XOX BHD

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED
31 DECEMBER 2011

Contents

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2011

Unaudited Condensed Consolidated Statements Of Comprehensive Income

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter Ended	**Preceding Year Corresponding Quarter**	**Year to Date Ended**	**Preceding Year Corresponding Period**
		31 December 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue		14,903	NA	65,675	NA
Cost of sales		(8,891)	NA	(41,922)	NA
Gross Profit		6,012	NA	23,753	NA
Interest income		46	NA	251	NA
Other income including investment income		16	NA	66	NA
Selling and distribution expenses		(11,124)	NA	(31,770)	NA
Administrative expenses		(3,243)	NA	(9,295)	NA
Depreciation and amortisation		(846)	NA	(2,171)	NA
Other expenses		(4)	NA	(780)	NA
Interest expense		(11)	NA	(334)	NA
Loss Before Tax		(9,154)	NA	(20,280)	NA
Income tax expense	B5	-	NA	-	NA
Loss After Taxation / Total comprehensive expenses		(9,154)	NA	(20,280)	NA
Loss After Taxation / Total comprehensive expenses Attributable to:-					
- Equity holders of the Company		(9,154)	NA	(20,280)	NA
- Non-controlling interest		-	-	-	-
		(9,154)	NA	(20,280)	NA
Net Loss Per Share attribute to equity holders of the Company					
- Basic (sen)	B18	(3.0)	NA	(9.4)	NA
- Diluted (sen)	B18	(3.0)	NA	(9.4)	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 fourth 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 QUARTER ENDED 31 DECEMBER 2011

Unaudited Condensed Consolidated Statements Of Financial Position

	Unaudited As at 31 December 2011 RM'000	**Audited As at 31 December 2010 RM'000**
ASSETS		
NON-CURRENT ASSETS		
Equipment	24,462	NA
Goodwill	44	NA
Total Non – Current Assets	24,506	NA
CURRENT ASSETS		
Inventories	1,008	NA
Trade receivables	11,072	NA
Other receivables, deposits and prepayments	3,030	NA
Short-term investment	8,871	NA
Cash and bank balances	1,513	NA
Total Current Assets	25,494	NA
TOTAL ASSETS	50,000	NA
EQUITY AND LIABILITIES		
Share capital	30,200	NA
Capital reserve	2,200	NA
Share premium	32,610	NA
Accumulated losses	(53,015)	NA
Total Equity	11,995	NA
NON CURRENT LIABILITY		
Hire Purchase Payables	709	NA
CURRENT LIABILITIES		
Trade payables	533	NA
Other payable and accruals	36,634	NA
Tax payable	-	NA
Hire Purchase Payables	129	NA
Total Liabilities	38,005	NA
TOTAL EQUITY AND LIABILITIES	50,000	NA
Net assets per share attributable to equity holders of the Company (sen) #	4.0	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 31 December 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.

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Unaudited Condensed Consolidated Statements Of Changes In Equity

	← Non-distributable		→	← Distributable →	
12 months ended 31 December 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	-	-	-	(20,280)	(20,280)
Listing expenses	-	-	(1,650)	-	(1,650)
At 31 December 2011	30,200	2,200	32,610	(53,015)	11,995

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 fourth 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 QUARTER ENDED 31 DECEMBER 2011

Unaudited Condensed Consolidated Statements Of Cash Flow

	NOTE	Current year to date 31 December 2011 RM'000	Preceding Year Corresponding Period 31 December 2010 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES			
Loss before taxation		(20,280)	NA
Adjustments for:			
Depreciation of equipment		2,171	NA
Interest expense		334	NA
Interest income		(251)	NA
Sundry income		(7)	NA
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES		(18,033)	NA
Increase in inventories		(790)	NA
Increase in trade and other receivables		(10,274)	NA
Increase in trade and other payables		9,345	NA
Cash for operations		(19,752)	NA
Interest paid		(323)	NA
Tax paid		(3)	NA
Net cash for operating activities		(20,078)	NA
CASH FLOWS FOR INVESTING ACTIVITIES			
Advances to a subsidiary		^	NA
Interest received		251	NA
Investment in subsidiaries		(37)	NA
Purchase of equipment		(12,761)	NA
Net cash for investing activities		(12,547)	NA
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of hire purchase payables		(92)	
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		39,859	NA
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,234	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**	10,384	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 fourth 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").

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 fourth interim financial report on the consolidated results for the quarter ended 31 December 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 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

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

Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)

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

Amendment to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary

Amendments to FRS 7: Improving Disclosures about Financial Instruments
Amendment to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)

IC Interpretation 4 Determining Whether AnArrangement Contains a Lease
IC Interpretation 12 Service Concession Arrangements
IC Interpretation 16 Hedges of Net Investment in a Foreign Operation
IC Interpretation 17 Distributions of Non-cash Assets to Owners

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
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)
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 (Revised) Employee Benefits	1 January 2013
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investment in Associates and Joint Ventures	1 January 2013
Amendments to FRS 1 (Revised): 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 (Revised): 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 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011

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. Nature and amount of exceptional and extraordinary items
There were no exceptional or extraordinary 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 material event subsequent to the end of the financial period ended 31 December 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 was approximately RM27 million charged by one of the main suppliers of the Group. Out of the RM27 million, approximately RM6.1 million was due to possible billing errors and billing reconciliations with the said supplier. The balance of the difference of RM20.9 million relate to the shortfall in the minimum commitment level to the main supplier of the Group, as explained in the following paragraph. Pursuant to the Mobile Virtual Network Operator ("MVNO") services agreement signed between XOX COM Sdn Bhd (a wholly owned subsidiary of the Company) and the said supplier, the minimum commitment level to the said supplier for the year 2011 is RM61.5 million. For the 12 month ended 31 December 2011, there is a shortfall in the minimum commitment amounting to RM20.9 million.

Both of these differences have not been provided for in the accounts of the Group as the management of the Group has been having regular meetings with the said supplier and the said supplier is receptive in waiving and/or amending the aforementioned minimum commitment level as well as resolving the RM6.1million billing issues. The management of the Group is currently negotiating with the said supplier and is confident that this amount will be resolved amicably before the end of the second quarter of 2012

However, had this amount been provided in the quarterly results ended 31 December 2011, the loss for the 12 months financial period ended 31 December 2011 would be RM47.28 million and the shareholders' deficit would amount to RM15 million. This would trigger certain Prescribed Criterias set out in Guidance Note 3 of the ACE Market Listing Requirements ("**GN3**"), which indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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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 the date of this announcement.

12. Equipment

The Group acquired an additional equipment amounting to approximately RM3 million and RM12.8 million in the current quarter under review and cumulative up to the 4th quarter ended 31 December 2011 respectively.

13. 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	4,921

14. 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'000	2010 RM'000
Short-term employee benefits	1,442	NA

15. Cash and cash equivalents

	Current year To-date 31 December 2011 RM'000
Short-term investment	8,871
Cash and bank balances	1,513
	10,384

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

1. Detailed analysis of the performance of the Group

During the period under review, XOX Group ("**XOX**") recorded total revenue of RM14.9 million, a slight reduction from RM15 million in the third quarter of 2011. However, XOX Group managed to successfully acquire approximately 367,000 new subscribers in the fourth quarter of 2011, increasing the number of its cumulative registered subscribers by approximately 46% from approximately 802,000 subscribers as at 30 September 2011 to approximately 1,169,000 subscribers as at 31 December 2011. Notwithstanding the significant increase in XOX's registered subscribers, the slowdown in sales revenue was mainly due to the following factors:

a) Shortage of in available mobile numbers

XOX was granted 1.5 million mobile numbers by the Malaysian Communications and Multimedia Commission ("**MCMC**") in 2008. Due to XOX's rapid growth, these numbers were used up upon acquiring new subscribers during the year. During the end of the third quarter, management realised that the available numbers to prepare before it can be distributed and finally sold, would have run out or got close to running out bearing in mind the lead time necessary for its preparation for sales, Therefore management had applied to the MCMC for additional mobile numbers on 19 September 2011. Due to unforeseen circumstances, MCMC had only on 19 January 2012 issued 500,000 new mobile numbers to XOX and the shortage is expected to be resolved by the first quarter of 2012

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, intense competition in the industry had affected the demand of XOX products 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 Internet Protocol ("**IP**") calls, free SMS and free instant messaging services utilizing data, thus significantly reducing the amount of recharge sales per subscriber.

The loss after taxation was mainly due to the lower revenues as mentioned above. Despite the lower revenues, XOX continues to spend on selling and distribution expenses which are necessary to create brand awareness and enable fast market penetration of XOX's products and services to gain a substantial market share of subscribers. XOX had continued to implement aggressive sale campaigns to attract and acquire new subscribers. Many of the sales campaigns were committed and planned earlier in the second and third quarter of 2011, with some new ones launched in the fourth quarter, such as a new promotion starter pack to selected distributors.

2. Variation of results against immediate preceding quarter

	Current Quarter 31 December 2011	Preceding Quarter 30 September 2011
	RM'000	RM'000
Revenue	14,903	15,005
Loss Before Tax	(9,154)	(6,536)
Loss After Tax	(9,154)	(6,536)
Cumulative registered subscribers ('000)	1,169	802
Average Revenue Per User ("**ARPU**") (RM)	16.06	18.16

Revenue for the current quarter under review decreased by approximately 1% as compared to the preceding quarter mainly due to lower than expected monthly sales of recharge vouchers per subscriber and shortages of mobile numbers as mentioned in Section 1 above. This was offset by the increase in cumulative registered subscribers by approximately 367,000 due to aggressive marketing and promotional activities by the Group. The increase in registered subscribers coupled with the lower revenue in turn resulted in a lower ARPU computation of RM16.06 as at the fourth quarter of 2011. As mentioned in Section 1b, the lower revenue was mainly due to lower sales of recharge vouchers partly as a result of the wide usage of free mobile applications available in the industry. The mobile telecommunications industry is currently experiencing a significant 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 IP calls, free SMS and free instant messaging services utilizing data, thus reducing the amount of recharge sales per subscriber. To capitalize on the expected increase in mobile data usage, XOX launched new and more attractive data plans to its customers in the fourth quarter of 2011.

The loss in the current quarter under review is higher than the preceding quarter mainly due to:

- higher selling and distribution expenses incurred in the fourth quarter. This expenditure 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. Some of the expenditure were planned and committed earlier and were incurred in the fourth quarter. Therefore, the fourth quarter's selling and distribution expenses included campaigns continued from the previous quarters and some new campaigns;
- higher administrative expenses in the fourth quarter due to payment of MCMC licensing costs and higher maintenance costs incurred in the fourth quarter of 2011. The higher maintenance costs were incurred in the fourth quarter due to unexpected delays in some projects as mentioned in section 3(c) below.

3. Prospects for 2012

Our Group had identified certain future plans to increase its revenue and profitability, such as the implementation of our Group's Mobile Wallet services and the Social Network Portal utilizing mobile applications.

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 campaigns initiated in the past and increased new 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 new distribution channels which allows its subscribers to purchase their recharge vouchers more conveniently; and

3. Prospects for 2012 (cont'd)

c) Introduction of new products and services such as the Social Network Portal where customers can buy Starter Packs and recharge vouchers online, perform Mobile Number Portability ("**MNP**") online, offering SIM-Free mobile numbers with mobile service through a mobile application, Mobile Wallet services, additional convergence subscription plans and convergence value added services. These new products and services have not been launched in 2011 as it was undergoing longer than expected testing and development phases. XOX has launched a beta version of its SIM-Free mobile number mobile service application under the brand name Voopee on 1 February 2012. Voopee is currently available to Android smart-phone users. An iOS version for the iPhone is expected to be launched in the second quarter of 2012.

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 IP calls, SMS and MMS services.

This is mainly due to the rising ownership of smart phones in the market and changing consumer behavior focusing on the adoption of data centric mobile applications over traditional voice, SMS and MMS usage *(Source: EU-Malaysia Chamber of Commerce and Industry-EU-Malaysia Business EUMCCI Trade Issues and Recommendations 2011)*. 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 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. Specific examples include the introduction of more attractive data plans, the Social Network Portal and Voopee.

The Business Cooperation Agreement entered between XOX Group and IDOTTV Sdn Bhd on 8 August 2011 is also expected to contribute positively to the results of XOX in 2012. As at the date of this report, the Group has completed the system integration with IDOTTV Sdn Bhd and is now pending the system integration by the relevant financial institutions secured by IDOTTV Sdn Bhd.

Barring any unforeseen circumstances and based on the above plans, the management believes that the Group's results will improve in 2012.

4. Profit forecast

Board of Directors wishes to inform that the XOX Group has not met the profit forecast for the 12 months financial period ended 31 December 2011 as set out in its Prospectus dated 24 May 2011 ("**Profit Forecast**"). The variance in the unaudited results against the Profit Forecast were mainly due to lower than expected revenue from recharge vouchers as a result of intense competition from incumbent operators as well as the challenging operating environment arising from the increased use of smartphones and mobile applications. These factors, coupled with the slower than expected response to some of our products had adversely affected the Group's achievement of the Profit Forecast.

An analysis of the Profit Forecast as compared with the unaudited results for the 12 months ended 31 December 2011 is as follows: -

12 months ended 31 December 2011	**Notes**	**Forecast (RM'000)**	**Unaudited Results (RM'000)**	**Variance RM'000**	**Variance (%)**
Revenue	4.1	249,466	65,675	(183,791)	(74)
Gross Profit	4.2	90,374	23,753	(66,621)	(74)
Profit/(Loss) Before Tax	4.3	21,833	(20,280)	(42,113)	(193)
Income Tax Expenses		(2,067)	-		
Profit/(Loss) After Tax		19,766	(20,280)	(40,046)	(203)

An analysis of the forecasted subscribers as compared with the actual subscribers as follows: -

12 months ended 31 December 2011		**Forecast ('000)**	**Actual ('000)**	**Variance '000**	**Variance (%)**
Cumulative registered		1,487	1,169	(318)	(21)
Cumulative active		1,093	709	(384)	(35)

Further analyses of the reasons of the variations are discussed in the sections below.

4.1 Revenue

XOX Group's revenue is derived from the sale of starter packs and recharge vouchers. A comparison of the forecasted and actual revenues from the sale of starter packs and recharge vouchers are as follows:

12 months ended 31 December 2011	**Notes**	**Forecasted Revenue (RM'000)**	**Actual Revenue (RM'000)**	**Variance RM'000**	**Variance (%)**
Sales of starter packs	4.1.1	15,669	7,676	(7,993)	(51)
Sales of recharge vouchers	4.1.2	233,797	57,999	(175,798)	(75)
Total		249,446	65,675	(183,791)	(74)

4.1.1 Sales of starter packs

The number of forecasted and actual sales of starter packs sold to distributors for the 12 months ended 31 December 2011 is as follows:

12 months ended 31 December 2011		**Forecasted**	**Actual**	**Variance**	**Variance (%)**
Total registered XOX subscribers		1,172,599	854,197	(318,402)	(27)
Balance of starter packs at distribution channels		605,876	18,689	(587,187)	(97)
Total starter packs sold to distributors		1,778,475	872,886	(905,589)	(51)

During the 12 months ended 31 December 2011, XOX sold lower volume of starter packs compared to the forecast due to:

(a) Unexpected shortages of SIM packs due to delivery delays from its principal supplier in the third quarter of 2011. This has since been rectified with the sourcing of additional suppliers;

(b) Shortage of new mobile numbers as explained in section B.1 above;

(c) XOX's prudent risk management led it to initiate stricter internal credit control procedures to limit and control the trade debt levels owing by the distributors to mitigate risks. For example, some of its sales on credit to certain distributors have now been changed to cash sales only;

(d) Intense competitive pressure from incumbents. Since the listing of XOX and the resulting increase in the public profile of XOX, the Group had been encountering intensifying competition from incumbent operators which increased the cost and difficulty of XOX to gain more subscribers.

4.1.2 Sales of recharge vouchers

The forecasted and actual revenue from the sale of recharge vouchers for the 12 months ended 31 December 2011 is as follows:

12 months ended 31 December 2011	Notes	Forecast Revenue (RM'000)	Actual Revenue (RM'000)	Variance RM'000	(%)
Convergent sales	(i), (ii)	206,563	57,574	(148,989)	(72)
Post-paid sales	(iii)	24,279	nil	(24,279)	(100)
3G Data	(iv)	2,955	425	(2,530)	(86)
		233,797	57,999		

4.1.2 Sales of recharge vouchers (cont'd)

The key factors which affected XOX Group's revenue are as follows:

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

This was the result of lower number of registered users and intense competition in the industry, despite various XOX's initiatives to support wider acceptance and availability of products.

(ii) Industry wide erosion of ARPU based on traditional voice and SMS/MMS spending

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 IP calls, free SMS and free instant messaging services utilizing data, thus significantly reducing the amount of recharge sales per subscriber.

(iii) There were no post-paid sales in 2011 as XOX only offered its Hybrid post-paid plan with convergent features. Even though the post-paid service was available in March 2011, the response had not been as good as expected. XOX decided to focus on the prepaid market and convergent subscription plans as it has less credit risk.

(iv) The 3G data service commenced in January 2011 but did not have a significant impact on XOX's financial results as the data plan which was initially offered was not attractive enough to the customers. In the fourth quarter of 2011, XOX offered new and more attractive data plans and started aggressively promoting these new data plans.

4.2 Gross Profit

XOX Group's lower gross profit is in line with the lower revenue. The Group was able to maintain its gross margins at approximately 36% as forecasted.

4.3 (Loss)/Profit Before Tax

XOX Group recorded a Loss Before Tax ("**LBT**") of RM20,280,000 for the 12 months ended 31 December 2011. An analysis of LBT is as follows:

12 months ended 31 December 2011	**Notes**	**Forecast (RM'000)**	**Unaudited Results (RM'000)**	**Variance RM'000**	**Variance (%)**
Gross Profit		90,374	23,753	(66,621)	(74)
Other Income		344	317	(27)	(8)
		90,718	24,070		
Administrative Expenses	(i)	(16,621)	(9,295)	7,326	44
Selling and Distribution Expenses	(ii)	(47,282)	(31,770)	15,512	33
Other Expenses	(iii)	(4,850)	(2,951)	1,899	39
Finance Cost		(132)	(334)	(202)	(153)
PBT / (LBT)		21,833	(20,280)		

The variation in the PBT is mainly due to the lower revenue achieved by the Group offset by the following factors:

(i) Lower administrative expenses due to lower human resources expenses compared to the forecast and lower service tax expenses in line with the lower revenue.

(ii) Selling and Distribution Expenses

Selling and distribution expenses were lower than the forecast due to:

1. Average marketing and branding expenses for the year was approximately RM372,000 per month compared to the forecast of RM345,000 per month. This 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. It also included aggressive sale campaigns to acquire new subscribers in 2011 such as the launch of the new Hybrid Plan and data plans towards the end of the year.
2. In line with the lower sales, total sales incentives and commission for the year was lower at RM27.3 million compared to the forecast of RM43.1 million. However, intense competition from incumbent operators had resulted in higher subscriber acquisition cost to XOX as it had to implement aggressive sale campaigns and distributor incentives to continue to attract and acquire new subscribers. In particular, the implementation of new campaigns in response to competitive pressures, such as promotional starter packs had significantly increased expenditures incurred for distributor incentives and commissions.

(iii) Other Expenses

Other expenses mainly consist of depreciation expense for the year. As a result of delays and longer than expected development periods for its projects, most of the fixed asset additions of the Group were incurred towards the end of the 12 months ended 31 December 2011. As such, the related depreciation expense had also been subsequently reduced for the period.

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. Gain or loss on disposal of quoted and/or unquoted investments and/or properties.
There were no disposal of quoted, unquoted and/or properties for the current 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 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		Balance 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	8,669	77%	2,531	Within 12 months after Announcement dated 13 Oct 2011
(iii)	Working capital	23,200	18,273	12,254	67%	6,019	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**	**28,850**			

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 31 December 2011
	RM'000
Hire purchase	
Short-term	129
Long-term	709

The hire purchase payables are pertaining to the acquisition of motor vehicles.

As at 31 December 2011, the Group does not have any foreign currency denominated borrowings.

10. Provision for and write off of receivables

There were no provision for and write off of receivables for the current quarter and financial year to date.

11. Provision for and write off of inventories

There were no provision for and write off of inventories for the current quarter and financial year to date.

12. Impairment of assets

There were no impairment of assets for the current quarter and financial year to date.

13. Foreign exchange gain

	Current Quarter	Cumulative Quarter
	RM'000	RM'000
Realised foreign exchange gain	-	21

14. Gain or loss on derivatives

There were no gain or loss on derivatives for the current quarter and financial year to date.

15. Off-balance sheet financial instruments

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

16. 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.

17. Realised and Unrealised Losses Disclosure

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

	Current Financial Year	Preceding Financial Year
	RM'000	RM'000
Total Accumulated Losses :		
- Realised	(53,015)	NA
- Unrealised	-	NA
Total Group Accumulated Losses	(53,015)	NA

Note: -
NA – Not applicable

18. Net loss per share

	Quarter Ended 31 December 2011	Preceding Year Corresponding Quarter 31 December 2010	Year to Date Ended 31 December 2011	Year to Date Ended 31 December 2010
	RM'000	RM'000	RM'000	RM'000
Net Loss attributable to equity holders of the company	(9,154)	NA	(20,280)	NA
Weighted average number of ordinary shares in issue ('000)	302,000	NA	216,846	NA
Net Loss Per Share - Basic (sen)	(3.0)	NA	(9.4)	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.

19. 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 27 February 2012.