

XOX BHD

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 JUNE 2013

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Unaudited Condensed Consolidated Statement of Comprehensive Income

	← INDIVIDUAL QUARTER →		← CUMULATIVE QUARTER →	
	Current Quarter 30 June 2013	Preceding Year Corresponding Quarter 30 June 2012	Year to Date 30 June 2013	Preceding Year Corresponding Period 30 June 2012
Note	RM'000	RM'000	RM'000	RM'000
Revenue	11,922	9,188	40,274	33,045
Cost of sales	(7,536)	(6,677)	(25,126)	(32,262)
Gross Profit	4,386	2,511	15,148	783
Other income	339	65	698	373
Selling and distribution expenses	(1,304)	(1,029)	(4,301)	(7,826)
Administrative expenses	(2,221)	(2,644)	(11,781)	(11,282)
Other expenses	(752)	704	(3,151)	(1,888)
Finance costs	(47)	(10)	(183)	(46)
Profit/(loss) Before Tax	401	(403)	(3,570)	(19,886)
Income tax expense	(19)	-	(19)	-
Profit/(loss) After Taxation / Total comprehensive income/(expenses)	382	(403)	(3,589)	(19,886)
Profit/(loss) After Taxation / Total comprehensive income/(expenses) Attributable to:-				
- Equity holders of the Company	461	(403)	(3,510)	(19,886)
- Non-controlling interest	(79)	-	(79)	-
	382	(403)	(3,589)	(19,886)
Net Profit/(loss) Per Share attribute to equity holders of the Company				
- Basic (sen)	0.15	(0.13)	(1.16)	(6.58)
- Diluted (sen)	0.15	(0.13)	(1.16)	(6.58)

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 30 June 2013 RM'000	Audited As at 30 Jun 2012 RM'000
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Equipment	33,254	32,990
<i>Total Non – Current Assets</i>	33,254	32,990
<u>CURRENT ASSETS</u>		
Inventories	784	794
Trade receivables	12,448	7,080
Other receivables, deposits and prepayments	3,199	3,783
Deposits with a licensed bank	-	8,000
Short-term investment	20	9
Cash and bank balances	164	1,022
<i>Total Current Assets</i>	16,615	20,688
TOTAL ASSETS	49,869	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	(56,915)	(53,405)
	8,095	11,605
Non-controlling interests	19	-
<i>Total Equity</i>	8,114	11,605
<u>NON CURRENT LIABILITY</u>		
Hire Purchase Payables	400	580
<u>CURRENT LIABILITIES</u>		
Trade payables	27,507	29,658
Other payable and accruals	13,658	11,660
Tax payable	11	-
Hire purchase payable	179	175
<i>Total Liabilities</i>	41,355	42,073
TOTAL EQUITY AND LIABILITIES	49,869	53,678
Net assets per share attributable to equity holders of the Company (sen) #	2.68	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 →		Total equity RM'000
	Share capital RM'000	Capital Reserve RM'000	Share premium RM'000	Accumulated losses RM'000	Non-controlling interests RM'000	
At 1 July 2012	30,200	2,200	32,610	(53,405)	-	11,605
Subscription of shares in subsidiary by non-controlling interest	-	-	-	-	98	98
Total comprehensive expenses for the period	-	-	-	(3,510)	(79)	(3,589)
At 30 June 2013	<u>30,200</u>	<u>2,200</u>	<u>32,610</u>	<u>(56,915)</u>	<u>19</u>	<u>8,114</u>
At 1 July 2011 #	30,200	2,200	32,506	(33,519)	-	31,387
Reclassification of listing expenses	-	-	104	-	-	104
Total comprehensive expenses for the period	-	-	-	(19,886)	-	(19,886)
At 30 June 2012	<u>30,200</u>	<u>2,200</u>	<u>32,610</u>	<u>(53,405)</u>	<u>-</u>	<u>11,605</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

	12 months ended 30 June 2013	Preceding Year ended 30 June 2012
NOTE	RM'000	RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation	(3,570)	(19,886)
Adjustments for:		
Depreciation of equipment	3,174	1,825
Interest expense	33	42
Interest income	(49)	(323)
Loss on disposal/assets written off	3	-
Goodwill written off	-	45
Reclassification of listing expenses	-	104
Unrealised gain on foreign exchange	(198)	-
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(607)	(18,193)
Decrease/(Increase) in inventories	10	(439)
(Increase)/Decrease in trade and other receivables	(4,784)	8,712
Increase/(Decrease) in trade and other payables	45	3,090
Cash for operations	(5,336)	(6,830)
Interest paid	(33)	(42)
Tax paid	(8)	(6)
Net cash for operating activities	(5,377)	(6,878)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	49	323
Investment in subsidiary by non-controlling interest	98	-
Proceeds from sale of equipment	1	-
Purchase of equipment	(3,442)	(13,058)
Net cash for investing activities	(3,294)	(12,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(176)	(165)
Listing expenses	-	-
Proceeds of issuance of shares	-	-
Net cash from financing activities	(176)	(165)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,847)	(19,778)
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	184	9,031

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 30 JUNE 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 these 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 30 June 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 30 April 2013, XOX Bhd subscribed for 101,998 new ordinary shares of RM1.00 each of XOX Lifestyle Sdn Bhd by way of capitalisation of an amount owing by XOX Lifestyle Sdn Bhd. On 30 April 2013, a non-related party subscribed for 98,000 new ordinary shares of RM1.00 each of XOX Lifestyle Sdn Bhd as consideration for the transfer and installation of customised software to XOX Lifestyle Sdn Bhd. Commencing 30 April 2013, XOX Bhd owns 51% equity interest in XOX Lifestyle Sdn 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 19 May 2014.

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 RM1,775,000 and RM3,442,000 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	197

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 30 June 2013 RM'000	Preceding year corresponding quarter 30 June 2012 RM'000
(i) Key management personnel compensation:		
Short-term employee benefits	374	432
(ii) Related party – rental received	-	8

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15. Cash and cash equivalents

	As At 30 June 2013 RM'000	As At 30 June 2012 RM'000
Deposits with a licensed bank	-	8,000
Short-term investment	20	9
Cash and bank balances	164	1,022
	<u>184</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 RM11.9 million and RM40.3 million for the current quarter under review and the cumulative period year to date respectively, or an increase of RM2.7 million and RM7.2 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 profit before taxation of approximately RM0.4 million for the current quarter under review compared to the loss before taxation of RM0.4 million. The improvement 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. This was offset by higher depreciation expenses (classified as other expenses) in the current quarter under review, as the previous year's corresponding quarter included a one-off write-back adjustment of depreciation expenses due to reassessment of the useful life of the Group's telecommunication equipment.

XOX recorded an improvement in the loss before taxation in the cumulative period year to date compared to the preceding year's corresponding period of RM16.3 million. The improvement was due mainly to the improved gross profit as explain in the preceding paragraphs above. 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. This was slightly offset by the higher depreciation expenses due to the write-back adjustment as mentioned above.

2. Performance of the current quarter against the preceding quarter

	Current Quarter 30 June 2013	Preceding Quarter 31 March 2013
	RM'000	RM'000
Revenue	11,922	9,775
Earnings/(Loss) Before Interest Taxes Depreciation and Amortisation	1,295	(86)
Profit/(Loss) Before Tax	401	(865)
Cumulative ARPU (RM) to end of period	23.8	24.1

Revenue and profit for the current quarter under review improved over the preceding quarter as the Group's strategies and plans are starting to gather momentum.

3. Prospects and business outlook

Our Group is currently facing a challenging operating environment due to intense 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:

- Promotion and enhancements on voice and 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 and enhance marketing strategies;
- Special marketing programmes; and
- Continued marketing promotion on products and services launched in previous periods 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 issue any profit forecast.

5. Profit/(loss) before tax

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	RM'000	RM'000	RM'000	RM'000
Interest income	-	53	49	323
Interest expense	7	10	33	42
Provision for and write off of receivables	-	-	-	-
Depreciation on plant and equipment	887	(707)	3,174	1,825
Provision for and write off of inventories	13	-	13	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-	-	-
Foreign exchange loss/(gain)	(166)	86	(166)	86
Impairment of assets	-	-	-	-
(Gain)/loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-

6. Income Tax Expense

The reconciliation of income tax expenses applicable to the loss before taxation at the statutory tax rate to income tax expenses at the effective tax rate for the current quarter under review and the financial year to date is as follows:

	Current quarter 30 June 2013	Year to date 30 June 2013
Profit/(loss) before tax	401	(3,570)
Tax at statutory rate of 25%	100	(892)
Income not subject to tax	(50)	(50)
Expenses not deductible for tax purposes	241	821
Utilisation of previously unrecognised tax losses and capital allowances	(463)	(308)
Deferred tax assets not recognised	191	448
Income tax expense	19	19

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.

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8. Corporate proposals

There are no corporate proposals for the current quarter under review.

9. 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 30 June 2013	As at 30 June 2012
	RM'000	RM'000
Hire purchase		
Short-term	179	175
Long-term	400	580

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

The Group does not have any foreign currency denominated borrowings.

10. 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.

11. Realised and Unrealised Losses Disclosure

	As at 30 June 2013	As at 30 June 2012
	RM'000	RM'000
Total accumulated losses:		
- Realised	56,915	53,405
- Unrealised	-	-
	56,915	53,405

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12. Net profit/(loss) per share

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	<u>30 June 2013</u>	<u>30 June 2012</u>	<u>30 June 2013</u>	<u>30 June 2012</u>
	RM'000	RM'000	RM'000	RM'000
Net Profit/(loss) attributable to equity holders of the company	461	(403)	(3,510)	(19,886)
Weighted average number of ordinary shares in issue ('000)	302,000	302,000	302,000	302,000
Net Profit/(loss) Per Share - Basic (sen)	0.15	(0.13)	(1.16)	(6.58)

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.