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 MARCH 2012

Contents

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2012

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 March 2012	**31 March 2011**	**31 March 2012**	**31 March 2011**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue		8,841	NA	74,516	NA
Cost of sales		(5,408)	NA	(47,330)	NA
Gross Profit		3,433	NA	27,186	NA
Other income		106	NA	423	NA
Selling and distribution expenses		(3,450)	NA	(35,220)	NA
Administrative expenses		(2,966)	NA	(12,261)	NA
Depreciation and amortisation		(850)	NA	(3,021)	NA
Other expenses		(55)	NA	(835)	NA
Interest expense		(10)	NA	(344)	NA
Loss Before Tax	B5	(3,792)	NA	(24,072)	NA
Income tax expense	B6	-	NA	-	NA
Loss After Taxation / Total comprehensive expenses		(3,792)	NA	(24,072)	NA
Loss After Taxation / Total comprehensive expenses Attributable to:-					
- Equity holders of the Company		(3,792)	NA	(24,072)	NA
- Non-controlling interest		-	-	-	-
		(3,792)	NA	(24,072)	NA
Net Loss Per Share attribute to equity holders of the Company					
- Basic (sen)	B13	(1.25)	NA	(10.29)	NA
- Diluted (sen)	B13	(1.25)	NA	(10.29)	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 fifth 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 MARCH 2012

Unaudited Condensed Consolidated Statements Of Financial Position

	Unaudited As at 31 March 2012 RM'000	**Audited As at 31 December 2010 RM'000**
ASSETS		
NON-CURRENT ASSETS		
Equipment	26,331	NA
Goodwill	45	NA
Total Non – Current Assets	26,376	NA
CURRENT ASSETS		
Inventories	772	NA
Trade receivables	8,261	NA
Other receivables, deposits and prepayments	3,519	NA
Short-term investment	7,620	NA
Cash and bank balances	1,591	NA
Total Current Assets	21,763	NA
TOTAL ASSETS	48,139	NA
EQUITY AND LIABILITIES		
Share capital	30,200	NA
Capital reserve	2,200	NA
Share premium	32,610	NA
Accumulated losses	(56,806)	NA
Total Equity	8,204	NA
NON CURRENT LIABILITY		
Hire Purchase Payables	624	NA
CURRENT LIABILITIES		
Trade payables	217	NA
Other payable and accruals	38,922	NA
Tax payable	-	NA
Hire Purchase Payables	172	NA
Total Liabilities	39,935	NA
TOTAL EQUITY AND LIABILITIES	48,139	NA
Net assets per share attributable to equity holders of the Company (sen) #	2.72	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 March 2012 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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED
31 MARCH 2012

Unaudited Condensed Consolidated Statements Of Changes In Equity

	← Non-distributable		→	← Distributable →	
15 months ended 31 March 2012	**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	(30,534)	(10,454)
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	-	-	-	(24,072)	(24,072)
Listing expenses	-	-	(1,650)	-	(1,650)
At 31 December 2011	30,200	2,200	32,610	(56,806)	8,204

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 fifth 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 MARCH 2012

Unaudited Condensed Consolidated Statements Of Cash Flow

	NOTE	Current year to date 31 March 2012	Preceding Year Corresponding Period 31 December 2010
		RM'000	RM'000
CASH FLOWS FOR OPERATING ACTIVITIES			
Loss before taxation		(24,072)	NA
Adjustments for:			
Depreciation of equipment		3,021	NA
Loss on asset written off		10	NA
Interest expense		344	NA
Interest income		(344)	NA
Sundry income		(7)	NA
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES		(21,048)	NA
Increase in inventories		(555)	NA
Increase in trade and other receivables		(7,951)	NA
Increase in trade and other payables		11,319	NA
Cash for operations		(18,235)	NA
Interest paid		(323)	NA
Tax paid		(3)	NA
Net cash for operating activities		(18,561)	NA
CASH FLOWS FOR INVESTING ACTIVITIES			
Advances to a subsidiary		^	NA
Interest received		344	NA
Investment in subsidiaries		(38)	NA
Purchase of equipment		(15,490)	NA
Net cash for investing activities		(15,185)	NA
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of hire purchase payables		(144)	
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		39,807	NA
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,061	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	9,211	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 fifth 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 MARCH 2012

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 fifth interim financial report on the consolidated results for the quarter ended 31 March 2012 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 FRS3 (Revised)

IC Interpretation 4 Determining Whether An Arrangement 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

IC Interpretation 18 Transfers of Assets from Customers

Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)

Annual Improvements to FRSs (2010)

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

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

(i) 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 has no financial impact on the financial statements of the Group but may impact the accounting of its future transactions or arrangements.

(ii) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, whilst 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 non-controlling interests to be absorbed by the non-controlling interests instead of by the parent.

The Group has applied FRS 127 (Revised) prospectively during the current financial year with no financial impact on the financial statements of the Group but may impact the accounting of its future transactions or arrangements.

(iii) Amendments to FRS 7 expand the disclosure requirements in respect of fair value measurements and liquidity risk. In particular, the amendments require additional disclosure of fair value measurements by level of a fair value measurement hierarchy. Comparatives are not presented by virtue of the exemption given in the amendments.

(iv) Annual Improvements to FRSs (2010) contain amendments to 11 accounting standards that result in accounting changes for presentation, recognition or measurement purposes.

Furthermore, the amendments to FRS 101 (Revised) also clarify that an entity may choose to present the analysis of the items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to present the items of other comprehensive income in the statement of changes in equity.

(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	1 January 2015
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 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013

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

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures	1 January 2015
Amendments to FRS 112: Recovery of Underlying Assets	1 January 2012
IC Interpretation 15 Agreements for the Construction of Real Estate	Withdrawn on 19 November 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
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
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 1: Government Loans	1 January 2013

The Group's next set of financial statements for the annual period beginning on 1 July 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB that will also comply with International Financial Reporting Standards ("IFRSs"). As a result, the Group will not be adopting the above accounting standards and interpretations (including the consequential amendments) that are effective for annual periods beginning on or after 1 January 2012.

The adoption of MFRSs in the next financial year is expected to have no material impact on the financial statements of the Group upon their initial application.

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. Debt and equity securities

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. Material events subsequent to the end of the reporting period

There were no material event subsequent to the end of the financial period ended 31 March 2012 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

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.

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.

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 liabilities and assets

There was approximately RM51.7 million charged by one of the main suppliers of the Group. Out of the RM51.7 million, approximately RM12.5 million was due to possible billing errors and billing reconciliations with the said supplier. The balance of the difference of RM39.2 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 and 2012 is RM61.5 million and RM109 million respectively. For the 15 months ended 31 March 2012, there is a shortfall in the minimum commitment amounting to RM39.2 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 RM12.5 million 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.

12. Contingent liabilities and assets (Cont'd)

However, had this amount been provided in the quarterly results ended 31 March 2012, the loss for the 15 months financial period ended 31 March 2012 would be RM75.78 million and the shareholders' deficit would amount to RM43.50 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 Company's ability to continue as a going concern.

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.

13. Equipment

The Group acquired an additional equipment amounting to approximately RM3 million and RM15 million in the current quarter under review and cumulative up to the 5th quarter ended 31 March 2012 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	4,738

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	
	2011/12 RM'000	2010 RM'000
Short-term employee benefits	1,842	NA

16. Cash and cash equivalents

	Current year To-date 31 March 2012 RM'000
Short-term investment	7,620
Cash and bank balances	1,591
	9,211

17. Other investments

Save for the short-term investment in the bank disclosed in Section A.16, there were no other investments during the current quarter under review and financial year-to-date.

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**") acquired approximately 105,000 new subscribers increasing its cumulative registered subscribers by approximately 9% to 1,274,000 as at 31 March 2012 from 1,169,000 as at 31 December 2011. In spite of the increased subscribers, XOX recorded total revenue for the period under review of RM8.840 million, a reduction from RM14.9 million in the quarter ended 31 December 2011. The reduction in sales revenue was mainly due to the following factors:

a) Intensified competition in the telecommunications industry

During the period, XOX's competitors launched new packages or promotions whereby the rates offered were very low. The new launches by XOX's competitors were naturally with intensified advertising and promotion campaigns and activities. This had the effect of drawing the attention of the market away from XOX during the period.

b) Subscribers' usage behavior

The mobile telecommunications industry as a whole continue to face 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. This is shown in the following table in section B.2 below, where the cumulative Average Revenue Per User ("**ARPU**") decreased from RM16.06 to RM14.18.

The loss after taxation was mainly due to continued spending on selling and distribution expenses which are necessary to create brand awareness, enable fast market penetration of XOX's products and services to gain a substantial market share of subscribers and to counter the increased competition.

2. Material changes in loss before taxation compared to the preceding quarter

	Current Quarter 31 March 2012	**Preceding Quarter 31 December 2011**
	RM'000	**RM'000**
Revenue	8,841	14,903
Loss Before Tax	(3,792)	(9,154)
Loss After Tax	(3,792)	(9,154)
Cumulative registered subscribers ('000)	1,274	1,169
ARPU (RM) – cumulative[(a)]	14.18	16.06

[(a)] – Current quarter cumulative ARPU refers to ARPU from January 2011 to March 2012.

Revenue for the current quarter under review decreased by approximately 41% as compared to the preceding quarter as explained in Section B1 above. This was offset slightly by the increase in cumulative registered subscribers by approximately 105,000. The increase in registered subscribers coupled with the lower revenue in turn resulted in a lower cumulative ARPU computation of RM14.18 for the quarter ended 31 March 2012. As mentioned in Section B.1b, the lower ARPU 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 continue to experience 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.

2. Material changes in loss before taxation compared to the preceding quarter (Cont'd)

Despite the lower sales revenue, XOX recorded a lower loss before tax for the quarter under review compared to the preceding quarter. This was mainly due to lower selling and distribution expenses compared to the previous quarter as the previous quarter's selling and distribution included higher spending from promotional campaigns carried forward from earlier periods. Furthermore, the structure of incentives and commissions to XOX's distributors and dealers were revised to optimize the performance to focus more on customer retention and quality subscribers than the direct acquisition of new subscribers.

3. Prospects and business outlook

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.

> "The main trend that is being seen so far is that revenue from voice continues to decline. Although this is expected, the rate at which the decline is occurring is faster than expected.
>
> The need for data has also sped up collaboration between players with several partnerships taking place this year such as the network collaboration agreement between Celcom and DiGi. More recently, Maxis entered into an active 3G radio access network sharing agreement with U Mobile."
>
> *{Source: The Edge Financial Daily: Telcos Facing Faster Decline From Voice, 29 November 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 following:

- Focus and promotion on the more attractive data plans launched in the fourth quarter of 2011;
- Introduction of a new product offering SIM-Free mobile numbers with mobile service through a mobile application brand named Voopee in February 2012; and
- Introduction of the Social Network Portal in March 2012 where customers can buy Starter Packs online and perform Mobile Number Portability ("**MNP**") online.

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. The official media launch of Voopee was done on 8 May 2012.

The introduction of Social Network Portal will increase the accessibility to the Group's products. In addition to that, by selling XOX products through the Social Network Portal, the Group's selling and distribution costs are reduced as there are no commission and incentive paid to distributors and dealers.

3. Prospects and business outlook (Cont'd)

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 channel via the Social Network Portal 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

c) Introduction of new products and services such as Mobile Wallet services, additional convergence subscription plans and convergence value added services.

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. 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 XOX from the relevant financial institutions. The said telecommunication airtime will be utilized as a traded commodity for Shariah compliant personal financing purposes through a trading system called AS-SIDQ Trading System. The Shariah Advisory Council has approved the IDDOTV's Trading System and the user acceptance test will be performed by the financial institution to ensure the system is fully integrated with IDOTTV. The arrangement is expected to contribute positively to the consolidated earnings of XOX from the second quarter of 2012 onwards.

4. Profit forecast

The Board of Directors wishes to inform that the XOX Group did not have any profit forecast for the cumulative quarter ended 31 March 2012. In the preceding quarter announcement, there was a detailed analysis done on the profit forecast for the 12 months financial period ended 31 December 2011 (which was set out in its Prospectus dated 24 May 2011) as compared with the unaudited results.

5. Loss before tax

	Current Quarter 31 March 2012	Cumulative Quarter 31 March 2012
	RM'000	RM'000
Interest income	92	343
Provision for and write off of receivables	-	-
Depreciation on plant and equipment	850	3,021
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Realised foreign exchange gain	-	(21)
Impairment of assets	-	-
(Gain)/loss on derivatives	-	-
Exceptional items	-	-

6. Income Tax Expense

	Current Quarter 31 March 2012	Cumulative Quarter 31 March 2012
	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.

7. 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.

8. **Corporate proposals**
There are no corporate developments for the current quarter under review.

9. 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.

9. 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	8,853	79%	2,347	Within 12 months after Announcement dated 13 Oct 2011
(iii)	Working capital	23,200	18,273	13,390	73%	4,883	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**	**30,170**		**7,230**	

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.

10. Group Borrowings

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

	Year to Date Ended 31 March 2012
	RM'000
Hire purchase	
Short-term	172
Long-term	624

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

As at 31 March 2012, the Group does not have any foreign currency denominated borrowings.

11. 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. Foreign exchange gain

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

13. Net loss per share

	Quarter Ended 31 March 2012	Preceding Year Corresponding Quarter 31 December 2010	Year to Date Ended 31 March 2012	Year to Date Ended 31 December 2010
	RM'000	RM'000	RM'000	RM'000
Net Loss attributable to equity holders of the company	(3,790)	NA	(24,070)	NA
Weighted average number of ordinary shares in issue ('000)	302,000	NA	233,839	NA
Net Loss Per Share - Basic (sen)	(1.25)	NA	(10.29)	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 May 2012.