N/A*
Trade payables turnover ratio (days)		*N/A*
Gearing ratio (times)		*N/A*

Notes:-

* - *RM2.*
\# - *2 ordinary shares.*
^ - *Amount less than RM1,000.*
N/A - *Not applicable.*

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XOX (CONT'D)

7.1.3 STATEMENT OF CASH FLOW OF XOX

	Note	FPE 2010 RM '000
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation		(851)
Increase in other receivable and prepayments		(163)
Increase in other payables and accruals		1,014
NET CASH FROM OPERATING ACTIVITIES		-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares		*
Advances from a director		^
NET CASH FROM FINANCING ACTIVITIES		^
CASH AND BANK BALANCE AT THE END OF THE FINANCIAL PERIOD		^

Note:-

* - *RM2.*
^ - *Amount less than RM1,000.*

7.1.4 STATEMENT OF CHANGES IN EQUITY OF XOX

	Share capital RM '000	Accumulated loss RM '000	Total RM '000
At 10.5.2010 (date of incorporation)	*	-	*
Total comprehensive expenses for the financial period	-	(851)	(851)
Balance at 31.12.2010	*	(851)	(851)

Note:-

* - *RM2.*

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XOX (CONT'D)

7.1.5 LOSS BEFORE TAXATION

	FPE 2010 RM '000
Loss before taxation is arrived at after charging:-	
Audit fee	3
Listing expenses	836
Preliminary expenses	5

7.1.6 INCOME TAX EXPENSE

The company is not subject to tax as it is in a tax loss position.

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Company is as follows:-

	FPE 2010 RM '000
Loss before taxation	(851)
Tax at the statutory tax rate of 25%	(213)
Tax effect of:-	
Non-deductible expenses	213
Tax for the financial period	-

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XOX (CONT'D)

7.1.7 SHARE CAPITAL

	Number of ordinary shares '000	RM '000
Ordinary shares of RM1 each:-		
Authorised	100	100
Issued and fully paid-up	#	*

Notes:-

 # - 2 ordinary shares.
** - RM2.*

The Company was incorporated with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1 each, of which 2 ordinary shares of RM1.00 each were subscribed for on the date of incorporation.

7.1.8 OTHER PAYABLE AND ACCRUALS

Included in other payable and accruals is an amount of approximately RM993,000 accrued for listing expenses.

7.1.9 AMOUNT OWING TO A DIRECTOR

The amount owing is non-trade in nature, unsecured, interest free and repayable on demand. The amount is to be settled in cash.

7.1.10 FINANCIAL INSTRUMENTS

The Company's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) **Financial Risk Management Policies**

The Company is dormant and therefore the Company has minimum exposure to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk, liquidity and cash flow risk.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XOX (CONT'D)

7.1.10 FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

The objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The management sets the amount of capital in proportion to risk. There were no changes in the approach to capital management during the year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

(c) Classification Of Financial Instruments

	FPE 2010 RM '000
Financial assets:-	
Loans and receivables financial assets:-	
Other receivable and prepayments	163
Cash and bank balance at amortised cost	^
	163
Financial liabilities:-	
Financial liabilities at amortised cost:-	
Other payables at amortised cost	1,014
Amount owing to a director	^
	1,014

Note:-

^ - *Amount less than RM1,000.*

7.1.11 COMPARATIVE FIGURES

No comparative figures are available as this is the first set of financial statements prepared by the Company since incorporation.

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM

7.2.1 STATEMENTS OF COMPREHENSIVE INCOME OF XOX COM

	Note	FYE 2007 RM' 000	FYE 2008 RM' 000	FYE 2009 RM' 000	FYE 2010 RM' 000
Revenue	7.2.5	-	-	6,597	20,074
Cost of sales		-	-	(4,413)	(17,825)
Gross profit ("GP")		-	-	2,184	2,249
Other operating income		-	40	71	387
		-	40	2,255	2,636
Selling and distribution expenses		(11)	(379)	(10,918)	(10,319)
Administrative expenses		(225)	(829)	(4,072)	(4,968)
Other operating expenses		-	(16)	(120)	(311)
Loss from operations		(236)	(1,184)	(12,855)	(12,962)
Finance costs		-	-	(275)	(2,164)
Loss before taxation ("LBT")		(236)	(1,184)	(13,130)	(15,126)
Depreciation		^	16	120	311
Interest expense		-	-	275	2,164
Interest income		-	(7)	(36)	(31)
Loss before interest, taxation and depreciation		(236)	(1,175)	(12,771)	(12,682)
Depreciation		^	(16)	(120)	(311)
Interest expense		-	-	(275)	(2,164)
Interest income		-	7	36	31
LBT	7.2.6	(236)	(1,184)	(13,130)	(15,126)
Income tax expense	7.2.7	-	-	-	-
Loss after taxation ("LAT") / Total comprehensive expenses		(236)	(1,184)	(13,130)	(15,126)
Loss after taxation ("LAT") / Total comprehensive expenses for the financial year attributable to:- Owners of the Company		(236)	(1,184)	(13,130)	(15,126)

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.1 STATEMENTS OF COMPREHENSIVE INCOME OF XOX COM (CONT'D)

	FYE 2007	FYE 2008	FYE 2009	FYE 2010
GP margin (%)	N/A	N/A	33	11
LBT margin (%)	N/A	N/A	(199)	(75)
LAT margin (%)	N/A	N/A	(199)	(75)
Effective tax rate (%)	N/A	N/A	N/A	N/A
Interest coverage ratio (times)	N/A	N/A	N/A	N/A
Weighted average number of ordinary shares in issue of RM0.10 each ('000)	439	2,531	12,187	15,528
Loss per Share ("LPS")				
*- Basic * (sen)*	(53.8)	(46.8)	(107.7)	(97.4)
*- Diluted ** (sen)*	**	**	**	**
Gross LPS # (sen)	(53.8)	(46.8)	(107.7)	(97.4)
Net LPS # (sen)	(53.8)	(46.8)	(107.7)	(97.4)

Notes:-

^ - *Amount less than RM1,000.*

N/A - *Not applicable.*

- *The Gross LPS and Net LPS were computed by dividing the LBT and LAT respectively by the weighted average number of ordinary shares in issue of RM1.00 each during the period.*

* - *Basic LPS amounts are calculated by dividing the LAT by the weighted average number of ordinary shares in issue of RM1.00 each during the period.*

** - *The Group has no convertible securities to convert into ordinary shares as at the end of the reporting period and therefore, diluted LPS has not been presented.*

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.2 STATEMENTS OF FINANCIAL POSITION OF XOX COM

	Note	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM '000
ASSETS					
NON-CURRENT ASSETS					
Investment in a subsidiary	7.2.8	-	2	2	50
Equipment	7.2.9	1	1,207	11,274	12,951
		1	1,209	11,276	13,001
CURRENT ASSETS					
Inventories	7.2.10	-	105	726	218
Trade receivables	7.2.11	-	-	57	1,679
Other receivables, deposits and prepayments	7.2.12	-	87	5,512	2,941
Amount owing by a subsidiary	7.2.13	-	-	1	6
Amount owing by shareholders	7.2.14	^	-	-	-
Amount owing by directors	7.2.15	306	-	-	-
Short-term investment	7.2.16	-	1,150	50	2,300
Cash and bank balances		24	444	670	728
		330	1,786	7,016	7,872
TOTAL ASSETS		331	2,995	18,292	20,873
EQUITY AND LIABILITY					
EQUITY					
Share capital	7.2.17	532	3,060	15,000	15,940
Share premium	7.2.18	-	20	80	4,140
Accumulated losses		(247)	(1,431)	(14,561)	(29,687)
TOTAL EQUITY		285	1,649	519	(9,607)
CURRENT LIABILITIES					
Trade payable	7.2.19	-	-	148	122
Other payables and accruals	7.2.20	46	1,346	10,260	27,579
Amount owing to a director	7.2.21	-	-	507	-
Short-term bank borrowings	7.2.22	-	-	6,858	2,779
TOTAL LIABILITY		46	1,346	17,773	30,480
TOTAL EQUITY AND LIABILITY		331	2,995	18,292	20,873

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.2 STATEMENTS OF FINANCIAL POSITION OF XOX COM (CONT'D)

	FYE 2007	FYE 2008	FYE 2009	FYE 2010
Number of ordinary shares in issue of RM1.00 each ('000)	532	3,060	15,000	15,940
Net assets/(liabilities) ("NA/(NL)") (RM'000)	285	1,649	519	(9,607)
NA/(NL) per ordinary share (sen)	53.6	53.9	3.5	(60.3)
Trade receivables turnover ratio (days)	N/A	N/A	3	31
Trade payables turnover ratio (days)	N/A	N/A	12	2
Gearing ratio (times)	N/A	N/A	13.2	(0.3)

Notes:-

^ - *Amount less than RM1,000.*
N/A - *Not applicable.*

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.3 STATEMENTS OF CASH FLOWS OF XOX COM

	Note	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
CASH FLOW FOR OPERATING ACTIVITIES					
Loss before taxation		(236)	(1,184)	(13,130)	(15,126)
Adjustments for:-					
Depreciation of equipment		^	16	120	311
Interest expense		-	-	275	2,164
Interest income		-	(7)	(36)	(31)
Unrealised gain on foreign exchange		-	-	-	(304)
Operating loss before working capital changes		(236)	(1,175)	(12,771)	(12,986)
(Increase) / Decrease in Inventories		-	(105)	(621)	508
(Increase) / Decrease in trade and other receivables		-	(87)	(5,482)	948
Increase in trade and other payables		45	1,300	9,062	17,294
CASH FOR OPERATIONS		(191)	(67)	(9,812)	5,764
Interest paid		-	-	(275)	(2,164)
NET CASH FOR OPERATING ACTIVITIES		(191)	(67)	(10,087)	3,600
CASH FLOW FOR INVESTING ACTIVITIES					
Advances to a subsidiary		-	-	(1)	(5)
Interest received		-	7	36	31
Investment in a subsidiary		-	(2)	-	(48)
Purchase of equipment		(1)	(1,222)	(10,187)	(1,988)
Repayment from shareholders		8	^	-	-
NET CASH FOR INVESTING ACTIVITIES		7	(1,217)	(10,152)	(2,010)
CASH FLOW FROM FINANCING ACTIVITIES					
Advances from directors		-	306	507	-
Drawdown of term loan		-	-	6,858	-
Proceeds from issuance of shares		432	2,548	12,000	5,000
Repayment of short-term bank borrowings		-	-	-	(3,775)
Repayment to directors		(234)	-	-	(507)
NET CASH FROM FINANCING ACTIVITIES		198	2,854	19,365	718
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		14	1,570	(874)	2,308
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		10	24	1,594	720
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	7.2.24	24	1,594	720	3,028

Note:-

^ - *Amount less than RM1,000.*

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.4 STATEMENTS OF CHANGES IN EQUITY OF XOX COM

	Share capital RM '000	Share premium RM '000	Accumulated losses RM '000	Total RM '000
Balance at 1.1.2007	100	-	(11)	89
Issuance of shares	432	-	-	432
Total comprehensive expenses for the year	-	-	(236)	(236)
Balance at 31.12.2007 / 1.1.2008	532	-	(247)	285
Issuance of shares	381	2,167	-	2,548
Bonus issue	2,147	(2,147)	-	-
Total comprehensive expenses for the year	-	-	(1,184)	(1,184)
Balance at 31.12.2008 / 1.1.2009	3,060	20	(1,431)	1,649
Issuance of shares pursuant to:-				
- allotment	2,941	8,688	-	11,629
- bonus issue	8,628	(8,628)	-	-
- rights issue	371	-	-	371
Total comprehensive expenses for the year	-	-	(13,130)	(13,130)
Balance at 31.12.2009 / 1.1.2010	15,000	80	(14,561)	519
Issuance of shares	940	4,060	-	5,000
Total comprehensive expenses for the year	-	-	(15,126)	(15,126)
Balance at 31.12.2010	15,940	4,140	(29,687)	(9,607)

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.5 REVENUE

Revenue represents the invoiced value of goods sold less discounts and returns.

7.2.6 LOSS BEFORE TAXATION

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Loss before taxation is arrived at after charging/(crediting):-				
Audit fee				
- for the financial year	1	8	12	26
- (over)/underprovision in the previous financial year	-	-	(^)	2
Depreciation of equipment	^	16	120	311
Directors' non-fee emoluments	102	244	421	872
Interest on term loan	-	-	275	2,164
Rental of premises	-	97	197	268
Staff costs	14	297	1,656	2,345
Gain on foreign exchange				
- realised	-	-	-	20
- unrealised	-	-	-	304
Interest income	-	(7)	(36)	(31)
Rental income	-	(13)	(30)	(30)

Note:-

^ - *Amount less than RM1,000.*

7.2.7 INCOME TAX EXPENSE

The Company is not subject to tax as there is no taxable income for the financial years under review.

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.7 INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Company is as follows:-

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Loss before taxation	(236)	(1,184)	(13,130)	(15,126)
Tax at the statutory tax rate of				
-25%	-	-	(3,282)	(3,782)
-26%	-	(308)	-	-
-27%	(64)	-	-	-
Tax effects of:-				
Non-deductible expenses	64	308	826	127
Deferred tax not recognised during the financial year	-	-	2,456	3,655
Tax for the financial year	-	-	-	-

The corporate tax rates are 27%, 26% and 25% for year of assessment 2007, 2008 and 2009 respectively. Consequently deferred tax assets and liabilities are measured using these tax rates.

For the financial year of assessment 2007, the corporate tax rate on the first RM500,000 of chargeable income is 20%. The tax rate applicable to the balance of the chargeable income is 27%.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.7 INCOME TAX EXPENSE (CONT'D)

No deferred tax assets have been recognised in respect of the following items:-

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM '000
Unabsorbed capital allowances	-	26	180	-
Unutilised tax losses	-	73	10,374	7,915
Provision for cost of recharge usage	-	-	1,747	19,007
	-	99	12,301	26,922

7.2.8 INVESTMENT IN A SUBSIDIARY

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Unquoted shares, at cost	-	2	2	50

The details of the subsidiary, which incorporated in Malaysia are as follows:-

Name of Company	FYE 2008 / FYE 2009 / FYE 2010 Effective Equity Interest	Principal Activity
XOX Mobile Sdn. Bhd.	100%	An agent for the marketing, promotion, support services and managing the distribution channels of mobile telecommunications products and services.

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.9 EQUIPMENT

	At 1.1.2007 RM '000	Addition RM '000	Depreciation charge RM '000	At 31.12.2007 RM '000
Net Book Value				
Office equipment	-	1	^	1

	At 1.1.2008 RM '000	Additions RM '000	Depreciation charge RM '000	At 31.12.2008 RM '000
Office equipment	1	111	(9)	103
Furniture and fittings	-	17	(1)	16
Renovation	-	167	(6)	161
Capital work-in-progress	-	927	-	927
	1	1,222	(16)	1,207

	At 1.1.2009 RM '000	Additions RM '000	Transfers RM '000	Depreciation charge RM '000	At 31.12.2009 RM '000
Office equipment	103	370	154	(90)	537
Furniture and fittings	16	99	-	(8)	107
Renovation	161	109	-	(22)	248
Capital work-in-progress	927	9,609	(154)	-	10,382
	1,207	10,187	-	(120)	11,274

	At 1.1.2010 RM '000	Additions RM '000	Transfers RM '000	Depreciation charge RM '000	At 31.12.2010 RM '000
Office equipment	537	426	-	(160)	803
Furniture and fittings	107	4	-	(12)	99
Renovation	248	3	-	(28)	223
Capital work-in-progress	10,382	1,521	(976)	-	10,927
Telecommunication network and equipment	-	34	976	(111)	899
	11,274	1,988	-	(311)	12,951

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7. **AUDITED FINANCIAL STATEMENTS (CONT'D)**

7.2 **XOX COM (CONT'D)**

7.2.9 **EQUIPMENT (CONT'D)**

	At Cost RM '000	Accumulated Depreciation RM '000	Net Book Value RM '000
At 31.12.2007			
Office equipment	1	^	1
At 31.12.2008			
Office equipment	112	(9)	103
Furniture and fittings	17	(1)	16
Renovation	167	(6)	161
Capital work-in-progress	927	-	927
	1,223	(16)	1,207
At 31.12.2009			
Office equipment	636	(99)	537
Furniture and fittings	116	(9)	107
Renovation	276	(28)	248
Capital work-in-progress	10,382	-	10,382
	11,410	(136)	11,274
At 31.12.2010			
Office equipment	1,062	(259)	803
Furniture and fittings	120	(21)	99
Renovation	279	(56)	223
Capital work-in-progress	10,927	-	10,927
Telecommunication network and equipment	1,010	(111)	899
	13,398	(447)	12,951

Note:-

^ - *Amount less than RM1,000.*

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.10 INVENTORIES

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
SIM cards and recharge cards, at cost	-	105	726	218

None of the inventories is stated at net realisable value.

7.2.11 TRADE RECEIVABLES

The Company's normal trade credit terms range from 7 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

7.2.12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Other receivables	-	7	730	1,354
Deposits	-	46	2,366	169
Prepayments	-	34	2,416	1,418
At 31 December	-	87	5,512	2,941

Included in the other receivables, deposits and prepayments in FYE 2008 and FYE 2009 was an amount owing by related parties amounting to RM8,500 and RM13,594 respectively. The amounts owing were non-trade in nature, unsecured, interest-free and repayable on demand. The amounts were settled in cash.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.13 AMOUNT OWING BY A SUBSIDIARY

The amount owing by a subsidiary was non-trade in nature, unsecured, interest-free and receivable on demand. The amount was settled in cash.

7.2.14 AMOUNT OWING BY SHAREHOLDERS

The amount owing by shareholders was non-trade in nature, unsecured, interest-free and receivable on demand. The amount was settled in cash.

7.2.15 AMOUNT OWING BY DIRECTORS

The amount owing by directors was non-trade in nature, unsecured, interest-free and receivable on demand. The amount was settled in cash.

7.2.16 SHORT-TERM INVESTMENT

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
At cost:-				
ING Cash Plus	-	1,150	50	2,300
Market value of investment:-				
ING Cash Plus	-	1,150	55	2,303

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.17 SHARE CAPITAL

	FYE 2007	FYE 2008	FYE 2009	FYE2010	FYE 2007	FYE 2008	FYE 2009	FYE2010
	Number of ordinary shares ('000)				RM '000	RM '000	RM '000	RM'000
ORDINARY SHARES OF RM1 EACH								
AUTHORISED								
At beginning of year	100	1,000	5,000	25,000	100	1,000	5,000	25,000
Increase during the financial year	900	4,000	20,000	-	900	4,000	20,000	-
At 31 December	1,000	5,000	25,000	25,000	1,000	5,000	25,000	25,000
ISSUED AND FULLY PAID-UP:-								
At beginning of year	100	532	3,060	15,000	100	532	3,060	15,000
Issuance of shares pursuant to:-								
- rights issue	-	-	371	-	-	-	371	-
- allotment	432	381	2,941	940	432	381	2,941	940
- bonus issue	-	2,147	8,628	-	-	2,147	8,628	-
At 31 December	532	3,060	15,000	15,940	532	3,060	15,000	15,940

During the financial year, the Company increased its issued and paid-up share capital from RM15,000,000 to RM15,940,000 by a private placement of 940,000 new ordinary shares of RM1.00 each at an issue price of approximately RM5.32 per share for the purpose of working capital. The shares were issued for cash consideration. The new shares issued rank pari passu in all respects with the existing shares of the Company.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.18 SHARE PREMIUM

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
At 1 January	-	-	20	80
Allotment of ordinary shares	-	2,167	8,688	4,060
Bonus issue	-	(2,147)	(8,628)	-
At 31 December	-	20	80	4,140

The share premium is not distributable by way of cash dividends and may be utilised in the manner as set out in Section 60(3) of the Companies Act 1965.

7.2.19 TRADE PAYABLES

The normal credit terms granted to the Company range from 30 to 45 days.

7.2.20 OTHER PAYABLES AND ACCRUALS

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Other payables	-	3	6,659	7,047
Accruals	4	13	2,041	20,171
Deposits received	42	1,330	1,560	361
	46	1,346	10,260	27,579

Included in deposits received in FYE 2008, FYE 2009 and FYE 2010 were security deposits paid by distributors amounting to approximately RM1,300,000, RM1,500,000 and RM301,500 respectively.

Included in accruals in FYE 2009 and FYE 2010 were amounts of approximately RM1,747,000 and RM19,008,000 respectively being the provision for the cost of recharge usage.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.21 AMOUNT OWING TO A DIRECTOR

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Amount owing to a director	-	-	507	-

The amount owing was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was settled in cash.

7.2.22 SHORT-TERM BANK BORROWINGS

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Revolving credit	-	-	-	2,779
Term loan (Note 7.2.23)	-	-	6,858	-
	-	-	6,858	2,779

The revolving credit is repayable in 10 monthly instalments of at least RM150,000 each from 29 January 2010 until 30 June 2010, RM100,000 each from 31 July 2010 until 30 November 2010, RM150,000 on December 2010, RM200,000 each from January 2011 until February 2011 and to be fully settled in March 2011.

The revolving credit was denominated in United States Dollar.

The revolving credit at the end of the reporting period bore an effective interest rate of 2.5% per month and is secured by:-

(a) a specific charge over certain computer equipment and software system of the Company; and

(b) a joint and several guarantee of all the directors of the Company.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.23 TERM LOAN

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Current portion - repayable within one year (Note 7.2.22)	-	-	6,858	-

The term loan is repayable in 7 monthly instalments of USD286,000 (equivalent to RM979,693) with effect from 29 January 2010.

The term loan as at 31 December 2009 bore an effective interest rate of 20% per annum and is secured by:-

(a) a specific charge over the computer equipment and software system of the Company;

(b) a security deposit placed; and

(c) a joint and several guarantee of certain directors of the Company.

7.2.24 CASH AND CASH EQUIVALENTS

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Cash and bank balances	24	444	670	728
Short-term investment	-	1,150	50	2,300
	24	1,594	720	3,028

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.25 DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by the directors of the Company during the financial year are as follows:-

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Executive directors:-				
- salaries and allowances	94	208	329	720
- defined contribution plans	-	-	61	144
Non-executive director:-				
- allowances	8	36	24	8
	102	244	414	872
Benefits-in-kind	-	-	7	75

The details of emoluments for the directors of the Company received / receivable for the financial year in the bands of RM50,000 are as follows:-

	FYE 2007	FYE 2008	FYE 2009	FYE 2010
Number of directors				
Executive directors:-				
Below RM50,000	2	-	-	-
RM50,001 - RM100,000	-	1	1	-
RM100,001 - RM150,000	-	1	-	-
RM200,001 - RM250,000	-	-	1	-
RM400,001 - RM450,000	-	-	-	2
Non-executive directors:-				
Below RM50,000	1	2	1	1

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.26 RELATED PARTY DISCLOSURES

(a) Identities of related parties

(i) the Company has a related party relationship with its subsidiary as disclosed in Section 7.2.8 of this report;

(ii) the directors who are the key management personnel; and

(iii) entities controlled by certain key management personnel, directors and/or substantial shareholders.

(b) In addition to the information detailed elsewhere in the financial statements, the Company carried out the following significant transactions with the related parties during the financial year:-

(i) The subsidiary

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Management fee paid / payable to a subsidiary	-	-	8	12

(ii) Key management personnel

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Short-term employee benefits	102	244	421	947

(iii) Entities controlled by key management personnel, directors and/or substantial shareholders

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Entity in which certain directors are shareholders				
- Management fee	-	-	9	12

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.27 CAPITAL COMMITMENT

Authorised capital expenditure not provided for:-

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM'000
Contracted				
- Equipment	-	10,956	3,879	8,856

7.2.28 FOREIGN EXCHANGE RATE

The principal closing foreign exchange rate used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balance at the end of the reporting period is as follows:-

	FYE 2007 RM	FYE 2008 RM	FYE 2009 RM	FYE 2010 RM'000
United States Dollar	-	-	3.42	3.09

7.2.29 OPERATING SEGMENTS

Operating segment is not presented as the Company is primarily engaged in the provision of mobile telecommunication services and its related products in Malaysia.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.30 FINANCIAL INSTRUMENTS

The Company's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity. The Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) **Financial Risk Management Policies**

The Company's policies in respect of the major areas of treasury activity are as follows:-

(i) **Market Risk**

(i) Foreign Currency Risk

The Company is exposed to foreign currency risk on borrowings that are denominated in currencies other than Ringgit Malaysia. The currency giving rise to this risk is denominated in the United States Dollar.

Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Company's exposure to foreign currency is as follows:-

	31.12.2009 RM '000	31.12.2010 RM '000
United States Dollar		
Financial liabilities		
Revolving credit	-	2,779
Term loan	6,858	-

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table illustrates the sensitivity analysis to a 5% strengthening/weakening of Ringgit Malaysia against the United States Dollar. The 5% rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items of the Company. The sensitivity analysis assumes that all other variables, in particular interest rates, remain constant.

	Effect on loss after taxation RM '000	Effect on equity RM '000
United States Dollar		
- strengthened 5%	139	139
- weakened 5%	(139)	(139)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from interest-bearing borrowings.

The Company's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Company constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 31 December 2010, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

The following table sets out the carrying amount, by maturity, of the Company's interest-bearing financial instruments:-

	31.12.2009 RM '000	31.12.2010 RM '000
Within one year		
Revolving credit - fixed rate	-	3,053
Term loan - fixed rate	6,858	-

Interest on financial instruments at fixed rates is fixed until the maturity of the instruments. The other financial instruments of the Company that are not included in the above table are not subject to interest rate. Accordingly, no interest rates sensitivity analysis is disclosed in the current financial year as interest rate sensitivity analysis is unrepresentative as the Company is not exposed to interest rate risk as the interest-bearing financial instruments carry fixed interest rate and are measured at amortised cost.

(ii) Credit Risk

The Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Company manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

7. **AUDITED FINANCIAL STATEMENTS (CONT'D)**

7.2 **XOX COM (CONT'D)**

7.2.30 **FINANCIAL INSTRUMENTS (CONT'D)**

(a) **Financial Risk Management Policies (Cont'd)**

(ii) **Credit Risk (Cont'd)**

Credit risk concentration profile

The Company's major concentration of credit risk relates to the amounts owing by two customers which constituted approximately 78% of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Company does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The ageing analysis of the Company's trade receivables is as follows:-

	31.12.2009 RM '000	**31.12.2010 RM'000**
Not past due and not impaired	57	1,427
Past due but not impaired		
- past due 0 - 3 month	-	252
	57	1,679

Trade receivables that are past due but not impaired

The Company believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity and Cash Flow Risks

Liquidity risk arises mainly from general funding and business activities. The Company practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Carrying amount RM '000	Contractual cash flows RM '000	Within 1 year or on demand RM '000
At 31 December 2010			
Trade payables	122	122	122
Other payables and accruals	27,579	27,579	27,579
Revolving credit	2,779	2,779	2,779
At 31 December 2009			
Trade payables	148	148	148
Other payables and accruals	10,260	10,260	10,260
Amount owing to a director	507	507	507
Term loan	6,858	6,858	6,858

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7. **AUDITED FINANCIAL STATEMENTS (CONT'D)**

7.3 **XOX COM (CONT'D)**

7.2.30 **FINANCIAL INSTRUMENTS (CONT'D)**

(b) Capital Management Policies

The Company manages its capital to ensure that entities within the Company will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Company manages its capital based on debt-to-equity ratio. The Company's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The debts to equity ratio at the end of the reporting period were as follows:-

	31.12.2009 RM '000	31.12.2010 RM '000
Short-term borrowings	6,858	2,779
Trade payables	148	122
Other payables and accruals	10,262	27,579
	17,268	30,480
Less: Short-term investment	(50)	(2,300)
Less: Cash and bank balances	(670)	(728)
Net debt	16,548	27,452
Total equity	519	(9,607)
Debt-to-equity ratio	31.88	N/A

Under the requirement of Bursa Malaysia Guidance Note No. 3/2009, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital and such shareholders' equity is less than 25% of the issued and paid-up share capital. The Company has not complied with this requirement. However, the Group is embarking on a listing exercise on the ACE market of Bursa Malaysia Securities, and the listing has been approved-in-principal by the Bursa Malaysia Securities on 10 December 2010. The Directors are confident that the listing exercise will be successful and implemented by the second quarter of 2011.

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification of Financial Instruments

	31.12.2009 RM '000	31.12.2010 RM '000
Financial assets		
Loans and receivables financial assets		
Trade receivables	57	1,679
Other receivables	5,512	2,941
Amount owing by a subsidiary	1	6
Short term investment	50	2,300
Cash and Bank balances	670	728
	6,290	7,654
Financial Liabilities		
Financial liabilities at amortised cost		
Trade payables	148	122
Other payable and accruals	10,260	27,579
Amount owing to a director	507	-
Short-term borrowings	6,858	2,779
	17,773	30,480

(d) Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

7.2.31 RECLASSIFICATION

In the preparation of the Accountants' Report, certain reclassifications were made to ensure consistency of presentation of information for comparison purposes. The details of the reclassifications made are set out as follows:-

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM '000
Statements Of Comprehensive Income (Extract)				
Selling and distribution expenses				
As reported in the audited financial statements	-	-	-	(10,319)
Reclassified from administrative expenses #	(11)	(379)	(10,918)	-
	(11)	(379)	(10,918)	(10,319)

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XOX COM (CONT'D)

7.2.31 RECLASSIFICATION

In the preparation of the Accountants' Report, certain reclassifications were made to ensure consistency of presentation of information for comparison purposes. The details of the reclassifications made are set out as follows (cont'd):-

	FYE 2007 RM '000	FYE 2008 RM '000	FYE 2009 RM '000	FYE 2010 RM '000
Statements Of Comprehensive Income (Extract)				
Administrative expenses				
As reported in the audited financial statements	(236)	(1,208)	(14,990)	(4,968)
Reclassified to selling and distribution expenses #	11	379	10,918	-
	(225)	(829)	(4,072)	(4,968)
Statements of Cash Flow (Extract)				
Net cash for operating activities				
As reported in the audited financial statements	(191)	(74)	(10,051)	3,631
Reclassified to net cash for investing activities *	-	7	(36)	(31)
	(191)	(67)	(10,087)	3,600
Net cash for investing activities				
As reported in the audited financial statements	(227)	(1,210)	(10,188)	(2,041)
Reclassified from net cash for operating activities *	-	(7)	36	31
Reclassified to net cash for financing activities **	234	-	-	-
	7	(1,217)	(10,152)	(2,010)
Net cash from financing activities				
As reported in the audited financial statements	432	2,854	19,365	718
Reclassified from net cash for investing activities **	(234)	-	-	-
	198	2,854	19,365	718

Note:-

\# - *Being reclassification from administrative expenses to selling and distribution expenses.*
* - *Being reclassification from net cash for operating activities to net cash for investing activities.*
** - *Being reclassification from net cash for investing activities to net cash for financing activities.*

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8. **SUBSEQUENT EVENTS**

There were no significant subsequent events between the date of the latest financial statements used in the preparation of this report and the date of this report which will materially affect the contents of this report.

9. **AUDITED FINANCIAL STATEMENTS**

As of the date of this Report, no audited financial statements have been prepared in respect of any period subsequent to 31 December 2010 for XOX and XOX Com.

Yours faithfully

Crowe Horwath
Firm No : AF 1018
Chartered Accountants

Lee Kok Wai
Approval No : 2760/06/12 (J)
Chartered Accountant

Crowe Horwath™

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XOX BHD.

APPENDIX I

(Incorporated in Malaysia)
Company No : 900384 - X

Report on the Financial Statements

We have audited the financial statements of XOX Bhd., which comprise the statement of financial position as at 31 December 2010 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 21.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX BHD. (CONT'D)
(Incorporated in Malaysia)
Company No : 900384 - X

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial period then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/12 (J)
Chartered Accountant

Kuala Lumpur

01 MAR 2011

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LEW LEE & CO (AF : 0693)
Chartered Accountants Malaysia

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A MEMBER FIRM OF THE
MALAYSIAN INSTITUTE OF ACCOUNTANTS

PRIVATE AND CONFIDENTIAL

Company No : 709922 - X

APPENDIX II

XOX COM SDN BHD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS – 31ST DECEMBER 2007

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 8 to 17.

These financial statements are the responsibility of the company's directors. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

Company No : 709922 - X

a) the financial statements which have been prepared under the historical cost convention are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :

   i) the matters required by section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the company; and

   ii) the state of affairs of the company at 31st December 2007 and of the results of the operations of the company and of its cash flow for the year ended on that date; and

b) the accounting and other records and the registers required by the Companies Act 1965 to be kept by the company have been properly kept in accordance with the provisions of the said Act.

LEW LEE & CO.
NO. AF-0693
CHARTERED ACCOUNTANTS

LEE SEE MOI @ LEE SEE POI
NO. 1221/12/08 (J/PH)
CHARTERED ACCOUNTANT

KUALA LUMPUR

DATE: 24 MAR 2008

Horwath

Horwath AF No 1018
Kuala Lumpur Office
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX COM SDN. BHD.
(Incorporated in Malaysia)
Company No: 709922 - X

Report on the Financial Statements

We have audited the financial statements of XOX Com Sdn. Bhd., which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 32.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX COM SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Company No: 709922 - X

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2008 and of its financial performance and cash flows for the financial year then ended.

Other Matters

The financial statements of the Company for the preceding financial year were audited by another firm of auditors whose report dated 24 March 2008, expressed an unqualified opinion on those statements.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/10 (J)
Partner

Kuala Lumpur

20 MAY 2009

Crowe Horwath™

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

XOX COM SDN. BHD.

(Incorporated in Malaysia)
Company No : 709922 - X

APPENDIX II

Report on the Financial Statements

We have audited the financial statements of XOX Com Sdn. Bhd., which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 40.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX COM SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Company No : 709922 - X

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/10 (J)
Partner

Kuala Lumpur
15 MAR 2010

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX COM SDN. BHD.
(Incorporated in Malaysia)
Company No : 709922 - X

APPENDIX II

Report on the Financial Statements

We have audited the financial statements of XOX Com Sdn. Bhd., which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 52.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Crowe Horwath™

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX COM SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Company No : 709922 - X

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Crowe Horwath™

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX COM SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Company No : 709922 - X

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/12 (J)
Chartered Accountant

Kuala Lumpur

01 MAR 2011

LEW LEE & CO (AF : 0693)
Chartered Accountants Malaysia

148-2, Jalan Tun Sambanthan
50470 Kuala Lumpur
Tel : 03-22741911 (3 Lines)
Fax : 03-22722180

A MEMBER FIRM OF THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

PRIVATE AND CONFIDENTIAL

Company No : 763354 - U

APPENDIX III

XOX MEDIA SDN BHD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS – 31ST DECEMBER 2007

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 8 to 13.

These financial statements are the responsibility of the company's directors. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

Company No : 763354 - U

a) the financial statements which have been prepared under the historical cost convention are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Private Entity Reporting Standards in Malaysia so as to give a true and fair view of :

i) the matters required by section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the company; and

ii) the state of affairs of the company at 31st December 2007 and of the results of the operations of the company and of its cash flow for the period from 21st February 2007 (date of incorporation) to 31st December 2007; and

b) the accounting and other records and the registers required by the Companies Act 1965 to be kept by the company have been properly kept in accordance with the provisions of the said Act.

LEW LEE & CO.
NO. AF-0693
CHARTERED ACCOUNTANTS

LEE SEE MOI @ LEE SEE POI
NO. 1221/12/08 (J/PH)
CHARTERED ACCOUNTANT

KUALA LUMPUR

DATE: 10 JUN 2008

7

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A MEMBER FIRM OF THE
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PRIVATE AND CONFIDENTIAL

Company No : 763354 - U

APPENDIX III

FINANCIAL STATEMENTS – 31ST DECEMBER 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XOX MEDIA SDN BHD

(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements set out on pages 8 to 13 of Xox Media Sdn Bhd, comprising of the balance sheet as at 31st December 2008, and the income statement, the statement of changes in equity and cash flow statement for the year ended on that date, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with Private Entities Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error.

Company No : 763354 - U

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are appropriate in their circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant estimates made by the directors, as well as evaluating the overall financial statement presentation and disclosure.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements which have been prepared under the historical cost convention, are properly drawn up in accordance with Private Entities Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the company as at 31st December 2008 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the company, have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

LEW LEE & CO.
NO. AF-0693
CHARTERED ACCOUNTANTS

LEE SEE MOI @ LEE SEE POI
NO. 1221/12/10 (J/PH)
CHARTERED ACCOUNTANT

KUALA LUMPUR

DATE: 15 JUN 2009

Crowe Horwath™

Crowe Horwath *AF 1018*
Chartered Accountants
Member Crowe Horwath International

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX MEDIA SDN. BHD.
(Incorporated in Malaysia)
Company No: 763354 - U

APPENDIX III

Report on the Financial Statements

We have audited the financial statements of XOX Media Sdn. Bhd., which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 22.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX MEDIA SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Company No: 763354 - U

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the financial year then ended.

Other Matters

The financial statements of the Company for the preceding financial year were audited by another firm of auditors whose report dated 15 June 2009, expressed an unqualified opinion on those statements.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/10 (J)
Partner

Kuala Lumpur
15 MAR 2010

Crowe Horwath™

Crowe Horwath *AF 1018*
Chartered Accountants
Member Crowe Horwath International

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XOX MEDIA SDN. BHD.

(Incorporated in Malaysia)
Company No : 763354 - U

APPENDIX III

Report on the Financial Statements

We have audited the financial statements of XOX Media Sdn. Bhd., which comprise the statement of financial position as at 31 December 2010 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 25.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX MEDIA SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Company No : 763354 - U

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/12 (J)
Charted Accountant

Kuala Lumpur

01 MAR 2011

LEW LEE & CO (AF : 0693)

Chartered Accountants Malaysia

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PRIVATE AND CONFIDENTIAL

Company No : 813250 - K

APPENDIX IV

FINANCIAL STATEMENTS – 31ST DECEMBER 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XOX MOBILE SDN BHD

(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements set out on pages 8 to 13 of Xox Mobile Sdn Bhd, comprising of the balance sheet as at 31st December 2008, and the income statement, the statement of changes in equity and cash flow statement for the period from 10th April 2008 (date of incorporation) to 31st December 2008, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with Private Entities Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error.

Company No : 813250 - K

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are appropriate in their circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant estimates made by the directors, as well as evaluating the overall financial statement presentation and disclosure.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements which have been prepared under the historical cost convention, are properly drawn up in accordance with Private Entities Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the company as at 31st December 2008 and of its financial performance and cash flows for the period from 10th April 2008 (date of incorporation) to 31st December 2008.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

LEW LEE & CO.	LEE SEE MOI @ LEE SEE POI
NO. AF-0693	NO.1221/12/10 (J/PH)
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANT

KUALA LUMPUR

DATE: 15 JUN 2009

Crowe Horwath

Crowe Horwath AF.1018
Chartered Accountants
Member Crowe Horwath International

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX MOBILE SDN. BHD.
(Incorporated in Malaysia)
Company No: 813250 - K

APPENDIX IV

Report on the Financial Statements

We have audited the financial statements of XOX Mobile Sdn. Bhd., which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 23.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX MOBILE SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Company No: 813250 - K

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the financial year then ended.

Other Matters

The financial statements of the Company for the preceding financial year were audited by another firm of auditors whose report dated 15 June 2009, expressed an unqualified opinion on those statements.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/10 (J)
Partner

Kuala Lumpur

15 MAR 2010

Offices in Malaysia:
Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Muar • Penang

Crowe Horwath™

Crowe Horwath *AF 1018*
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX MOBILE SDN. BHD.
(Incorporated in Malaysia)
Company No : 813250 - K

APPENDIX IV

Report on the Financial Statements

We have audited the financial statements of XOX Mobile Sdn. Bhd., which comprise the statement of financial position as at 31 December 2010 of the Company, and the statement of comprehensive income, statements of changes in equity and statement of cash flow of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 26.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Crowe Horwath™

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XOX MOBILE SDN. BHD. (CONT'D)

(Incorporated in Malaysia)
Company No : 813250 - K

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/12 (J)
Charted Accountant

Kuala Lumpur

01 MAR 2011

Crowe Horwath™

Crowe Horwath *AF 1018*
Chartered Accountants
Member Crowe Horwath International

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX MANAGEMENT SERVICES SDN. BHD.
(Incorporated in Malaysia)
Company No: 849780 - K

APPENDIX V

Report on the Financial Statements

We have audited the financial statements of XOX Management Services Sdn. Bhd., which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the financial period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 23.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Offices in Malaysia:
Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Muar • Penang

Crowe Horwath™

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX MANAGEMENT SERVICES SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Company No: 849780 - K

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the financial period then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/10 (J)
Partner

Kuala Lumpur
15 MAR 2010

Crowe Horwath™

Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XOX MANAGEMENT SERVICES SDN. BHD.

(Incorporated in Malaysia)
Company No: 849780 - K

APPENDIX V

Report on the Financial Statements

We have audited the financial statements of XOX Management Services Sdn. Bhd., which comprise the statement of financial position as at 31 December 2010 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 25.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Offices in Malaysia:
Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Muar • Penang

Crowe Horwath™

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
XOX MANAGEMENT SERVICES SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Company No: 849780 - K

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/12 (J)
Chartered Accountant

Kuala Lumpur

01 MAR 2011

Decide with Confidence

The Board of Directors
XOX Bhd
Suite 11.1A, Level 11,
Menara Weld,
76, Jalan Raja Chulan,
50200 Kuala Lumpur.

Dear Sirs,

EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT ("EXECUTIVE SUMMARY") FOR XOX BHD ("XOX" OR THE "COMPANY")

This Executive Summary has been prepared for inclusion in the Prospectus to be dated 24 MAY 2011 pursuant to the listing of XOX on the ACE market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of The Mobile Virtual Network Operator Industry in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, government literatures, in-house databases, Internet research and online databases.

Dun & Bradstreet (D&B) Malaysia Sdn Bhd ("D&B Malaysia") has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, D&B Malaysia acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issue of the Prospectus and before the issue of securities, then D&B Malaysia has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

Yours faithfully,
for and on behalf of
DUN & BRADSTREET (D&B) MALAYSIA SDN BHD

TAN SZE CHONG
Managing Director

Decide with Confidence

EXECUTIVE SUMMARY

1.1 THE GLOBAL ECONOMY

In 2010, the global economic recovery continued, albeit at an uneven pace, after exiting from the sharpest post-war economic contraction in the second half of 2009. The recovery accelerated in the first half of the year due to inventory restocking, continued policy support as well as the low base effect, but the momentum tapered off in the second half as these temporary factors waned.

To some extent, growth prospects in the advanced economies in 2011 will be supported by recent policy stimulus in the US and Japan, underscoring the governments' concerns that growth in private sector demand may not be sufficiently strong to sustain economic activity. An emerging feature of the global economy in the post-crisis period is that global growth is increasingly dependent on the emerging economies. While the emerging economies account for about a third of global GDP, they have contributed more than two-thirds of global growth in recent years, highlighting the growing importance of emerging economies as the new growth centres. However, changing growth dynamics have brought about new challenges to the emerging economies, following the shift in global short-term capital flows from the advanced economies to the emerging market economies.

In the US, the prospects are for a continued expansion in economic activity, underpinned by a new round of fiscal policy stimulus, easy monetary conditions, and a gradual revival in private consumption. In addition to the anticipated positive impact of these measures on private sector demand, the underlying private consumption is also expected to be supported by a gradual improvement in the job market, rising personal incomes, longer working hours and the higher equity prices that will contribute towards increasing the net worth of households.

The prospects of a gradual growth in the advanced economies coupled with a more moderate demand from the emerging economies are expected to slow the pace of expansion in global trade in 2011. Of significance, global trade will continue to be increasingly driven by the emerging economies, particularly Asia. Intra-regional trade in Asia would remain strong, benefiting from the robust domestic demand in the region.

Table 1: Global Real GDP Growth, 2002-2011^f

Growth (%)	2002	2003	2004	2005	2006	2007	2008	2009	2010e	2011f
World GDP	3.1	4.0	5.3	4.8	4.9	5.2	3.0	-0.6	5.0	4.4
US	1.6	2.5	3.9	3.1	2.9	2.0	0.4	-2.6	2.8	3.0
Japan	0.3	1.4	2.7	1.9	2.2	2.4	-1.2	-6.3	3.9	1.6
Euro area *	0.9	0.8	2.0	1.5	2.8	2.4	0.6	-4.1	1.7	1.5

Notes:

** = Indicates member countries of the Euro area (Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, Spain)*
e = estimate
f = forecast

Source: Bank Negara Malaysia, Ministry of Finance

1.2 THE MALAYSIAN ECONOMY

Following the strong performance in 2010, the Malaysian economy is projected to grow at between 5% and 6% in 2011, supported mainly by continued expansion in domestic demand. Whilst external demand is expected to moderate in 2011, the growth contribution of net exports would turn around to be positive amid a larger trade surplus on sustained commodity exports to the Asian region.

Decide with Confidence

Domestic demand is expected to maintain a strong growth momentum, driven mainly by a robust expansion in private sector activity. Private consumption will be supported by favourable labour market conditions, higher disposable incomes and sustained consumer confidence. Private investment is expected to remain strong and contribute favourably to growth. This will be supported by capital spending by the domestic-oriented industries given the high levels of capacity utilisation and positive business confidence, as well as the implementation of key initiatives announced by the government under the ETP. Meanwhile, the public sector will remain supportive of growth, with higher capital spending projected in the second half of 2011. This is attributable mainly to the implementation of new projects and the acceleration of ongoing projects to promote private sector activity.

Table 2: Annual Change in Real GDP by Sector, 2002-2011[f] (2000 prices)

Growth (%)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP	5.4	5.8	6.8	5.0	5.8	6.2	4.7	-1.7	7.2	5.0-6.0
Agriculture	2.9	6.0	4.7	2.6	5.4	1.4	4.3	0.4	1.7	3.4
Manufacturing	4.1	9.2	9.6	5.3	7.1	3.1	1.3	-9.4	11.4	5.7
Mining	4.4	6.1	4.1	-1.3	-2.7	2.0	-2.4	-3.8	0.2	2.0
Construction	2.3	1.8	-0.9	-1.8	-0.5	4.7	4.2	5.8	5.2	5.4
Services	5.8	4.2	6.4	6.7	7.3	9.6	7.4	2.6	6.8	5.9

Notes:

e = estimate
f = forecast

Source: Bank Negara Malaysia, Ministry of Finance

1.3 THE SERVICES SECTOR IN MALAYSIA

The services sector will remain the largest contributor to growth, driven by the domestic-oriented sub-sectors, particularly wholesale and retail trade, finance and insurance, and communication. The wholesale and retail trade sub-sector is expected to continue to register a robust performance, supported by higher private consumption amid favourable labour market conditions as well as the expansion of new retail stores and hypermarkets. The sub-sector is also expected to benefit from higher tourist arrivals, particularly from the high-income countries. Growth in the finance and insurance sub-sector is expected to remain strong, driven mainly by the finance segment, as bank lending would continue to grow in tandem with higher consumer spending and business expansion activity. The anticipated increase in capital market activity would contribute favourably to the fee-based income of banking institutions.

Similarly, the outlook for the communication sub-sector is expected to remain robust. The telecommunications industry would be driven by the non-voice segment, as demand for mobile data is expected to benefit from the rising popularity and affordability of smart phones amid a proliferation of new devices and intensified competition among service providers. Growth will be further supported by wider roll-out of high-speed broadband, wireless broadband services and continuous initiatives by the government to promote the adoption of broadband services in the rural areas.

Growth in the trade-related sub-sectors is projected to be more moderate, reflective of the slower growth outlook in external demand. In the transport and storage sub-sector, the expected moderation in cargo-related services would be partly offset by the resilience in the passenger-related segment, in line with projected higher tourist arrivals and increased domestic tourism activities.

1.4 INTRODUCTION

Mobile telecommunications services were first introduced in Malaysia in 1985, with the first mobile system using analogue technology. Since then, the government has granted a number of licences to private sector telecommunication operators in an effort to develop the country's telecommunications industry and infrastructure. As a result, the industry has transformed from a monopolistic regime with Telekom Malaysia's monopoly over mobile, fixed line and international telephony services to the current more transparent and more liberalised structure, promoting increased competition.

With new phone activations increasing exponentially, the limits of analogue were quickly being realised. Digital technology lets significantly more people use their phones within a single coverage area. It also has a capability of combining and transporting multiple forms of communications media, including audio, text, data, music, video and other formats. The physical pathway can use one or more transmission media, such as copper/coaxial wire, optical fibre, digital broadcast, satellite or radio spectrum.

The telecommunications industry is characterised by huge fixed, sunk and irreversible investments, which makes it a high risk business undertaking. The situation is further exacerbated in the cellular industry by successive generations of new technology. Cellular operators are faced with a situation where even before recouping the investments in the current infrastructure, they are forced invest in new generation networks, which makes investment in cellular infrastructure recurrent. As a result of this phenomenon, service-based competition is increasingly gaining prominence in the cellular industry as compared to facilities-based competition, as the former is a way in which cellular operators can recoup their investments. In order to facilitate and promote service-based competitions, regulators around the world are increasingly placing more emphasis on issues such as infrastructure-sharing and domestic roaming.

The MCMC believes that the promotion of the MVNO industry will increase the level of competition that will result in lower prices and innovative service offerings that will ultimately benefit end users. A MVNO purchases wholesale airtime on an exiting wireless network and provides its own branded wireless communications services to customers.

Originally, the MVNO model began overseas in the form of prepaid wireless services. However, in recent years, MVNOs have adopted innovative pricing such as hybrid plans to best suit their target market segments. MVNOs are proving to be an effective way for the MNOs to acquire additional customers at virtually no cost. They are also able to create an incremental revenue stream through MVNOs which effectively market and offer differentiated services to specific market segments, an area which would require a dedicated commitment of time and resources if the MNOs were to do it on their own. On the other hand, an MVNO enjoys an advantage of a relatively low-cost entry path to the mobile market, without the huge capital outlay on frequency spectrum and network infrastructure. An MVNO is expected to take responsibility in three (3) core areas of operations, namely:

- Customer acquisition;
- Customer management (customer service, fraud management etc); and
- Service provisioning.

1.5 SERVICE DEFINITION

Mobile service means a radio communications service between a mobile station and land station, or between mobile stations. Examples of this service are walkie-talkies, cellular mobile service, trunked radio service etc. 3G is a third-generation wireless broadband cellular network offering simultaneous delivery of voice and data. WiMAX enables delivery of wireless broadband services anytime, anywhere. However, WiMAX products can accommodate both fixed and mobile usage models.

There is no common and agreed definition on what constitutes an MVNO. Regulatory bodies around the world have adopted various definitions and different forms of regulatory intervention, depending on the extent to which an MVNO relies on the facilities of the MNO.

The MCMC defines an MVNO as an organisation that does not have assignment of 3G spectrum but is capable of providing public cellular services to end users by accessing the radio networks of one or more 3G spectrum holders. This definition not only lowers the barriers to market entry but also provides flexibility to potential MVNOs to establish their own business models according to their financial capability.

A MVNO is a wireless service provider that does not have its own network infrastructure. MVNOs have business agreements with the MNOs to lease their network spectrums and provide wireless services to subscribers under their own brand. The MVNOs predominantly owns their customer bases. It leases the license spectrum from the MNO to service the subscribers and it maintains its brand separately from that of the MNO on whom it depends upon.

1.6 DIFFERING SEGMENTS

A wide range of business models has evolved in the MVNO industry, from simple resellers and niche providers, to advanced value-added MVNOs. The latter have full control over the SIM card, branding, marketing, billing and customer care operations, while some niche players may need the support of a mobile virtual network enabler ("MVNE"). In all cases, good MVNO models are built around cost control. Hence, a realistic demand and revenue business model is essential.

Decide with Confidence

A MVNO must provide the same services as a MNO. That includes everything from logistics to customer contact centres. Most MVNOs don't have the internal resources to supply all of the operations and support infrastructure. They typically employ a hybrid model in which infrastructure support is split between in-house systems and those of strategic partners, such as an MVNE. Most MVNOs employ both internal and external resources whereby some support functions are outsourced and others are managed in-house. MVNEs, which specialise in providing infrastructure and related services to MVNOs, offer the flexibility to leverage best-in-class solutions. Due to the initial stage of the MVNO market in Malaysia, the MVNE industry has not come into existence yet in Malaysia, unlike countries such as the US where the MVNO market is more established.

As MVNOs find further areas of segmentations in the subscriber landscape to differentiate themselves, they have started to focus and invest in providing specific customised services for their target markets. In Malaysia, the MCMC has identified four (4) prevalent business models for the MVNO industry and the characteristics of each of these business models and the corresponding licensing requirements are discussed in further detail below.

1.6.1 Full MVNO

A full MVNO is one that owns or provides network facilities and network services such as towers, mobile switching centres, HLR and cellular mobile services. A key feature that distinguishes a full MVNO from other business models is its ability to operate independently of the MNOs. Full MVNOs are able to secure their own numbering ranges, offer its own SIM card and have full flexibility on the design of the services and tariff structures.

Full MVNOs are likely to require a network facilities provider ("NFP") individual licence and / or a network service provider ("NSP") individual licence for the network facilities and network services that they own or provide. In addition, full MVNOs will require an ASP licence in order to provide public cellular services to end users.

The main difference between a full MVNO and a MNO is that the former cannot sign international roaming agreements with the other MNOs in the overseas countries, as they are not recognised as a proper telecommunications company. This also applies to all the other types of MVNOs discussed below.

1.6.2 Enhanced Service Providers

Enhanced service providers are those who do not own or provide network facilities but have the ability to secure its own numbering range, operate its own HLR and offer its own SIM cards with its own mobile network code. They are dependent on MNOs for network facilities, as well as access to radio network. These service providers are still able to maintain some form of independence from MNOs as they are able to differentiate their products.

Enhanced service providers may require NSP individual licence if they own or provide bandwidth services, cellular mobile services or mobile application services and an ASP licence to provide public cellular services to end users.

1.6.3 Enhanced Resellers

Enhanced resellers are primarily distributors who resell services provided by MNOs. As with enhanced service providers, enhanced resellers rely on MNOs for access to the radio network and network facilities. The key feature that distinguishes enhanced resellers from enhanced service providers is that enhanced resellers do not have their own SIM cards. While they may still be able to offer their own branded packages, they will not be able to distinguish their services from their MNOs. Enhanced resellers are likely to carry out customer care and billing in-house.

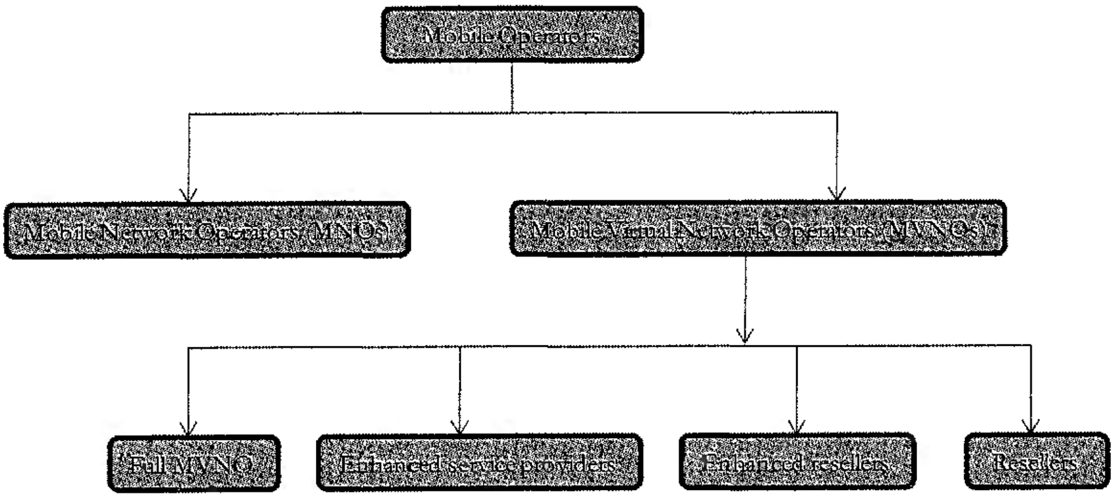
Enhanced resellers may require NSP individual licence if they provide bandwidth services, cellular mobile services or mobile application services and an ASP licence for providing public cellular services.

Decide with Confidence

1.6.4 Resellers

Resellers merely resell subscription to end users. In most cases, resellers are completely dependent on MNOs for every aspect of service provision, billing and customer care. However, end users will not be able to make a distinction between resellers, other forms of MVNOs and MNOs. The MVNOs that operate as resellers are likely to require an ASP licence.

Figure 1: Basic Structure of the Telecommunications Industry in Malaysia



Source: D&B Malaysia, MCMC

1.7 Substitute Products

There are no direct substitutes to telecommunications services as they are deemed essential in the modern business world. Voice over Internet protocol ("VoIP") is the transmission of voice through the Internet or packet-based networks. However, as the name suggests, it only competes with wireless voice services, and not data-centric services. Hence, VoIP is not a direct substitute to telecommunications services. Similarly, for fixed telephony, which only compete on voice services and is not mobile.

However, there are substitutes in terms of switching to different service providers. MNP is the ability for users to switch to a new mobile service provider, while retaining their existing mobile number. The main benefit of MNP is freedom of choice and the competition that it generates. Now a consumer is free to choose a new mobile service provider without having to change to a new number. This means one can avoid the inconvenience of having to notify friends and associates that he /she has changed his /her number. Although MNP was introduced in October 2008, there has been very little impact on churn among operators. This is primarily attributed to the poor promotions surrounding MNP, which did not introduce plans that were attractive to convince subscribers to switch.

1.8 INDUSTRY PLAYERS AND COMPETITION

As products, services and organisations converge, there is increasing potential to deliver value to niche markets, especially within the wireless space. The digitisation of content, advances in wireless 3G technology and slowing growth of the overall wireless market are a few of the factors driving companies to the MVNO industry. While challenges are present, a unique business model is of great importance to take on the strong incumbents and market competition. In this context, the diverse ethnic composition in Malaysia is a good prospect for more advanced segmentation.

An MVNO is expected to create value addition to the customers, other than that which is already accomplished by the MNO. The provision of key differentiator services and marketing these services effectively to a strategically segmented market is the key determinant of success in the marketplace. Each successful MVNO must find a unique value proposition that distinguishes it from the MNOs and the other MVNOs. It is critical that the subscribers see the MVNO as a stand-alone brand of telecommunications services rather than as an extension of the MNO.

Decide with Confidence

There is not a unique success formula for MVNOs. In particular, they can draw on their experiences in positioning, branding, business case, market access and partnership. It is thus crucial for the new entrants to understand their core competencies as well as their competitive market dynamics, underlying opportunities, regulatory issues and demographic demands, in order to determine their unique positioning in the heterogeneous landscape.

Merchantrade Asia's business model, which is a reseller MVNO, is targeted at prepaid packages for foreign workers with competitive international direct dialling rates focusing on the Indo-Chinese and South Asian countries. Meanwhile, Tune Talk, which is an enhanced service provider MVNO, is focused on travellers and the lower household income group with prepaid voice and SMS packages. It has plans to expand into Singapore, Thailand and Indonesia. It has strong brand associations with well-known budget brands AirAsia, Tune Hotels and Tune Money. However, it only operates on the 2.5G platform. REDtone Mobile targets enterprise customers within the postpaid market segment, particularly the small and medium-sized businesses. It is based on the enhanced reseller MVNO model. Lastly, Next Telecommunications Sdn Bhd focuses on foreign workers.

Table 3: Business Profile of MVNOs in Malaysia

Name	Launch Date	Target Segments	Host Network
XOX	November 2008	Prepaid subscribers, with a niche on the ethnic Chinese population	Celcom Axiata Bhd
Merchantrade Asia Sdn Bhd	August 2007	Foreign workers from the Indo-Chinese and South Asian countries	Celcom Axiata Bhd
Tune Talk Sdn Bhd	End 2007	Youths, travellers and foreign workers	Celcom Axiata Bhd
REDtone Mobile Sdn Bhd	July 2008	Small and medium-sized businesses	Celcom Axiata Bhd
Next Telecommunications Sdn Bhd	2009	Foreign workers	Maxis Bhd

Source: D&B Malaysia

1.9 POSITIONING

In particular, XOX, which is an enhanced service provider, is positioning itself as a mobile operator paying its attention on the prepaid subscribers, with the niche on the ethnic Chinese population in Malaysia, including Chinese visitors and students from overseas. XOX targets these segments by focusing its marketing and sales activities on them. For example, media advertising is focused on the Chinese television air times, newspapers and magazines. This is due to the fact that the business model is based on the MVNO concept, in which an individual MVNO usually targets its own niche market. Nevertheless, XOX does not intend to restrict itself from accepting other subscribers in the course of running its daily operations.

In the context of the value chain of the telecommunications industry, a MNO can be viewed as lying on the upstream portion while a MVNO is positioned on the downstream side. To the average subscriber in the market, there is no difference between a MNO and a MVNO, but rather the service offering. Besides competing with the other MVNOs, XOX is also competing with the MNOs such as Digi.com Bhd and Maxis Bhd. Based on the target segments of the other MVNOs, the MNOs such as Digi.com Bhd and Maxis Bhd are the nearest competitors to XOX.

Decide with Confidence

In the fourth quarter of 2010, prepaid subscribers accounted for 79.8% of total cellular phone subscribers in Malaysia, according to the MCMC. Recognising the huge potential of the prepaid segment of the total subscriber market, XOX plans to leverage its strengths to tap it to its advantage, by convincing the existing subscribers to switch from their current mobile operators. Besides focusing its niche on the ethnic Chinese segment, XOX is also targeting businessmen and businesswomen involved in small businesses, blue collar workers, entrepreneurs, youths and college students. These potential subscribers either lack the supporting documents or a steady income to qualify for a postpaid subscription with the other mobile operators. This is also in line with XOX's target market, i.e. the prepaid market. A boundary is drawn to separate the remaining subscribers in the prepaid segment who are mainly the foreign expatriate workers that do not generate much revenue. Basically, these are prepaid subscribers with higher disposal incomes compared to the foreign expatriate workers. XOX does not intend to target the foreign expatriate workers, although it would accept them as subscribers if they are interested to be XOX's subscribers.

With its strong customer relationship processes, XOX plans to target these potential subscribers with a postpaid plan. This is the convergence billing system, which incorporates the features of prepaid and postpaid into one account. A convergence subscription plan will allow any subscribers to be offered a postpaid account with prepaid flexibility and convenience. Under this subscription plan, a credit limit will be set, and which can be increased from time to time. The subscriber will be charged at a postpaid tariff, which is conventionally lower than a prepaid tariff. The subscriber will also be subjected to a minimum usage commitment fee per month. In the event the subscriber is unable to fully utilise the minimum usage commitment for any particular month, the subscriber will still need to pay in full the minimum usage commitment fee. However, the subscriber can transfer the unused minimum usage commitment into his prepaid account. This balance could be utilised by the subscriber to make voice calls, SMS or other data services, but at a prepaid tariff. Similarly, if there is a default, the subscriber may also switch to become a full prepaid subscriber, by purchasing a prepaid card from the dealers.

Therefore, the convergence billing system has the attributes of flexibility, convenience and scalability. By targeting the prepaid customers with the best of both prepaid and postpaid features, XOX hopes to differentiate itself from the other mobile operators in the market. This market segmentation and the corresponding product differentiation strategy can assist to position XOX in the market.

1.10 MARKET SHARE

MVNOs typically compete with one another and the MNOs based on the unique services and products they offer to their target market segment. In today's burgeoning MVNO market, a number of lucrative market segments have become targets for MVNOs. However, the MVNO which is able to launch products and services most likely to be adopted by customers in the target market based on their lifestyles and which are effectively branded and marketed, will gain a larger market share.

The telecommunications industry in Malaysia is dominated by the big three (3) MNOs. Among these MNOs, Maxis Bhd has the largest number of subscribers and the highest revenues.

Table 4: Key Figures of MNOs in Malaysia, 2009 and 2010

Name	2010 Number of Subscribers (millions)	2010 Market Share by Subscribers (%)	2009 Revenue (RM million)	2009 Market Share by Revenue (%)
Maxis Bhd	13.9	41.0	7,611.1	40.3
Celcom Axiata Bhd	11.2	33.0	6,292.2	33.3
Digi.com Bhd	8.8	25.9	4,909.6	26.0
U Mobile Sdn Bhd	N. A.	N. A.	73.4	0.4

Notes:

The financial statements for all the MNOs are based on FYE 31/12/2009.

There is a lack of publicly available information on U Mobile Sdn Bhd

N. A. = Not Available

Source: Companies' annual reports, Companies Commission of Malaysia, D&B Malaysia

Decide with Confidence

There are a total of five (5) MVNOs, including XOX, operating in Malaysia. In terms of revenues for FYE 2009, XOX recorded the number four (4) position in the MVNO industry in Malaysia. In terms of number of subscribers within the MVNO market, XOX managed to achieve a market share of 20.1% as at end 2010. In terms of revenue, its market share was 6.3% in 2009.

Table 5: Market Share and Revenues of MVNOs, 2009 and 2010

Name	2010 Number of Subscribers	2010 Market Share by Subscribers (%)	FYE	2009 Revenues (RM'000)*	2009 Market Share by Revenues (%)
Tune Talk Sdn Bhd	1,000,000	63.9	31/12/09	11,007.1	10.4
XOX	315,000	20.1	31/12/09	6,597.3	6.3
REDtone Mobile Sdn Bhd	150,000	9.6	31/05/09	577.4	0.6
Merchantrade Asia Sdn Bhd	100,000	6.4	31/12/09	76,092.6	72.1
Next Telecommunications Sdn Bhd	N. A.	N. A.	31/12/09	11,299.2	10.7

Notes:

XOX reported revenues of RM20.1 million for FYE 31/12/2010

REDtone Mobile Sdn Bhd reported revenues of RM2.3 million for FYE 31/05/2010

The revenue streams for Merchantrade Asia Sdn Bhd are derived from various businesses. MVNO services accounted for RM58.5 million in FYE 31/12/09

There is a lack of publicly available information on the fifth MVNO, Next Telecommunications Sdn Bhd.

N. A. = Not Available

Source: D&B Malaysia, Companies Commission of Malaysia, Management of XOX

1.11 LEGISLATIONS, INCENTIVES AND POLICIES

1.11.1 Legislations

The MCMC was created pursuant to the Malaysian Communications and Multimedia Commission Act (1998) as a new regulator for the communications and multimedia industry in Malaysia. At the same time, the Communications and Multimedia Act (1998) was passed, to fulfil the need to regulate an increasingly convergent communications and multimedia industry.

The Communications and Multimedia Act 1998 is based on the basic principles of transparency and clarity; more competition and less regulation; flexibility; bias towards generic rules; regulatory forbearance; emphasis on process rather than content; administrative and sector transparency; and industry self-regulation. The Act seeks to provide a generic set of regulatory provisions based on generic definitions of market and service activities and services. The jurisdiction of this Act is restricted to networked services and activities only. The MCMC is also charged with overseeing the new regulatory framework for the converging industries of communications and multimedia.

The Communications and Multimedia Act 1998 establishes a framework for the economic regulation of the communications and multimedia industries. The purpose of such a framework is to promote a consumer market which offers choice, quality and affordability, any-to-any connectivity, competition in markets and investments as well as innovation in the industry.

Under the Act, the ownership or provision of any network facilities, the provision of any network services, the provision of any application services, or the provision of any content applications services requires a licence. The regulatory framework provides for four (4) main categories of licences as follows:

- NFP licence: for the ownership and provision of physical infrastructure used to provide communications services (for example, fixed links and radio communication transmitters and links);

- NSP licence: for the provision of communications services over network facilities (for example, cellular mobile services and broadcasting distribution services);
- ASP licence: for the provision of application services by means of network services (for example, public switched telephone network, public cellular telephony and internet protocol telephony); and
- Content applications services provider licence: for the provision of content applications services (for example, satellite broadcasting and terrestrial free to air television).

The Communications and Multimedia Act 1998 contains provisions on licensing, general competition practices and regulation of access to services. The sections of the Communications and Multimedia Act 1998 dealing with general competition practices prohibit:

- any conduct by any licensee which has the purpose of substantially lessening competition in a telecommunication market;
- arrangements and practices which provides for rate fixing, market-sharing and boycott of a supplier or competitor; and
- mandatory tying or linking arrangements regarding the provision or supply of products and services.

1.11.2 Incentives

In view of the high technology and heavy capital investment prevalent in the telecommunications industry, the latter is dominated by foreign companies on the global scene. The government also encouraged foreign investors to provide the necessary capital investment and technological know-how and experience to promote the rapid development of the telecommunications industry in Malaysia. The government also indicated that it will allow foreign ownership in Malaysian telecommunications companies of up to 61%, subject to the conditions that it may impose, provided that the ownership percentage of foreign investors is reduced to 49% within five (5) years of achieving the 61% threshold.

1.11.3 Policies

Under the Tenth Malaysia Plan 2011-2015, the services sector will be liberalised under the ASEAN Framework Agreement on Services. In this context, further liberalisation will be undertaken for all 128 industries, including telecommunications, allowing at least 70% ASEAN equity ownership by 2015. In addition, the government will expand on its commitments made to the WTO in 1995 to liberalise 65 service industries, including the telecommunications industry.

The Communications and Multimedia Act 1998 sets forth the national policy objectives for the communications and multimedia industries. These include but are not limited to:

- establishing Malaysia as a major global centre and hub for communications and multimedia information and content services;
- promoting a high level of consumer confidence in service delivery from the industry;
- ensuring an equitable provision of affordable services over a ubiquitous national infrastructure;
- facilitating the efficient allocation of resources; and
- promoting the development of capabilities and skills within Malaysia's convergence industries.

The Communications and Multimedia Act 1998 prohibits a licensee from engaging in conduct which has the purpose of substantially lessening competition in any communications market in Malaysia. It also prohibits certain collusive arrangements for rate fixing, market sharing or boycotts. Furthermore, if the MCMC determines that a licensee is in a dominant position, it may direct the licensee to cease conduct which has or may have the effect of substantially lessening competition in the Malaysian communications market, and to implement appropriate remedies.

The MCMC issued Application Information Package ("AIP") Number 1 of 2002 pursuant to Regulation 8 of the Communications and Multimedia (Spectrum) Regulations 2000 and the Communications and Multimedia (Spectrum) (Amendment) Regulations 2001. Among the criteria that were outlined in the AIP on infrastructure sharing are as follows:

- sharing or allowing access to the use of airtime and network facilities with other licensees; and

- maximising the use of existing network facilities including existing network capacity and capabilities, existing base station sites, backbone, radio links, etc. to enhance sharing and reduce duplication of network facilities.

Since the enactment of the Communications and Multimedia Act 1998, MCMC has implemented initiatives to optimise the use of existing infrastructure by requiring the MNOs to provide a domestic roaming service between networks. Domestic roaming allows an operator to use the infrastructure of a rival operator to boost its service coverage and reception, so that customers can enjoy reception in areas where their own operator does not provide coverage. Network sharing between operators may also provide a solution to the network congestion currently faced by some operators.

The MCMC has consistently encouraged the MNOs to share the industry's infrastructure with a view to preventing expensive duplication and under-utilisation of resources. Moreover, the MCMC has allowed industry players to make their own commercial arrangements with other operators, with minimal regulatory intervention.

Under the new access regime, MNOs may request infrastructure access on reasonable terms and conditions, and the access provider must provide access to its network facilities and services on an equitable and non-discriminatory basis. Where access is not granted, the MNO seeking access may notify and involve the MCMC. The purpose of an access regime is to ensure that all NFPs, NSPs and ASPs can gain access to the necessary facilities and services on reasonable terms and conditions. This is to encourage downstream activities to flourish, thus creating a more robust market environment, one that is able to offer consumers more choice and value-for-money services.

The government has taken regulatory steps to encourage the MVNO industry. The conditions for the award of the 3G license already provides for an MVNO service. It hopes to make mobile infrastructure available to all companies at a fair price. It realises that the entry of MVNOs into the market could further encourage competition and improve innovation.

1.12 DEMAND AND SUPPLY CONDITIONS

Due to the spectrum constraint, there are a small number of wholesale companies, that is, companies that can set up and operate a telecommunications network. In return, the subscribers make decisions about which handset to buy, which tariff bundle to sign up and the range of services to use. Successful MVNOs position their operations such that their customers do not distinguish any significant differences in service or network performance, and yet offer some special affinity to their customers. Successful MVNOs will also be those that have ample financial resources and sound agreements with credible MNOs to provide compelling services and a wide coverage area. MVNOs, in this way, can offer a product mix that incumbent MNOs cannot or have not been able to match.

The major benefit to a traditional MNO cooperating with a MVNO is the expanded customer base derived at a substantially lower or zero cost of acquisition. In this scenario, it is very much likely that incumbent MNOs will continue to embrace MVNOs as a means of deriving revenue to offset the enormous cost of building next-generation network capabilities.

MVNOs will create a unique value proposition that allows for robust pricing while having little commoditising effect on the overall wireless pricing. A MVNO is expected to create value addition to the customers, other than that which is already accomplished by the MNOs. The provision of key differentiator services and marketing these services effectively to a strategically segmented market is the key determinant of success in the marketplace. Each successful MVNO must find a unique selling point that distinguishes it from the MNOs and the other MVNOs. It is critical that the consumers see the MVNO as a stand-alone brand of wireless services than as an extension of the MNOs.

Decide with Confidence

As the MVNO market continues to grow, it becomes imperative for a MVNO to market its services effectively. It is very important to reach the right audience at the right time and introduce them to the specific product offered by a participant. Customer fulfilment is a key area determining the success of MVNOs in the market. To justify the MVNO model and create a significant differentiating factor between the MVNOs and the MNOs, it is of critical importance that the MVNO develops a competitive pricing model.

With the wireless voice services reaching optimum penetration levels, the space has opened up to various alternate opportunities for MNOs, solution providers, content providers, MVNOs and others alike. This situation has given rise to most wireless service providers and MNOs to step into the arena of wireless data services and other differentiator services that could generate value addition to their business models and better services for their customers. The MNOs are being burdened with mounting debts due to the capital expenditure ("CAPEX") spending for integrating into the 3G+ environment. The daunting challenge faced by MNOs at this juncture is to effectively segment their markets for offering services and efficiently marketing to these segments to ensure profitable uptake. While MNOs spend more time and money on the compelling services for the 3G network and technologies, the imperative task of devising partnerships with companies/brands that the public already know and trust is of pivotal importance. In this context, the maturing market is making wholesale an attractive revenue source to the MNOs.

Even though the MVNO concept is a new entrant in Malaysia, it has managed to pick up a great deal of interest amongst the MNOs and subscribers. There is increasing competition among mobile operators for the same pool of users. As a result, there have been increased pricing pressures from all three main (3) network MNOs over the last few years, reducing postpaid and prepaid tariffs, which have levelled out. However, the price of prepaid starter packs have been reduced to a great extent, and the active validity period of prepaid SIMs had been extended. A new area of competition is in encouraging prepaid to postpaid migration. Due to increasing competition, there is a steady pace of prepaid to postpaid migration as a result of simpler and lower entry postpaid plans.

Decide with Confidence

Although the growth rate of postpaid and prepaid subscribers had slowed down from the early part of the decade, it was still expanding in the high teens in 2007 and 2008. This was also in line with the increasing penetration rate. The negative growth rate in 2006 was mainly due to the government's directive to register all prepaid subscribers on a nationwide basis. The penetration rate attained 116.6% in the fourth quarter of 2010. This penetration rate in Malaysia is not viewed as saturated yet, as Singapore and Hong Kong Special Administrative Region have achieved penetration rates of 143.6% in December 2010, and 180.1% in May 2010, respectively.

Table 6: Performance of the Cellular Market in Malaysia (' 000)

Year	Postpaid	Prepaid	Total	Growth Rate (%)	Penetration Rate (%)*
2000	2,599	2,523	5,122	-	21.8
2001	3,069	4,316	7,385	44.2	30.8
2002	2,961	6,092	9,053	22.6	36.9
2003	2,566	8,558	11,124	22.9	43.9
2004	2,555	12,057	14,612	31.4	56.5
2005	2,925	16,620	19,545	33.8	74.1
2006	3,368	16,096	19,464	-0.4	72.3
2007	3,905	19,442	23,347	19.9	85.1
2008	5,544	22,169	27,713	18.7	98.9
2009	6,265	23,879	30,144	8.8	105.4
2010	6,689	26,417	33,106	9.8	116.6

Note:

** = The penetration rate refers to the total subscriptions divided by the total population and multiplied by 100. A penetration rate over 100% can occur because of multiple subscriptions.*

Source: MCMC

Decide with Confidence

The market size of the telecommunications industry in Malaysia was estimated at approximately RM18.9 billion in 2009, based on the latest financial statements of the various MNOs and MVNOs. Based on the projected number of 35.2 million subscribers in 2011, the industry growth rate is estimated at 6.3% in the same year.

The ARPU for the main MNOs in Malaysia is illustrated below.

Table 7: ARPU for the MNOs in Malaysia, as at Fourth Quarter 2010

Company	Prepaid	Postpaid
Maxis Bhd	RM34	RM108
Celcom Axiata Bhd	RM38	RM91
Digi.com Bhd	RM44	RM85
Average	RM38.7	RM94.7

Source: Various companies' websites

1.13 Industry Reliance and Vulnerability to Imports

In general, the telecommunications industry, including the MVNOs, is dependent on imports for the majority of telecommunications equipment. Radio transmission and switching machines are the key equipment for a mobile telecommunications network. The main investment lies with the equipment related to the radio transmission between handset and network, such as the base stations. There are a number of international telecommunications vendors providing network equipment and services. Hence, the MVNOs may be affected if the required equipment and services are not furnished in a timely manner. However, this situation is quite rare as the supply of network equipment and services is quite competitive in the market, due to the numerous equipment manufacturers in the market.

1.14 KEY GROWTH DRIVERS

1.14.1 Increasing Network Capacity

3G is a catalyst for the emergence of MVNOs. An increasing number of users are expected to migrate to 3G, due to the highly attractive broadband access alternatives from the service providers, besides the competitive pricing. The advance of 3G technologies also enables media and entertainment offers, thus allowing the service providers to offer more customised services. Some segments of the population are willing to spend extra money for customised products and services.

The MNOs are increasingly willing to host MVNOs as they feel the pressure to monetise their huge capital investments on the network and spectrum, and to seek return on capital. In this context, MVNOs can help operators utilise their infrastructure more efficiently, thereby expanding market share, addressing underserved market groups, and reducing subscriber acquisition costs. All the MNOs have launched high-speed wireless networks. This has given a rise to the demand for wireless consumer data products. With the increasing and continuous expansion of 3G+ coverage by the MNOs, MVNOs which ride on the carrier networks will be expected to provide incremental and rich data experiences to subscribers.

Looking forward, consumers are likely to experience a gradual transition to the new 4G technology. Broadly speaking, it is a new way to use the airwaves, designed from the start for the transmission of data rather than phone calls. To do that, it borrows aspects of the latest generation of Wi-Fi, the short range wireless technology. For consumers, 4G means, in the ideal case, faster access to data. For instance, streaming video might work better, with less stuttering and higher resolution. Multi-player video games may benefit too.

1.14.2 Rising Demand for Wireless Data Services

Wireless data services are creating a new phenomenon in the industry by generating customer growth and driving top-line revenues. Various data services, sucb as SMS, MMS, Internet access, ring tones, images, music, videos clips, and the like are continuing to expand their presence in the wireless landscape as more and more consumers are adopting these services in their daily wireless service usage. Wireless data services are important for MVNOs to drive the differentiation factor with which they establish uniqueness while also ensuring that they are not competing with tbe underlying MNO. As MVNOs have typically owned their customers and their loyalty, they have a distinct advantage of offering data services customised specifically for the market segment they are catering to. With the soaring market demand for wireless data applications, MVNOs have the opportunity to create and market differentiated data services that are not offered by the MNOs.

1.14.3 Rising Population

Malaysia has one of the largest population growth rates in the world. The population increased from 23.5 million in 2000 to 28.3 million in 2009, yielding a compounded annual growth rate ("CAGR") of 2.1% during the period. Inevitably, an expanding population translates into a larger potential market for service providers in the telecommunications market. With the usage of cellular phones so ubiquitous, nearly every adult in the country would own one.

1.14.4 Increasing Affluence

The per capita income in Malaysia has rose from RM13,333 in 2000 to RM23,381 in 2009, generating a CAGR of 6.5% during the period. The rising affluence of the general population would mean more disposal income and eventually, some portion of this would be directed into demand for telecommunications products and services. Telecommunications services have become a necessity in the modern world, in both tbe business and personal realms.

1.14.5 Continuing Growth of the Telecommunications Industry

The cellular phone industry is going through a revolution as handset technology advances. What started as a clunky voice-only device is now a sleek cellular phone with multiple functions such as cameras, global positioning system and MP3 players. These new feature-rich phones are able to achieve higher performance in a smaller space, with longer battery life. Many cellular phones can roam seamlessly in several countries.

Cellular phones have become both a status symbol and fashionable device to consumers. The product life cycle for cellular phones is also getting shorter, as consumers opt for more feature-rich devices. Along with decreasing average selling prices, these factors boost the cellular phone replacement market. In addition, the mobile penetration rate has already surpassed 100% in some countries, as some consumers take a second connection for personal use. Global cellular phone shipments reached 1.1 billion units in 2009. The growing popularity of smart phones has also driven the overall cellular phone market. Some consumers are also turning in their older generation cellular phones and replacing them with smart phones. Smart phones fall under a category of cellular phones that provide advanced capabilities beyond a conventional cellular phone.

1.14.6 Declining Handset Costs

Device manufacturers around the world are innovating and spending huge amounts on research and development to augment the wireless user experience. The promotion of the wireless device as the entertainment media and the induction of various wireless entertainment and multimedia services have motivated device manufacturers to introduce high-definition mobile phones with multi-feature capabilities. This includes increasing functionality with camera, global positioning system, MP3 player etc. All these are happening in conjunction with the decline in the prices of handsets. Declining handset costs may also spur the growth of multi-device owners, eg. an individual who has one phone for business and another for personal use.

1.14.7 An Expanding Youth Consumer Segment

The young adult market segment is considered to be the most untapped and a high growth oriented market. It is a fact that cellular phone users are getting younger and as a result, there are huge opportunities in this segment. There is a high data usage by this segment, which sent many text messages, downloaded songs and generated heavy Internet traffic. Hence, data services have been the key services offered to attract customers in this segment. Wireless data applications such as SMS, MMS, wireless instant messaging, games, community-based applications, music, and video downloads have been some of the most attractive data applications for the youth market.

1.15 PROSPECTS AND OUTLOOK OF THE INDUSTRY

The convergence of voice and data communications has enable subscribers to enjoy mobile games and social networking sites while using their cellular phones. This has encouraged many consumers in the younger age segment to spend more time using telecommunications services.

The wireless data market is likely to witness strong growth. Its impact is limited only by the finite coverage of spectrum and the ability of industry participants to deploy higher network standards. New technologies and approaches to the use of bandwidth will revolutionise wireless consumption and ensure that every last bit of the value is extracted. As a result, consumers are expecting more competitive access to the Internet, e-mail, and an increasing range of data services. The introduction of 4G system is expected to take place around 2011-2015. It will be capable of combining mobility with multimedia-rich content and high bit rates.

In the coming years, network quality will simply become the primary criterion for differentiating products and services as MNOs and MVNOs place more emphasis on segmentation and marketing prowess. New segment-focused brands will create intense customer affinity and loyalty, strong marketing, and expertly targeted services. Wholesale companies will fundamentally alter the economics of the wireless business in a positive way.

Decide with Confidence

MVNOs, through their existing brand equity and customer loyalty, have the ability to own a unique relationship with their customer base. This relationship plays a pivotal role in being a significant component of their successes in the MVNO market. Going forward, MVNOs are expected to play a crucial role in continuing to grow the mobile subscriber base. However, sustainability will be of key importance in the market. It is expected that only a few promising MVNOs having the financial and marketing power will continue to rule the market. With effective market segmentation, compelling products and services as well as efficient marketing, MVNOs can scale existing and upcoming market opportunities in the country.

With MNOs targeting a generic market with their voice and data services, MVNOs will be able to target specific market segments and provide customised services. This would create an acceptable level of competition in the wireless industry, thus keeping a check on monopolistic attitudes and practices of the MNOs.

12. DIRECTORS' REPORT

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16 MAY 2011

The Shareholders of
XOX Bhd
Suite 11.1A, Level 11,
Menara Weld,
76, Jalan Raja Chulan,
50200 Kuala Lumpur.

Dear Sir / Madam,

On behalf of the Board of Directors of XOX Bhd ("**XOX**" or "**Company**"), I wish to report after due enquiry by the Board of Directors of XOX, that between the period from 31 December 2010 (being the date to which the last audited financial statements of XOX and its subsidiaries ("**Group**") have been made up) to the date of this letter (being a date not earlier than 14 days before the issuance of this Prospectus), that:-

(a) The business of the Group has, in the opinion of the Directors, been satisfactorily maintained;

(b) In the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Group, which have adversely affected the trading or the value of the assets of the Group;

(c) The current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) Save as disclosed in this Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;

(e) There have been, since the latest audited financial statements of the Group, no default or any known event that could give rise to a default situation, in respect of payments, of either interest and/or principal sums in relation to any borrowings; and

(f) Save as disclosed in this Prospectus, there have been, since the last audited financial statements of the Group, no material changes in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully,
For and on behalf of the Board of Directors of
XOX BHD

NG KOK HENG
Managing Director and Chief Executive Officer

XOX Bhd (900384-X)
31-3, Block C, Jaya One,
No.72A, Jalan Universiti,
46200 Petaling Jaya, Selangor,
Malaysia.
T: 603 7955 1388 F: 603 7955 1288
www.xox.com.my

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION

13.1 SHARE CAPITAL

(i) No shares will be allocated or sold on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.

(ii) Neither our Company nor our subsidiaries have any share capital that is under option, or agreed conditionally or unconditionally to be put under option.

(iii) As at the date of this Prospectus there is only one (1) class of shares in our Company, being ordinary shares of RM0.10 each, the details of which are outlined in Section 2.1 of this Prospectus.

(iv) Save as disclosed in Sections 2.1, 4.6 and 4.7 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Company and our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) years preceding from the date thereof.

(v) Save for the IPO Shares reserved for the employees of our Group as disclosed in Section 2.3 and Section 4.7.4 there is currently no other scheme for or involving our Directors or employees of our Company or our subsidiaries.

(vi) As at this date hereof, our Company does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

13.2 ARTICLES OF ASSOCIATION

The following provisions are extracted from our Company's Articles of Association. The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Articles of Association.

Transfer of Securities

Article 27 – Execution of transfer

Subject to the provisions of the Central Depositories Act, the Rules and these Articles, any Member may transfer all or any of his shares in the manner prescribed under the Rules and approved by the Exchange. The transfer of any listed securities or classes of listed security of the Company which have been deposited with the Depository shall be by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 103 and 104 of the Act, but subject to Section 107C(2) of the Act and any exemption that may be made from compliance with Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed securities.

Article 28 – Liability over transfer

Subject to the provisions of the Act, the Central Depositories Act and the Rules, neither the Company nor any of its Directors or other officers shall incur any liability for acting upon a transfer of shares registered by the Depository, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although transferred, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. In every such case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

Article 29 – Refusal to register

The Directors may in their absolute discretion decline to effect the registration of any transfer of shares if such shares are not fully paid up or the Company has a lien on them or otherwise if the transfer does not comply with the provisions of the Act, the Central Depositories Act and the Rules.

Article 30 – Notice of refusal

Any Member whose transfer of shares has been refused shall be notified of the precise reasons thereof or dealt with in accordance with the Act, the Central Depositories Act and the Rules.

Article 31 – Suspension of registration

The registration of transfers may be suspended at such times and for such duration as the Directors may from time to time determine provided the period shall not exceed thirty (30) days in the aggregate in any one year. Any suspension shall comply with the notice requirements applicable to Member and the Depository as prescribed by the Act, the Central Depositories Act or the Rules.

Article 32 – Renunciation

Subject to the provisions of these Articles the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.

Transmission of Shares

Article 33 – Death of Member

In the case of the death of a Member, the survivor or survivors where the deceased was a joint holder, and the legal representatives of the deceased where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in the shares but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

Article 34 – Shares of deceased or bankrupt Member

In the event of the death or bankruptcy of a Member any person becoming entitled as a result thereof may transfer or be registered as the owner of the shares held by that Member before his death or bankruptcy or otherwise deal with the said shares in the manner allowed by law and in accordance with the Rules. The person so entitled shall notify the Depository accordingly in writing of his election whether to have the shares of the deceased or bankrupt Member to be registered under his name or otherwise to be transferred to another person and shall comply with the Rules affecting the registration and transfer of the said shares, as the case may be.

Article 35 – Person entitled or may receive dividends

A person entitled to a share by reason of the death or bankruptcy of a Member shall be entitled to and may give a good discharge for, any dividend or other distribution in respect of the said share except that he shall not be entitled to receive notice of or to attend or vote at, meetings of the Company until and unless he has been duly registered in the Record of Depositors. The Directors may at any time give notice in writing requiring any such person to elect whether to transfer the share to himself or to another person and to comply with the Rules and any other applicable law in relation thereto and if such person fails or refuses to do so to the satisfaction of the Directors, the dividend payment or any other distribution in respect of the said share shall subject to law be withheld until the requirements of the notice have been complied with. Where two (2) or more persons are jointly entitled to any share in consequence of the death of a Member, they shall, for the purposes of these Articles, be deemed to be joint holders of the share.

Article 36 –Transmission of shares from foreign register

Where:-

(a) the securities of the Company are listed on another stock exchange; and

(b) the Company is exempted from compliance with section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the rules of the Depository in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the Registrar of the Company in Malaysia and vice versa PROVIDED THAT there shall be no change in the ownership of such securities.

Remuneration of Directors

Article 93 – Directors' remuneration

(1) The fees payable to the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting. PROVIDED THAT such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting. Any Director holding office for a part of a year shall be entitled to a proportionate part of such fee.

(2) Fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover.

(3) An executive Director shall, subject to the terms of any agreement (if any) entered into in any particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the Directors may determine.

(4) Salaries payable to executive Directors may not include a commission on or percentage of turnover.

(5) Any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

(6) The Directors shall also be paid such travelling, hotel and other expenses properly and reasonably incurred by them in the execution of their duties including any such reasonable expenses incurred in connection with their attendance at meetings of the Directors, any committee of the Directors or General Meetings of the Company or in connection with the business of the Company.

Article 94 – Reimbursement of expenses

(1) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise as may be determined by the Directors and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors. Extra remuneration payable to non-executive Director(s) shall not include a commission or percentage of profits or turnover.

(2) No payment shall be made to any Directors by way of compensation for loss of office or as consideration for or in consideration with his retirement from office unless particulars with respect to the proposed payment (including the amount thereof) have been disclosed to the Members and the proposal has been approved by the Company in general meeting.

Powers and Duties of Directors

Article 97 – Prior approval of Company required

Without prior approval of the Company in General Meeting:-

(a) the Director shall not carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's main undertaking or property; or

(b) the Director shall not exercise any power of the Company to issue shares unless otherwise permitted under the Act; or

(c) and subject to Section 132E of the Act, the Director, or person(s) connected with such Director shall not enter into any arrangement or transaction with the Company to acquire from or dispose the Company shares or non-cash assets of the requisite value.

Article 98 – Directors' borrowing powers

(1) The Directors may exercise all the powers of the Company to borrow any sum or sums of money from any person, bank, firm or company (expressly including any person holding the office of Director) and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company, or its wholly owned subsidiaries or of any related or associated corporation. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for the payment of money, the performance of contracts or obligations, or for the benefit or interest of the Company or of any subsidiary corporation.

(2) The Directors shall not mortgage or charge any of the Company's or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

Changes in Capital and Variation of Class Rights

The provisions of our Company's Articles of Association as to the variation of class rights and changes in share capital, which are as stringent as those provided in the Act are as follows:-

Article 4 – Rights of Preference Shareholders

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of these Articles, the Act, the Central Depositories Act, the Rules and to the provisions of any resolution of the Company, the Company shall have power to issue preference shares on such terms and conditions and carrying such rights or restriction.

The Company shall not without the consent of the existing preference shareholders at a class meeting issue further preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith.

Preference shareholders shall have the same rights as ordinary shareholders in relation to receiving notices, reports and audited financial statements, and attending meetings of the Company.

Preference shareholders must be entitled to a right to vote in each of the following circumstances:-

(a) when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months;
(b) on a proposal to reduce the Company's share capital;
(c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
(d) on a proposal that affects rights attached to the share;
(e) on a proposal to wind up the Company; and
(f) during the winding up of the Company.

Article 5 – Repayment of Preference capital

Notwithstanding Article 7 hereof, the repayment of preference share capital other than redeemable preference shares or any other alteration of preference shareholders' rights, shall only be made pursuant to a Special Resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths (3/4) of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a Special Resolution carried at the meeting.

Article 6 – Power to issue preference shares

The Company shall have power to issue preference shares carrying a right to redemption out of profits or liable to be redeemed at the option of the Company and the Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner and either at par or at a premium as they may think fit.

Article 7 – Modification of class rights

Whenever the capital of the Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of these Articles (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-fourths (3/4) of the issued shares of the class or group, or with the sanction of any Special Resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of these Articles relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one-third (1/3) in nominal amount of the issued shares of the class or group (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one vote in respect of every share of the class or group held by them respectively.

Article 8 – Ranking of class rights

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith but in no respect in priority thereto.

Increase of Capital

Article 51 – Power to increase capital and conditions of issue

The Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully paid up or not, by Ordinary Resolution passed at the general meeting increase its share capital, such new capital to be of such amount and to be divided into shares of such rights to or be subject to such conditions or restriction in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs, and if no direction to be given, as the Directors shall determine and in particular, but without prejudice to the rights attached to any preference shares that may have been issued, such new shares may be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a special or restricted or without any right of voting.

Article 52 – Issue of new shares to members

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any such new shares or securities which (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Article.

Article 53 – Approval for issue of shares from relevant authority

Subject to the Listing Requirements, the provisions of the Act, the Central Depositories Act and/or the Rules and notwithstanding the existence of a resolution pursuant to Section 132D of the Act, the Company must ensure that it shall not issue any shares or convertible securities if the nominal value of those shares or convertible securities, when aggregated with the nominal value of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten per cent (10%) of the nominal value of the total issued and paid-up share capital (excluding treasury shares) of the Company, except where the shares or convertible securities are issued with the prior approval of the shareholders in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible securities that may be issued by the Company, if the security is a convertible security, each of such security is counted as the maximum number of shares into which it can be converted or exercised.

Article 54 – New shares to rank with original shares

Except so far as otherwise provided by the conditions of issues, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital and shall also be subject to the Rules.

Alteration of Capital

Article 55 – Power to alter capital

The Company may by Ordinary Resolution:-

(i) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; or

(ii) sub-divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have only such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions are compared with the others as the Company has power to attach to unissued or new shares; or;

(iii) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any persons or shares which have been forfeited and diminished the amount of its share capital by the amount of the shares so cancelled.

Article 56 – Power to reduce capital

The Company may by Special Resolution reduce its share capital, and any capital redemption reserve fund or any share premium account in any manner, and subject to any conditions, authorisations and consents required by law. The Company shall give notice to the Registrar in accordance with the Act of such alteration in capital.

13.3 LIMITATION OF RIGHTS

There is no limitation imposed by the law of Malaysia or our Articles of Association on the rights of non-resident shareholders to hold or exercise voting rights in respect of our Shares.

13.4 DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

(i) A Director is not required to hold any qualification share in our Company unless otherwise so fixed by the Company in general meeting.

(ii) Save as disclosed in Section 2.8 of this Prospectus, no commission, discounts, brokerages or other special terms have been paid, granted or are payable by our Company or our subsidiaries within the two (2) years immediately preceding the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of our Company or our subsidiaries or in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no Directors, proposed Directors, promoters or experts is or are entitled to receive any such payment.

(iii) Save as disclosed in Section 7.4 of this Prospectus, none of the other Directors and / or substantial shareholders of our Company has interest in any contract or arrangement subsisting at the date of this Prospectus, which is significant in relation to the business of our Company or our Group taken as a whole.

(iv) Save as disclosed in Sections 5.1 of this Prospectus, the Directors and substantial shareholders of our Company are not aware of any persons who are able, directly or indirectly, jointly or severally, to exercise control over our Company.

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13.5 MATERIAL CONTRACTS

Save as disclosed below, as at the date of this Prospectus, there are no other material contracts (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business which have been entered into by us and our subsidiaries within two (2) years preceding the date of this Prospectus:-

(a) Letter of Agreement dated 3 June 2010 entered into between Dato' Seri Abdul Azim Bin Mohd Zabidi, Wong Yip Kee, Ng Kok Heng and XOX Com as Party A and Rosli Bin Yaakub, Rosdin Bin Hanafiah, Khalek Bin Awang, Yahaya Bin Bujang, Darus Aman Bin Awang Deris and Wong See Khieng as Party B in relation that Party B agreed to subscribe for XOX Com's shares up to a maximum value of RM3,600,000 only in view of the potential listing of our Company;

(b) Letter of Agreement dated 3 June 2010 entered into between Dato' Seri Abdul Azim Bin Mohd Zabidi, Wong Yip Kee, Ng Kok Heng and XOX Com as Party A and Mohd Mahyuddin Bin Yahya, Safri Bin Che Kub and Lawrence Yeo Chua Poh as Party B in relation that Party B agreed to subscribe for XOX Com's shares for the amount of RM1,200,000 only in view of the potential listing of our Company;

(c) Letter of Agreement dated 3 June 2010 entered into between Dato' Seri Abdul Azim Bin Mohd Zabidi, Wong Yip Kee, Ng Kok Heng and XOX Com as Party A and Nirakusukma Sandari Binti Ahmad as Party B in relation that Party B agreed to subscribe for XOX Com's shares up to a maximum value of RM750,000 only in view of the potential listing of our Company;

(d) Sale and Purchase Agreement dated 15 July 2010 entered into between our Company and the vendors of XOX Com in relation to the purchase by our Company of the entire issued and paid up share capital of XOX Com, comprising 19,940,000 ordinary shares of RM1.00 each in XOX Com from the vendors of XOX Com, for a total purchase consideration of RM19,940,000, satisfied by the issuance of 19,940,000 new Shares at par. This Sale and Purchase Agreement has since been replaced by a restated Sale and Purchase Agreement dated 4 April 2011;

(e) Sale and Purchase Agreement dated 15 July 2010 entered into between our Company and the vendors of XOX Media in relation to the purchase by our Company of the entire issued and paid up share capital of XOX Media, comprising 100,000 ordinary shares of RM1.00 each in XOX Media from Dato' Seri Azim Bin Mohd Zabidi, Wong Yip Kee and Ng Kok Heng, for a total purchase consideration of RM100,000, satisfied by the issuance of 100,000 new Shares at par;

(f) Sale and Purchase Agreement dated 15 July 2010 entered into between our Company and the vendors of XOX Management Services in relation to the purchase by our Company of the entire issued and paid up share capital of XOX Management Services, comprising 40,000 ordinary shares of RM1.00 each in XOX Management Services from Wong Yip Kee and Ng Kok Heng, for a total purchase consideration of RM40,000, satisfied by the issuance of 40,000 new Shares at par;

(g) Restated Sale and Purchase Agreement dated 4 April 2011 entered into between our Company and the vendors of XOX Com in relation to the purchase by our Company of the entire issued and paid up share capital of XOX Com, comprising 24,879,998 ordinary shares of RM1.00 each in XOX Com from the vendors of XOX Com, for a total purchase consideration of RM24,879,998, satisfied by the issuance of 24,879,998 new Shares at par; and

(h) Underwriting Agreement dated 26 April 2011 entered into between our Company, AmInvestment Bank Berhad and SJ Securities Sdn Bhd to underwrite up to 17,000,000 of the IPO Shares under Section 2.3 (i) and (ii) herein, for an underwriting commission at a rate of 2.5% of the amount equal to the IPO Price multiplied by the underwritten IPO Shares.

13.6 MATERIAL LITIGATION AND ARBITRATION

As at the LPD, save as disclosed below, we are not presently involved in any material litigation and arbitration, whether as plaintiff or defendant or as a third party, which has a material effect on our position or business, and we are not aware of any proceedings, pending or threatened, or of any fact likely to give rise to any proceedings which might materially affect our position or business.

(a) A letter of demand was issued to Shinecorp Sdn Bhd and its guarantors namely Chai Thian Vui and Jasmine Chong Siew Chen claiming for the sum of RM253,500.00 owing to XOX Com being goods sold and delivered pursuant to a Area Sales Distributorship Agreement dated 10 February 2010 entered into between XOX Mobile and Shinecorp Sdn Bhd.

13.7 REPATRIATION OF CAPITAL AND PROFITS

As our Group operates in Malaysia only and none of our Group's subsidiaries are incorporated outside of Malaysia, there are no governmental laws, decrees, regulations or other legislations in Malaysia that may affect the remittance of profit by our Group's subsidiaries within Malaysia.

13.8 GENERAL INFORMATION

During the last financial year and the current financial year to date, there were no:-

(i) public take-over offers by third parties in respect of our Company's shares; and

(ii) public take-over offers by our Company in respect of other companies' shares.

13.9 CONSENTS

The written consents of the Adviser, Company Secretary, Principal Bankers, Registrars, Solicitors for the IPO and Issuing House to the inclusion of their names in the form and context in which their names appear in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion of its name, letters relating to the proforma consolidated financial information, Accountants' Report, consolidated profit and cash flow forecast for the FYE 2011 in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

The written consent of the Independent Market Researcher to the inclusion in this Prospectus of their name and the Independent Market Research Report in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.