

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 2013

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Unaudited Condensed Consolidated Statement of Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter	Preceding Year Corresponding Quarter	Year to Date	Preceding Year Corresponding Period
	<u>31 March 2013</u>	<u>31 March 2012</u>	<u>31 March 2013</u>	<u>31 March 2012</u>
Note	RM'000	RM'000	RM'000	RM'000
Revenue	9,775	6,700	28,352	23,857
Cost of sales	(5,437)	(5,753)	(17,592)	(25,585)
Gross Profit	4,338	947	10,760	(1,728)
Other income	152	106	359	308
Selling and distribution expenses	(1,150)	(957)	(2,995)	(6,797)
Administrative expenses	(3,368)	(2,972)	(9,559)	(8,638)
Other expenses	(793)	(904)	(2,400)	(2,592)
Finance costs	(44)	(12)	(136)	(36)
Loss Before Tax	(865)	(3,792)	(3,971)	(19,483)
Income tax expense	-	-	-	-
Loss After Taxation / Total comprehensive expenses	(865)	(3,792)	(3,971)	(19,483)
Loss After Taxation / Total comprehensive expenses				
Attributable to:-				
- Equity holders of the Company	(865)	(3,792)	(3,971)	(19,483)
- Non-controlling interest	-	-	-	-
	(865)	(3,792)	(3,971)	(19,483)
Net Loss Per Share attribute to equity holders of the Company				
- Basic (sen)	(0.29)	(1.26)	(1.31)	(6.45)
- Diluted (sen)	(0.29)	(1.26)	(1.31)	(6.45)

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial period ended 30 June 2012 and the accompanying explanatory notes attached to this interim financial statements.

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Unaudited Condensed Consolidated Statement of Financial Position

	Unaudited As at 31 March 2013 RM'000	Audited As at 30 Jun 2012 RM'000
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Equipment	32,366	32,990
<i>Total Non – Current Assets</i>	32,366	32,990
<u>CURRENT ASSETS</u>		
Inventories	868	794
Trade receivables	8,247	7,080
Other receivables, deposits and prepayments	3,877	3,783
Deposits with a licensed bank	-	8,000
Short-term investment	19	9
Cash and bank balances	122	1,022
<i>Total Current Assets</i>	13,133	20,688
TOTAL ASSETS	45,499	53,678
<u>EQUITY AND LIABILITIES</u>		
Share capital	30,200	30,200
Capital reserve	2,200	2,200
Share premium	32,610	32,610
Accumulated losses	(57,376)	(53,405)
<i>Total Equity</i>	7,634	11,605
<u>NON CURRENT LIABILITY</u>		
Hire Purchase Payables	448	580
<u>CURRENT LIABILITIES</u>		
Trade payables	21,756	29,658
Other payable and accruals	15,486	11,660
Hire purchase payables	175	175
<i>Total Liabilities</i>	37,417	41,493
TOTAL EQUITY AND LIABILITIES	45,499	53,678
Net assets per share attributable to equity holders of the Company (sen) #	2.53	3.84

Notes: -

- # The net assets per share attributable to equity holders of the Company is computed based on the net assets divided by 302,000,000 ordinary shares of RM0.10 each of the Company.
- (a) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 30 June 2012 and the accompanying explanatory notes attached to this interim financial statements.

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Unaudited Condensed Consolidated Statement of Changes in Equity

	← Non-distributable →			Distributable	
	Share capital RM'000	Capital Reserve RM'000	Share premium RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 July 2012	30,200	2,200	32,610	(53,405)	11,605
Total comprehensive expenses for the period	-	-	-	(3,971)	(3,971)
At 31 March 2013	<u>30,200</u>	<u>2,200</u>	<u>32,610</u>	<u>(57,376)</u>	<u>7,634</u>
At 1 July 2011 #	30,200	2,200	32,506	(37,323)	27,583
Reclassification of listing expenses	-	-	104	-	104
Total comprehensive expenses for the period	-	-	-	(19,483)	(19,483)
At 31 March 2012	<u>30,200</u>	<u>2,200</u>	<u>32,610</u>	<u>(56,806)</u>	<u>8,204</u>

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 its subsidiary has been consolidated using the merger method of accounting, the balance brought forward represents the brought forward balances of the subsidiary.

(a) The Unaudited Condensed Consolidated Statement of Changes to Equity should be read in conjunction with the audited financial statements for the financial period ended 30 June 2012 and the accompanying explanatory notes attached to this interim financial statements.

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Unaudited Condensed Consolidated Statement of Cash Flow

	9 months ended 31 March 2013	Preceding Year Corresponding 9 months ended 31 March 2012
NOTE	RM'000	RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation	(3,971)	(19,483)
Adjustments for:		
Depreciation of equipment	2,288	2,533
Reclassification of listing expenses	-	104
Interest expense	25	32
Interest income	(50)	(271)
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(1,708)	(17,085)
Increase in inventories	(74)	(417)
(Increase)/Decrease in trade and other receivables	(1,256)	7,790
Increase/(Decrease) in trade and other payables	(4,076)	(2,891)
Cash for operations	(7,114)	(12,603)
Interest paid	(25)	(32)
Tax paid	(5)	(3)
Net cash for operating activities	(7,144)	(12,638)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	50	271
Purchase of equipment	(1,664)	(7,107)
Net cash for investing activities	(1,614)	(6,836)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(132)	(123)
Net cash from financing activities	(132)	(123)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,890)	(19,597)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	9,031	28,809
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	141	9,212
A15		

Notes: -

The Unaudited Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements for the financial period ended 30 June 2012 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 2013

A. Explanatory Notes Pursuant To FRS 134

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian 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").

The interim financial report should be read in conjunction with the latest audited financial statements of XOX Bhd ("XOX" or the "Company") and its subsidiaries ("Group") for the financial period ended 30 June 2012.

The accounting policies adopted by the Group in this interim financial statements are consistent with those of the audited financial statements for the financial period ended 30 June 2012.

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

The auditors' report of the Group's annual audited financial statements for the financial period ended 30 June 2012 was qualified on the following matters:

- (a) Recoverability of certain trade receivables as at 30 June 2012 of RM4.9 million. The external auditors are of the opinion that these receivables may not be recoverable and hence impairment losses should be provided for. The directors are of the opinion that these amounts outstanding are recoverable and accordingly no impairment losses should be provided for.
- (b) Impairment of capital work-in-progress of approximately RM3.5 million. The external auditors are unable to obtain sufficient and appropriate audit evidence that the capital work-in-progress is not impaired and that the Group has sufficient financial resources to complete the development of the capital work-in-progress for their intended use.
- (c) Accrual of cost of unrealised sales. The external auditors were unable to obtain sufficient appropriate audit evidence to substantiate the non-accrual of cost for unrealised sales amounting to approximately RM2.3 million.

The directors have commissioned a special review by the external auditors to evaluate the above matters and recommend adjustments (if necessary) for the financial period ended 31 December 2012. Based on the external auditors' report and review of materials events relating to the matters above since 31 December 2012 to the date of this announcement, the directors are pleased to report that no adjustments are necessary to the accounts for the financial period ended 31 March 2013.

3. Seasonality or cyclicity 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.

4. 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.

5. Changes in estimates

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

6. Debt and equity securities

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 quarter and financial year to date.

7. Dividends

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

8. Segment information

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

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9. Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of the reporting period up to the date of this report that have not been reflected in the interim financial statements.

10. Changes in the composition of the Group

On 27 March 2013, XOX Bhd acquired two ordinary shares of RM1.00 each fully paid-up in the capital of XOX Lifestyle Sdn Bhd for a total consideration of RM2.00. Following the acquisition, XOX Lifestyle became a wholly owned subsidiary of XOX Bhd.

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

11. Contingent liabilities and assets

On 30 July 2012, a subsidiary, XOX Com Sdn. Bhd. was served a Writ of Summons and Statement of Claim by one of its suppliers. The total outstanding sum of approximately RM422,000 together with interest at the rate of 1.5% per month on the amount claimed from the date of accrual until the date of full settlement.

The Group is not expected to incur any material loss arising from the Writ of Summons and the Statement of Claim as the Group has provided for the amount comprising invoices from December 2011 to May 2012 which represent approximately 91% of the total outstanding sum claimed by the said supplier.

XOX Com Sdn. Bhd. has filed a defence and counterclaim on 3 September 2012 against the said supplier. The total counterclaim filed amounted to approximately RM323,000.

The Court has fixed the case management to be held on 25 June 2013.

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 additional equipment amounting to approximately RM300,000 and RM1,664,000 in the current and cumulative quarter under review 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	1,048

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 quarter:

	Current quarter 31 Mar 2013 RM'000	Preceding year corresponding quarter 31 Mar 2012 RM'000
(i) Key management personnel compensation: Short-term employee benefits	445	452
(ii) Related party – rental received	-	8

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15. Cash and cash equivalents

	As At 31 Mar 2013 RM'000	As At 30 June 2012 RM'000
Deposits with a licensed bank	-	8,000
Short-term investment	19	9
Cash and bank balances	122	1,022
	<u>141</u>	<u>9,031</u>

The deposits with a licensed bank were pledged as security for guarantees provided by the bank to a trade creditor.

16. Other investments

Save for the short-term investment placed with a bank disclosed in Section A.15, there were no other investments during the current quarter under review and financial year-to-date.

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

1. Performance of the current quarter and financial year-to-date against preceding year corresponding quarter and year-to-date

XOX recorded revenue of approximately RM9.8 million and RM28.4 million for the current quarter under review and the cumulative period year to date respectively, or an increase of RM3.1 million and RM4.5 million from the previous year's corresponding quarter and cumulative period year to date respectively. XOX continues to improve its revenue by refocusing on its subscriber retention and quality subscriber acquisition during the current quarter under review and cumulative period year to date instead of the outright mass acquisition of subscribers which was adopted as the strategy during the previous year corresponding periods, resulting in higher net selling prices compared to the previous corresponding quarter and cumulative period year to date.

XOX recorded a loss before taxation of approximately RM0.9 million and RM4.0 million for the current quarter under review and cumulative period year to date respectively, compared to the loss before taxation of RM3.8 million and RM19.5 million in the previous year's corresponding quarter and year to date respectively. The significant reduction in the loss before taxation for the quarter under review compared to the previous corresponding quarter was due mainly to the improved gross profit. The gross profit was improved mainly from the reduced rates granted by XOX's trade creditor and higher net selling prices from reduced commissions and discounts.

The gross profit improvement also contributed to the reduction in losses for the cumulative period year to date compared to the previous year's cumulative period year to date. In addition, the Group also reduced selling and distribution expenses due to reduced promotion expenses incurred as the focus was on subscriber retention and quality subscriber acquisition instead of outright mass acquisition of subscribers.

2. Performance of the current quarter against the preceding quarter

	Current Quarter 31 March 2013	Preceding Quarter 31 December 2012
	RM'000	RM'000
Revenue	9,775	9,389
Loss Before Interest Taxes Depreciation and Amortisation	(86)	(792)
Loss Before and After Tax	(865)	(1,572)
Cumulative ARPU (RM) to end of period	24.1	24.2

Revenue for the current quarter under review was slightly improved over the preceding quarter.

The current quarter's improvement in the loss before and after tax compared to the preceding quarter is due mainly to higher gross profit from the reduced rates granted by XOX's trade creditor and higher net selling prices from reduced commissions and discounts.

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 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, Line or MiTalk for IP calls, SMS and MMS services.

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 cognisant 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 behaviour 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 continues to realign and re-focus some of its business

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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. These include the following:

- Focus, promotion and enhancements on data plans;
- Promotion, enhancements and continuous updates to fix issues of its SIM-Free mobile numbers with mobile service, mobile apps brand named Voopee;
- Enhancements to and promotions of the Group's Social Network Portal where customers can buy XOX's products online and perform Mobile Number Portability ("MNP") online;
- Develop or enhance marketing strategies;
- Sales to groups of users within a community or organisation; and
- Introduction of new products and services such as special 3G data packs and feature enhancements.

The Board expects that the performance of the Group to be satisfactory with the strategies and plans initiated.

4. Profit forecast

The Board of Directors wishes to inform that the XOX Group did not have any profit forecast for the quarter ended 31 March 2013.

5. Loss before tax

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31 March 2013	31 March 2012	31 Mar 2013	31 Mar 2012
	RM'000	RM'000	RM'000	RM'000
Interest income	-	93	50	271
Interest expense	8	10	25	32
Provision for and write off of receivables	-	-	-	-
Depreciation on plant and equipment	771	850	2,288	2,533
Provision for and write off of inventories	-	-	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-	-	-
Realised foreign exchange loss/(gain)	-	-	-	-
Impairment of assets	-	-	-	-
(Gain)/loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-

6. Income Tax Expense

No provision for income tax expense was 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 proposals for the current quarter under review.

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9. Utilisation of proceeds

The status of the gross proceeds from the Public Issue is as follows:

Purpose	Revised proceeds as per announcement dated 31 October 2012	Actual utilisation amount		Balance amount	Intended timeframe for utilisation
	RM'000	RM'000	%	RM'000	
(i) Capital expenditure	31	31	100	-	Completed
(ii) Working capital	3,192	3,192	100	-	Completed
	3,223	3,223	100	-	

The Group has completed the utilisation of proceeds from the Public Issue during the quarter.

10. Group Borrowings

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

	As at 31 Mar 2013	As at 30 June 2012
	RM'000	RM'000
Hire purchase		
Short-term	175	175
Long-term	448	580

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

The Group does not have any foreign currency denominated borrowings.

11. Material litigation

The material litigation faced by the Group is disclosed in section A.11. Further announcement on the development of the matter will be made to Bursa Malaysia Securities Berhad in due course.

Save for the above, there were no other litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any other 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 Losses Disclosure

	As at 31 March 2013	As at 30 June 2012
	RM'000	RM'000
Total accumulated losses:		
- Realised	(57,376)	(53,405)
- Unrealised	-	-
	(57,376)	(53,405)

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13. Net loss per share

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	<u>31 Mar 2013</u>	<u>31 Mar 2012</u>	<u>31 Mar 2013</u>	<u>31 Mar 2012</u>
	RM'000	RM'000	RM'000	RM'000
Net Loss attributable to equity holders of the company	(865)	(3,792)	(3,971)	(19,483)
Weighted average number of ordinary shares in issue ('000)	302,000	302,000	302,000	302,000
Net Loss Per Share - Basic (sen)	(0.29)	(1.26)	(1.31)	(6.45)

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 30 May 2013.