

# **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 SEPTEMBER 2013

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2013

### Unaudited Condensed Consolidated Statement of Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter <u>30 September</u> <u>2013</u>	Preceding Year Corresponding Quarter <u>30 September</u> <u>2012</u>	Year to Date <u>30 September</u> <u>2013</u>	Preceding Year Corresponding Period <u>30 September</u> <u>2012</u>
Note	RM'000	RM'000	RM'000	RM'000
Revenue	14,593	9,188	14,593	9,188
Cost of sales	(10,174)	(6,260)	(10,174)	(6,260)
Gross Profit	4,419	2,928	4,419	2,928
Other income	60	122	60	122
Selling and distribution expenses	(875)	(879)	(875)	(879)
Administrative expenses	(2,616)	(2,833)	(2,616)	(2,833)
Other expenses	(1,075)	(826)	(1,075)	(826)
Finance costs	(14)	(46)	(14)	(46)
Loss Before Tax	(101)	(1,534)	(101)	(1,534)
Income tax expense	(3)	-	(3)	-
Loss After Taxation / Total comprehensive expenses	(104)	(1,534)	(104)	(1,534)
Loss After Taxation / Total comprehensive expenses Attributable to:-				
- Equity holders of the Company	(21)	(1,534)	(21)	(1,534)
- Non-controlling interest	(83)	-	(83)	-
	(104)	(1,534)	(104)	(3,792)
Net Loss Per Share attribute to equity holders of the Company				
- Basic (sen)	B13 (0.01)	(0.51)	(0.01)	(0.51)
- Diluted (sen)	B13 (0.01)	(0.51)	(0.01)	(0.51)

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013 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 SEPTEMBER 2013

### Unaudited Condensed Consolidated Statement of Financial Position

	<b>Unaudited As at 30 September 2013 RM'000</b>	<b>Audited As at 30 June 2013 RM'000</b>
<b><u>ASSETS</u></b>		
<b><u>NON-CURRENT ASSETS</u></b>		
Equipment	32,828	33,254
<i>Total Non – Current Assets</i>	32,828	33,254
<b><u>CURRENT ASSETS</u></b>		
Inventories	770	784
Trade receivables	16,509	10,511
Other receivables, deposits and prepayments	3,285	3,242
Short-term investment	20	20
Cash and bank balances	454	245
<i>Total Current Assets</i>	21,038	14,802
<b>TOTAL ASSETS</b>	<b>53,866</b>	<b>48,056</b>
<b><u>EQUITY AND LIABILITIES</u></b>		
Share capital	30,200	30,200
Capital reserve	2,200	2,200
Share premium	32,610	32,610
Accumulated losses	(48,833)	(48,812)
<i>Total Equity</i>	16,177	16,198
Non-controlling interest	(64)	19
	16,113	16,217
<b><u>NON CURRENT LIABILITY</u></b>		
Hire Purchase Payables	395	395
Deferred tax liabilities	4	4
	399	399
<b><u>CURRENT LIABILITIES</u></b>		
Trade payables	16,914	16,795
Other payable and accruals	20,297	14,450
Hire purchase payables	139	184
Tax payable	4	11
<i>Total Liabilities</i>	37,354	31,440
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>53,866</b>	<b>48,056</b>
Net assets per share attributable to equity holders of the Company (sen) #	5.36	5.36

**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 year ended 30 June 2013 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 SEPTEMBER 2013

### 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 interest RM'000	
At 1 July 2013	30,200	2,200	32,610	(48,812)	19	16,217
Total comprehensive expenses for the period	-	-	-	(21)	(83)	(104)
At 30 September 2013	<u>30,200</u>	<u>2,200</u>	<u>32,610</u>	<u>(48,833)</u>	<u>(64)</u>	<u>16,113</u>
At 1 July 2012	30,200	2,200	32,610	(53,405)	-	11,605
Total comprehensive expenses for the period	-	-	-	(1,534)	-	(1,534)
At 30 September 2012	<u>30,200</u>	<u>2,200</u>	<u>32,610</u>	<u>(54,939)</u>	<u>-</u>	<u>10,071</u>

Notes:-

The Unaudited Condensed Consolidated Statement of Changes to Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013 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 SEPTEMBER 2013

### Unaudited Condensed Consolidated Statement of Cash Flow

	Cumulative Quarter Ended 30 September 2013	Preceding Year Corresponding Quarter Ended 30 September 2012
NOTE	RM'000	RM'000
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>		
Loss before taxation	(101)	(1,534)
Adjustments for:		
Depreciation of equipment	1,072	754
Interest expense	6	9
Interest income	(1)	(59)
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>	976	(830)
Decrease/(Increase) in inventories	14	53
(Increase)/Decrease in trade and other receivables	(6,046)	14
Increase/(Decrease) in trade and other payables	5,966	396
<b>Cash for operations</b>	910	(367)
Interest paid	(6)	(9)
Tax paid	(5)	(1)
<b>Net cash for operating activities</b>	899	(377)
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Interest received	1	58
Purchase of equipment	(646)	(342)
<b>Net cash for investing activities</b>	(645)	(284)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of hire purchase payables	(45)	(44)
<b>Net cash from financing activities</b>	(45)	(44)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	209	(705)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	265	9,031
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	474	8,326

Notes: -

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

The accounting policies adopted by the Group in this interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2013.

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

There was no audit qualification reported in the audited financial statements of the Group for the financial year 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 Group operates principally in Malaysia and in one major business segment.

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

On 7 November 2013, the Group agreed on a Proposed Composite Scheme (“PCS”) with a trade creditor of the Group and the salient terms of the PCS are as follows:-

- (a) The trade creditor agreed to convert the net balance outstanding at the financial year end of approximately RM16.6 million to Redeemable Convertible Unsecured Loan Stocks (“RCULS”). The salient terms of the RCULS, not limited to, shall be as follow:
  - (i) the RCULS is transferable and convertible at the creditor’s discretion;
  - (ii) the RCULS can be converted into equity in part or in it’s entirely;
  - (iii) should the creditor decide to convert the RCULS into equity, the creditor and/or its nominee shall be entitled to nominate director(s), chief executive officer and other top management personnel of the creditor’s choice at the creditor’s discretion;
  - (iv) the RCULS shall be issued at a price of RM0.10 per RCULS of the nominal amount or the current market value whichever is lower; and
  - (v) other terms and conditions to be mutually agreed by the Group and the creditor.
- (b) The Group undertakes:
  - (i) the PCS will proceed as briefed and will be completed on or before 31 March 2014;
  - (ii) upon completion of the PCS:

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- (a) the RCULS to the value of the balance sum or any balance thereof will be issued in the creditor's favour; and
- (b) to effect change of the Group's top management personnel immediately;
- (iii) that it will pay a minimum of RM2 million or 90% of the invoices amount issued by the creditor after 30 June 2013 in accordance with the terms and conditions provided in the Mobile Virtual Network Operator Services Agreement between the creditor and the Group; and
- (iv) to remit to the creditor 50% of the total amount raised through a private placement immediately subsequent to the date of this PCS.

Both the Group and the creditor further hereby further agree that this settlement arrangement is subject to the following:

- (a) the Group completing the PCS on or before 31 March 2014;
- (b) the Group issuing RCULS in the creditor's favour within 14 days from the completion of the PCS; and
- (c) certain major shareholders adhering to the guarantee and indemnity agreement.

The above arrangement has although been agreed in principal is subject to further changes and approval from the relevant parties.

### 10. Changes in the composition of the Group

On 27 September 2013, XOX Bhd acquired 1 ordinary shares of RM1.00 each of the share capital of XOX Retail Sdn. Bhd. ("XOX Retail") which represents 50% of the issued and paid up share capital of XOX Retail for a consideration of RM1. Consequently, XOX Retail became the associated company of the Group.

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 and trial on 9 to 13 June 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 RM646,000 in the current and cumulative quarter under review.

### 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	159

### 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:

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	<b>Current quarter</b> <b>30 September 2013</b> RM'000	<b>Preceding year</b> <b>corresponding quarter</b> <b>30 September 2012</b> RM'000
(i) Key management personnel compensation: Short-term employee benefits	368	479
(ii) Related party – rental received	-	8

### 15. Cash and cash equivalents

	<b>As At</b> <b>30 September 2013</b> RM'000	<b>As At</b> <b>30 June 2013</b> RM'000
Short-term investment	20	20
Cash and bank balances	454	245
	<u>474</u>	<u>265</u>

### 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 RM14.6 million for the current quarter under review and the cumulative period year to date, or an increase of RM5.4 million from the previous year's corresponding quarter and cumulative period year to date. XOX continues to improve its revenue by refocusing on its subscriber retention and quality subscriber acquisition during the current quarter under review. The strategies involved were implemented in the past and is beginning to gather momentum.

XOX recorded a loss before taxation of approximately RM0.1 million for the current quarter under review and cumulative period year to date, compared to the loss before taxation of RM1.5 million in the previous year's corresponding quarter and year to date. The significant reduction in the loss before taxation for the quarter under review compared to the previous corresponding quarter was due mainly to the higher revenue recorded during the current quarter.

#### 2. Performance of the current quarter against the preceding quarter

	Current Quarter 30 September 2013	Preceding Quarter 30 June 2013
	RM'000	RM'000
Revenue	14,593	11,922
Earnings Before Interest Taxes Depreciation and Amortisation	977	1,295
(Loss)/Profit After Tax	(104)	382

Revenue for the current quarter under review was slightly improved over the preceding quarter as the strategies implemented earlier were gaining momentum.

The higher revenues were offset by higher commission costs, cost of sales and depreciation resulting in the lower EBITDA and loss after taxation compared to the preceding quarter.

#### 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 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 on the Group's online sales portals;
- Develop or enhance marketing strategies;
- Sales to groups of users within a community or organisation; and
- Introduction of new products and services and feature enhancements.

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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 for the quarter ended 30 September 2013.

#### 5. Loss before tax

	Current year quarter and year to date <u>30 September</u> <u>2013</u>	Preceding year corresponding quarter and year to date <u>30 September</u> <u>2012</u>
	RM'000	RM'000
Interest income	1	59
Interest expense	6	9
Provision for and write off of/(Reversal of) receivables	(544)	-
Depreciation on plant and equipment	1,072	754
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

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 are as follows:

	Current quarter and year to date <u>30 September 2013</u>	Preceding year corresponding quarter and year to date <u>30 September 2012</u>
Loss before tax	(101)	(1,534)
Tax at statutory rate of 25%	(25)	(384)
Expenses not deductible for tax purposes	149	148
Utilisation of previously unrecognised tax losses and capital allowances	(149)	-
Deferred tax assets not recognised	28	236
Income tax expense	<u>3</u>	<u>-</u>

#### 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 and utilisation of proceeds

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

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### 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 September 2013	As at 30 June 2013
	RM'000	RM'000
<b>Hire purchase</b>		
Short-term	139	184
Long-term	395	395

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 September 2013	As at 30 June 2013
	RM'000	RM'000
Total accumulated losses:		
- Realised	(48,833)	(48,812)
- Unrealised	-	-
	(48,833)	(48,812)

### 13. Net loss per share

	Current year Quarter		Cumulative Quarter	
	Current year quarter 30 September 2013	Preceding year corresponding quarter 30 September 2012	Year to date 30 September 2013	Preceding year corresponding period 30 September 2012
	RM'000		RM'000	
Net Loss attributable to equity holders of the company	(21)	(1,534)	(21)	(1,534)
Weighted average number of ordinary shares in issue ('000)	302,000	302,000	302,000	302,000
Net Loss Per Share - Basic (sen)	(0.01)	(0.51)	(0.01)	(0.51)

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.