XOX BHD

(Company Registration No.: 900384-X)
(Incorporated in Malaysia under the Companies Act, 1965)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011

Contents

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011

Unaudited Condensed Consolidated Statements Of Comprehensive Income

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter Ended 30 September 2011	**Preceding Year Corresponding Quarter 30 September 2010**	**Year to Date Ended 30 September 2011**	**Preceding Year Corresponding Period 30 September 2010**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue		15,005	NA	50,772	NA
Cost of sales		(8,847)	NA	(33,031)	NA
Gross Profit		6,158	NA	17,741	NA
Other income		140	NA	255	NA
Selling and distribution expenses		(9,555)	NA	(20,645)	NA
Administrative expenses		(2,431)	NA	(6,051)	NA
Other expenses		(837)	NA	(2,101)	NA
Finance costs		(11)	NA	(323)	NA
Loss Before Tax		(6,536)	NA	(11,124)	NA
Income tax expense	B5	-	NA	-	NA
Loss After Taxation / Total comprehensive expenses		(6,536)	NA	(11,124)	NA
Loss After Taxation / Total comprehensive expenses Attributable to:-					
- Equity holders of the Company		(6,536)	NA	(11,124)	NA
- Non-controlling interest		-	-	-	-
		(6,536)	NA	(11,124)	NA
Net Loss Per Share attribute to equity holders of the Company					
- Basic (sen)	B13	(2.2)	NA	(3.7)	NA
- Diluted (sen)	B13	(2.2)	NA	(3.7)	NA

Notes: -
NA – Not applicable

(a) The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants' Report for the financial year ended 31 December 2010 as disclosed in the prospectus dated 24 May 2011 ("Prospectus") and the accompanying explanatory notes attached to this interim financial statements.

(b) No comparative figures for the preceding year's corresponding period are available as this is the third interim financial report being announced by the Company in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011

Unaudited Condensed Consolidated Statements Of Financial Position

	Unaudited As at 30 September 2011 RM'000	**Audited As at 31 December 2010 RM'000**
ASSETS		
NON-CURRENT ASSETS		
Equipment	22,308	NA
Goodwill	44	NA
Total Non – Current Assets	22,352	NA
CURRENT ASSETS		
Inventories	869	NA
Trade receivables	14,429	NA
Other receivables, deposits and prepayments	2,829	NA
Short-term investment	12,901	NA
Cash and bank balances	2,582	NA
Total Current Assets	33,610	NA
TOTAL ASSETS	55,962	NA
EQUITY AND LIABILITIES		
Share capital	30,200	NA
Capital reserve	2,200	NA
Share premium	32,610	NA
Accumulated losses	(43,859)	NA
Total Equity	21,151	NA
NON CURRENT LIABILITY		
Hire Purchase Payables	796	NA
CURRENT LIABILITIES		
Trade payables	542	NA
Other payable and accruals	33,389	NA
Tax payable	-	NA
Hire Purchase Payables	84	NA
Total Liabilities	34,015	NA
TOTAL EQUITY AND LIABILITIES	55,962	NA
Net assets per share attributable to equity holders of the Company (sen) #	7.0	NA

Notes: -
NA – Not applicable

\# The net assets per share attributable to equity holders of the Company is computed based on the net assets as at 30 September 2011 divided by 302,000,000 ordinary shares of RM0.10 each of the Company.

(a) The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants' Report for the financial year ended 31 December 2010 as disclosed in the prospectus dated 24 May 2011 ("Prospectus") and the accompanying explanatory notes attached to this interim financial statements.

(b) No comparative figures for the preceding year's corresponding period are available as this is the third interim financial report being announced by the Company in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011

Unaudited Condensed Consolidated Statements Of Changes In Equity

	← Non-distributable		→	← Distributable →	
9 months ended 30 September 2011	**Share capital RM'000**	**Capital Reserve RM'000**	**Share premium RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
At 1 January 2011 #	15,940	-	4,140	(30,535)	(10,455)
Issuance of shares	940	-	4,060	-	5,000
Bonus issue	8,000	-	(8,000)	-	-
Acquisition of subsidiaries	140	-	-	-	140
Special Issue	500	2,200	1,300	(2,200)	1,800
Issuance of new shares pursuant to initial public offering	4,680	-	32,760	-	37,440
Total comprehensive expenses for the period	-	-	-	(11,124)	(11,124)
Listing expenses	-	-	(1,650)	-	(1,650)
At 30 September 2011	30,200	2,200	32,610	(43,859)	21,151

Notes:-

\# The Company was incorporated on 10 May 2010 and the acquisition of the subsidiaries was completed on 4 April 2011. As the financial statements of one of it's subsidiary has been consolidated using the merger method of accounting, the balance brought forward as at 1 January 2011 represents the brought forward balances of the subsidiary.

(a) The Unaudited Condensed Consolidated Statements Of Changes In Equity should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants' Report for the financial year ended 31 December 2010 as disclosed in the prospectus dated 24 May 2011 ("Prospectus") and the accompanying explanatory notes attached to this interim financial statements.

(b) No comparative figures for the preceding year's corresponding period are available as this is the third interim financial report being announced by the Company in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011

Unaudited Condensed Consolidated Statements Of Cash Flow

	NOTE	Current year to date 30 September 2011	Preceding Year Corresponding Period 31 December 2010
		RM'000	RM'000
CASH FLOWS FOR OPERATING ACTIVITIES			
Loss before taxation		(11,124)	NA
Adjustments for:			
Depreciation of equipment		1,325	NA
Interest expense		323	NA
Interest income		(205)	NA
Sundry income		(7)	NA
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES		(9,688)	NA
Increase in inventories		(651)	NA
Increase in trade and other receivables		(13,428)	NA
Increase in trade and other payables		6,110	NA
Cash for operations		(17,657)	NA
Interest paid		(323)	NA
Tax paid		(3)	NA
Net cash for operating activities		(17,983)	NA
CASH FLOWS FOR INVESTING ACTIVITIES			
Advances to a subsidiary		^	NA
Interest received		205	NA
Investment in subsidiaries		(37)	NA
Purchase of equipment		(9,762)	NA
Net cash for investing activities		(9,594)	NA
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of hire purchase payables		(41)	
Repayment of short-term bank borrowings		(2,779)	NA
Listing expenses		(1,650)	
Proceeds from issuance of shares		44,380	NA
Net cash from financing activities		39,910	NA
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,333	NA
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD/YEAR		3,150	NA
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD/YEAR	**A16**	15,483	NA

Notes: -
NA – Not applicable

^ – Amount less than RM1,000

(a) The Unaudited Condensed Consolidated Statements Of Cash Flow should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants' Report for the financial year ended 31 December 2010 as disclosed in the prospectus dated 24 May 2011 ("Prospectus") and the accompanying explanatory notes attached to this interim financial statements.

(b) No comparative figures for the preceding year's corresponding period are available as this is the third interim financial report being announced by the Company in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011

A. Explanatory Notes Pursuant To FRS 134

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard (“FRS”) 134 Interim Financial Reporting and Appendix 9B of the ACE Market Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") (“Listing Requirements”). This is the third interim financial report on the consolidated results for the third quarter ended 30 September 2011 announced by XOX Bhd (the “Company”) in compliance with the Listing Requirements. As such, there are no comparative figures for the preceding year’ corresponding quarter and period.

The accounting policies and methods of computation adopted by the Company and its subsidiaries (the “Group”) for this interim financial report are in compliance with the new and revised FRSs issued by the Malaysian Accounting Standards Board (“MASB”)

The interim financial report should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants’ Report for the financial year ended 31 December 2010 as disclosed in the Prospectus of the Company dated 24 May 2011 and the explanatory notes attached to the interim financial report.

2. Adoption of New and Revised Accounting Policies

(a) During the current financial period, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 1 (Revised) First-time Adoption of Financial Reporting Standards

FRS 3 (Revised) Business Combinations

FRS 127 (Revised) Consolidated and Separate Financial Statements

Amendment to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendments to FRS 1: Additional Exemptions for First-time Adopters

Amendment to FRS 2: Group Cash-settled Share-based Payment Transactions

Amendments to FRS 7: Improving Disclosures about Financial Instruments

IC Interpretation 4 Determining Whether AnArrangement Contains a Lease

Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement

IC Interpretation 18 Transfers of Assets from Customers

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

Annual Improvements to FRSs (2010)

The adoption of the above accounting standards and interpretations (including consequential amendments) did not have any material impact on the Group’s financial report.

2. Adoption of New and Revised Accounting Policies (cont'd)

(b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the MASB but are not yet effective for the current financial period:

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2013
FRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2013
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 Employee Benefits	1 January 2013
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 Separate Financial Statements	1 January 2013
FRS 128 Investment in Associates and Joint Ventures	1 January 2013
Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7: Disclosures-Transfers of Financial Assets	1 January 2012
Amendments to FRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 112: Recovery of Underlying Assets	1 January 2012
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 20 Extinguishing Financial Liabilities with Equity Instruments	1 January 2013

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except FRS 124 (Revised).

3. Audit report of the Group's preceding annual financial statements

The Company was incorporated on 10 May 2010. Hence, there were no audited financial statements for the preceding financial year.

The auditors' report for the subsidiaries of the Company's preceding annual audited financial statements for the financial year ended 31 December 2010 was not subject to any qualification.

4. Seasonality or cyclicality factors
The business of the Group was not affected by any significant seasonal and cyclical factors for the current quarter under review and financial year-to-date.

5. Unusual items
There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter under review and financial year-to-date.

6. Changes in estimates
There were no material changes in estimates for the current quarter under review and financial year-to-date.

7. Changes in share capital and debts
Save as disclosed below, there were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial year to date.

Details of the movements in the Company's shares since incorporation up to the date of this report are as follows:

Date of Allotment / Subdivision	No. of Shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
10.05.2010	2	1.00	Cash[1]	2
04.04.2011	25,019,998	1.00	Acquisition of subsidiaries	25,020,000
04.04.2011	-	0.10	Subdivision of every 1 Share into 10 Shares	25,020,000
04.04.2011	5,000,000	0.10	Special issue	25,520,000
07.06.2011	46,800,000	0.10	Pursuant to Public Issue	30,200,000

Note:-

(1) There were no discounts, special terms or instalment payment terms provided in relation to this transaction.

8. Dividends
No dividends were declared or paid by the Group in the current quarter under review.

9. Segment information
No segmental information has been provided as the Company operates principally in Malaysia and in one major business segment.

10. Subsequent events
There were no other material event subsequent to the end of the financial period ended 30 September 2011 as at the date of this announcement that have not been reflected in the current quarter under review and financial year-to-date.

11. Changes in the composition of the Group

(i) In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of our Group on the ACE Market of Bursa Securities, the Company implemented the following:-

Acquisition of Subsidiaries

(a) Acquisition 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 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 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.

The results of XOX Com were consolidated using the merger method. Under the merger method, the difference between the acquisition cost and the nominal value of the share capital of the subsidiary is accounted for as merger reserve or deficit. There was no merger reserve or merger deficit arising from the acquisition of XOX Com.

The results of XOX Media and XOX Management Services were consolidated using the purchase method. Under the purchase method, the results of XOX Media and XOX Management Services are included from the date of acquisition. At the date of acquisition, the fair values of XOX Media and XOX Management Services's 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 XOX in exchange for control of XOX Media and XOX Management Services, plus any costs directly attributable to the business combination.

(ii) On 27 June 2011, the Company increased its investment in its wholly owned subsidiary, XOX COM Sdn Bhd by subscribing 8,120,002 ordinary shares of RM1.00 each for a cash consideration of RM8,120,002.

(iii) On 4 August 2011, the Company acquired the entire issued and paid up share capital of XOX Wallet Sdn Bhd, which is incorporated in Malaysia under the Companies Act, 1965 with an authorized share capital of RM100,000 each comprising 100,000 ordinary shares of RM1.00 each and a paid up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each fully paid up for a total consideration of RM2.00. On 5 August 2011, the Company subscribed another 99,998 ordinary shares of RM1.00 each in XOX Wallet Sdn Bhd for a cash consideration of RM99,998. XOX Wallet Sdn Bhd became a wholly owned subsidiary of the Company after the above subscription.

12. Contingent liability or assets

There is approximately RM27.9 million charged by one of the main suppliers of the Company in which the management of the Company is currently reconciling and negotiating with the said supplier and the Company is confident that this amount will be resolved amicably before the end of the first quarter of 2012. Out of the RM27.9 million, RM17.3 million relates to the minimum commitment level for the 9 months period under review, RM1.63 million relates to possible double billing/payment of service tax by the Company and the said supplier and approximately RM10.6 million due to possible billing errors and billing reconciliations with the said supplier.

Save as disclosed above, there are no other material contingent liabilities or assets which may have material effect on the financial position of the Group as at 23 November 2011.

13. Equipment

The Group acquired an additional equipment amounting to approximately RM1.4 million and RM10.7 million in the current quarter under review and cumulative up to the 3rd quarter ended 30 September 2011 respectively.

14. Capital commitment

Authorised capital expenditure not provided for in the interim financial report at the end of the current quarter under review are as follows:-

	RM'000
Approved and contracted for:	
- Equipment	6,166

15. Significant related party transactions

(a) Identities of related parties

(i) the Company has a controlling related party relationship with its subsidiaries;

(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 Group carried out the following significant transactions with the related parties during the financial year:-

(i) Key management personnel

	The Group	
	2011 RM	2010 RM
Short-term employee benefits	950,160	NA

16. Cash and cash equivalents

	Current year To-date 30 September 2011 RM'000
Short-term investment	12,901
Cash and bank balances	2,582
	15,483

B. Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities

1. Review of the performance of the Group

During the period under review, XOX Group ("XOX") recorded a total revenue of RM15 million. For the current quarter under review, revenue was reduced by approximately RM8.1 million from RM23.1 million in the second quarter of 2011 ("**Q2 2011**"). However, XOX Group managed to successfully acquire approximately 292,000 new subscribers in the third quarter of 2011, increasing the number of its cumulative registered subscribers by approximately 57% from approximately 510,000 subscribers as at 30 June 2011 to 802,000 subscribers as at 30 September 2011.

Notwithstanding the significant increase in XOX's registered subscribers, the slowdown in sales was mainly due to the following factors:

a) Shortage of in the supply of SIM packs

Due to strong demand of XOX's starter packs, XOX had experienced an unexpected acute shortage of its SIM packs supply in the third quarter of 2011. The shortage was due to XOX's principal service provider (who is also the principal supplier of SIM packs to XOX) not being able to supply XOX's orders for SIM packs required on time. The delay in the delivery of SIM packs by XOX's principal supplier had consequently affected XOX's sale of SIM packs and recharge vouchers significantly.

The management has taken proactive steps to rectify this continued shortage by sourcing for new SIM pack suppliers in addition to the existing principal supplier to supply SIM pack stocks directly to XOX by the fourth quarter of 2011.

b) Lower than expected average monthly sales of recharge vouchers per subscriber

Despite XOX's initiatives to support wider acceptance and availability of products through increased distribution channels and the launching of innovative products and services, intense price competition in the industry had affected the demand of XOX products by its distribution channels, thus reducing the average monthly sales of recharge vouchers per subscriber substantially.

Furthermore, the mobile telecommunications industry as a whole has also been facing a very challenging operating environment where the increased number of smartphone users coupled with the wide usage of mobile applications such as WhatsApp, Viber and Line have changed subscribers' usage behavior from traditional voice calls, SMS and MMS to free calls, SMS and instant messaging services utilizing data, thus reducing the amount of recharge sales per subscriber.

The loss after taxation was mainly due to the higher selling and distribution expenses incurred. The higher selling and distribution expenses were necessary to create brand awareness and enable fast market penetration of XOX's products and services to gain a substantial market share of subscribers. For example, during the third quarter 2011, XOX had implemented aggressive sale campaigns and introduced an attractive promotion starter pack to attract and acquire new subscribers.

2. Variation of results against immediate preceding quarter

	Current Quarter 30 September 2011	**Preceding Quarter 30 June 2011**
	RM'000	**RM'000**
Revenue	15,005	23,081
Loss Before Tax	(6,536)	(2,921)
Loss After Tax	(6,536)	(2,921)
Cumulative registered subscribers ('000)	802	510
Average Revenue Per User ("**ARPU**") (RM)	18.16	18.78

Revenue for the current quarter under review has decreased by approximately RM8.1 million or 35% as compared to the preceding quarter mainly due to lower than expected monthly sales of recharge vouchers per subscriber and shortages of SIM pack stocks for sale as mentioned in Section 1 above. However, in the current quarter under review, the number of cumulative registered subscribers had increased substantially by approximately 292,000 due to aggressive marketing and promotional activities by the Group which include introduction of XOX's attractive promotion starter packs. The increase in registered subscribers coupled with the lower revenue in turn resulted in a lower ARPU computation of RM18.16 as at the third quarter of 2011.

Further, the mobile telecommunications industry is currently experiencing an erosion of ARPU based on traditional voice and SMS spending, largely due to the increased ownership of smart phones and usage of mobile applications offering free calls, SMS and instant messaging services utilizing data, thus reducing the amount of recharge sales per subscriber.

The loss in the current quarter under review is higher than the preceding quarter by approximately RM3.6 million or 123.8% mainly due to higher selling and distribution expenses incurred during the quarter under review which was necessary to create brand awareness and enable fast market penetration of XOX's products and services to gain a substantial market share of subscribers.

3. Prospects and profit forecast for the 12 months period ended 31 December 2011

Our Group had identified certain future plans to realize its forecasted results, such as the implementation of our Group's Mobile Wallet services and the Social Network Portal utilizing mobile applications as well as the utilisation of the IPO proceeds to execute its future plans.

The Group's financial performance is dependent on the growth of its subscriber base and the average monthly revenue from the sales of recharge voucher per subscriber which is expected to be supported by the following factors:-

a) Expected wider acceptance and availability of the Group's products and services amongst its target market via increased distribution channels which allow our Group's 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 channels 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.

However, despite the increase in registered subscribers, our Group is currently facing a challenging operating environment due to intense competitive pressure from existing and new competitors, rapid technological changes in mobile applications through the use of smart-phones and fast changing consumer preferences. The mobile telecommunications industry, as a whole, is currently facing a systematic erosion in ARPU levels due to the gradual substitution of traditional voice, SMS and MMS usage with increased usage of mobile applications like WhatsApp, Viber and Line for voice, SMS and MMS services.

3. Prospects and profit forecast for the 12 months period ended 31 December 2011 (cont'd)

This is mainly due to the rising ownership of smart phones in the market and changing consumer behaviour focusing on the adoption of data centric mobile applications over traditional voice, SMS and MMS usage. The mobile telecommunications industry is expected to see a higher take-up rate of smart phones and data-bundling packages for revenue versus the traditional voice, SMS and MMS revenues. The aforementioned factors has resulted in a lower than expected growth in XOX's average monthly revenue from the sales of recharge voucher per subscriber, adversely affecting the financial performance of XOX Group.

Notwithstanding the above, our Group remains committed in maintaining its focus on introducing innovative products and services to expand our subscriber base in accordance with the fast changing trends in the mobile telecommunications industry. XOX's management is cognizant of the challenges faced by the mobile telecommunications industry as a whole and has taken steps to mitigate the lower than expected revenue as a result of decreasing voice, SMS and MMS usage.

In view of the changing consumer behavior in using more mobile applications on smart-phones to communicate and the gradual erosion in traditional voice, SMS and MMS revenues, our management has taken steps to realign our Group's focus to ensure that it is in line with current consumer trends. XOX Group has realigned and re-focused some of its business services to ensure that it is in line with current consumer trends using more mobile applications for voice, SMS and MMS in their daily communications. For example, XOX Group will be introducing its innovative new product featuring its Social Network Portal that links to its mobile application on most smart-phones with a SIM-free mobile number before the end of the fourth quarter 2011.

On 8 August 2011, XOX's subsidiary, XOX Wallet Sdn Bhd ("XOXW") has entered into a Business Cooperation Agreement with IDOTTV Sdn Bhd. In this business arrangement, XOX has agreed to allow IDDOTV to exclusively offer at least RM50 million worth of telecommunication airtime to all the relevant financial institutions secured by IDDOTTV Sdn Bhd. IDDOTTV shall secure a pre-determined transaction fee for XOXW from the relevant financial institutions. The said telecommunication airtime will be utilized as a traded commodity for Shariah compliant personal financing purposes. As at date of this report, XOX has completed the system integration with IDOTTV Sdn Bhd to perform live trading of the said telecommunication airtime and is now pending the system integration with the relevant financial institutions secured by IDOTTV Sdn Bhd. The arrangement is expected to contribute positively to the consolidated earnings of XOX from the first quarter of 2012 onwards.

4. Profit forecast

Due to the factors explained in Section 3 above, the Board of Directors of XOX Group is of the opinion that the financial performance of XOX Group for the third quarter of 2011 is not within expectation and that the revenue and profit forecast for the 12 months period ending 31 December 2011 is not likely to be achieved.

However, the Board of Directors and management of XOX Group has taken note of the fast changing mobile telecommunications industry environment and have taken steps to realign our Group's focus to ensure that it is in line with the current industry environment and enhance our Groups existing products. This re-alignment in strategy is expected to post profits for the Group in the ensuing periods.

5. Income tax expense

	Current Quarter	Cumulative Quarter
	RM'000	RM'000
Income tax expense	-	-

No provision for income tax expense made as the Group has no assessable profits subject to Malaysia tax for current quarter under review and financial year-to-date.

6. Sales of unquoted investment / properties

There were no sales of unquoted investments / properties in the current financial quarter and financial year-to-date.

7. Purchase or disposal of quoted securities

There were no purchase or disposal of quoted securities for the current financial quarter and financial year-to-date.

8. Status of corporate proposals and utilisation of proceeds

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

(i) *Bonus Issue by 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 was completed prior to the Acquisition of Subsidiaries by our Group.

(ii) *Acquisition of Subsidiaries*

(a) Acquisition 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 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 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.

(iii) *Share Split*

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

(iv) *Special Issue*

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

(v) *Public Issue*

The Public Issue of 46,800,000 new XOX Shares (“Public Issue Shares”) at Issue price of RM0.80 per Share.

(vi) *Listing*

Upon listing on 10 June 2011, the entire enlarged issued and paid-up share capital of the Company comprised 302,000,000 Shares on the ACE Market of Bursa Securities.

8. Status of corporate proposals and utilisation of proceeds (cont'd)

(vii) Utilisation of IPO proceeds

The status of the gross proceeds of RM37.4 million from the Public Issue is as follows:-

	Purpose	Total Proceeds allocated as per Prospectus dated 24 May 2011	Revised Proceeds allocated as per announcement dated 13 Oct 2011	Actual Utilisation Amount		Deviation Amount	Intended Timeframe for utilisation
		RM'000	RM'000	RM'000	%	RM'000	
(i)	Payment to creditor	5,000	4,927	4,927	100%	-	Within 3 months after listing
(ii)	Capital expenditure	6,200	11,200	5,346	48%	5,854	Within 12 months after Announcement dated 13 Oct 2011
(iii)	Working capital	23,200	18,273	3,572	20%	14,701	Within 12 months after Announcement dated 13 Oct 2011
(iv)	Estimated listing expenses	3,000	3,000	3,000	100%	-	Immediate
	Total	**37,400**	**37,400**	**16,845**			

Note: IPO proceeds will be utilised within the estimated timeframe. The Group does not expect any material deviation as at the date of this report.

9. Group's borrowings and debt securities

Save for the following secured borrowings, there were no borrowings and debts securities during the current quarter under review and financial year-to-date.

	Year to Date Ended 30 September 2011
	RM'000
Hire purchase	
Short-term	84
Long-term	796

The hire purchase payables are pertaining to the acquisition of motor vehicles.
As at 30 September 2011, the Group does not have any foreign currency denominated borrowings.

10. Off-balance sheet financial instruments

There are no off-balance sheet financial instruments as at the date of this report.

11. Changes in material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which has a material effect on the financial position of the Group.

12. Realised and Unrealised Profit/Losses Disclosure

The accumulated losses as at 30 September 2011 and 31 December 2010 are analysed as below:

	Current Financial Year	Preceding Financial Year
	RM'000	RM'000
Total Accumulated Losses :		
- Realised	(43,859)	NA
- Unrealised	-	NA
Total Group Accumulated Losses	(43,859)	NA

Note: -
NA – Not applicable

13. Net loss per share

	Quarter Ended 30 September 2011	Preceding Year Corresponding Quarter 30 September 2010	Year to Date Ended 30 September 2011	Year to Date Ended 30 September 2010
	RM'000	RM'000	RM'000	RM'000
Net Loss attributable to equity holders of the company	(6,536)	NA	(11,124)	NA
Weighted average number of ordinary shares in issue ('000)	302,000	NA	187,635	NA
Net Loss Per Share - Basic (sen)	(2.2)	NA	(5.9)	NA

Note: -
NA – Not applicable

The fully diluted loss per share is not presented as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

14. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 25 November 2011.