

XOX BHD

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2013

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2013

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 December 2013</u>	<u>31 December 2012</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
Note	RM'000	RM'000	RM'000	RM'000
Revenue	11,380	9,389	25,973	18,577
Cost of sales	(6,863)	(5,895)	(17,037)	(12,155)
Gross Profit	4,517	3,494	8,936	6,422
Other income	21	85	81	207
Selling and distribution expenses	(1,312)	(966)	(2,187)	(1,845)
Administrative expenses	(2,882)	(3,358)	(5,498)	(6,191)
Other expenses	(1,092)	(782)	(2,168)	(1,608)
Finance costs	(22)	(45)	(36)	(91)
Loss Before Tax	(770)	(1,572)	(872)	(3,106)
Income tax expense	(3)	-	(6)	-
Loss After Taxation / Total comprehensive expenses	(773)	(1,572)	(878)	(3,106)
Loss After Taxation / Total comprehensive expenses				
Attributable to:-				
- Equity holders of the Company	(712)	(1,572)	(734)	(3,106)
- Non-controlling interest	(61)	-	(144)	-
	(773)	(1,572)	(878)	(3,106)
Net Loss Per Share attribute to equity holders of the Company				
- Basic (sen)	(0.2)	(0.5)	(0.2)	(1.0)
- Diluted (sen)	(0.2)	(0.5)	(0.2)	(1.0)

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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Unaudited Condensed Consolidated Statement of Financial Position

	Unaudited As at 31 December 2013 RM'000	Audited As at 30 June 2013 RM'000
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Equipment	32,235	33,254
<i>Total Non – Current Assets</i>	32,235	33,254
<u>CURRENT ASSETS</u>		
Inventories	792	784
Trade receivables	19,607	10,511
Other receivables, deposits and prepayments	3,520	3,242
Short-term investment	20	20
Cash and bank balances	60	245
<i>Total Current Assets</i>	23,999	14,802
TOTAL ASSETS	56,234	48,056
<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	(49,546)	(48,812)
<i>Total Equity</i>	15,464	16,198
Non-controlling interest	(125)	19
	15,339	16,217
<u>NON CURRENT LIABILITY</u>		
Hire purchase payables	140	395
Deferred tax liabilities	4	4
	144	399
<u>CURRENT LIABILITIES</u>		
Trade payables	19,882	16,795
Other payables and accruals	20,760	14,450
Hire purchase payables	104	184
Tax payable	5	11
<i>Total Liabilities</i>	40,751	31,440
TOTAL EQUITY AND LIABILITIES	56,234	48,056
Net assets per share attributable to equity holders of the Company (sen) #	5.12	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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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 2013	30,200	2,200	32,610	(48,812)	16,198
Total comprehensive expenses for the period	-	-	-	(734)	(734)
At 31 December 2013	<u>30,200</u>	<u>2,200</u>	<u>32,610</u>	<u>(49,546)</u>	<u>15,464</u>
At 1 July 2012	30,200	2,200	32,610	(53,405)	11,605
Total comprehensive expenses for the period	-	-	-	(3,106)	(3,106)
At 31 December 2012	<u>30,200</u>	<u>2,200</u>	<u>32,610</u>	<u>(56,511)</u>	<u>8,499</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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Unaudited Condensed Consolidated Statement of Cash Flow

	6 months ended 31 December 2013	Preceding Year Corresponding 6 months ended 30 June 2013
NOTE	RM'000	RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation	(878)	(3,106)
Adjustments for:		
Depreciation of equipment	2,142	1,516
Loss on disposal of fixed assets	19	-
Interest expense	21	17
Interest income	(2)	(49)
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	1,302	(1,622)
Increase in inventories	(8)	(79)
Increase in trade and other receivables	(9,374)	(370)
Increase/(Decrease) in trade and other payables	9,397	(5,410)
Cash for operations	1,317	(7,481)
Interest paid	(21)	(17)
Tax paid	(6)	(2)
Net cash for operating activities	1,290	(7,500)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	2	48
Purchase of equipment	(1,422)	(1,363)
Proceeds from sale of equipment	280	-
Net cash for investing activities	(1,140)	(1,315)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(335)	(87)
Net cash from financing activities	(335)	(87)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(185)	(8,902)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	265	9,031
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	80	129
A15		

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 31 DECEMBER 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

There were no material events subsequent to the end of the reporting period up to the date of this report save for the completion of the corporate proposal as disclosed in note B8.

10. Changes in the composition of the Group

There were no 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.

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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 RM776,000 and RM1,422,000 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	158

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 December 2013 RM'000	Preceding year corresponding quarter 31 December 2012 RM'000
(i) Key management personnel compensation: Short-term employee benefits	492	496

15. Cash and cash equivalents

	As At 31 December 2013 RM'000	As At 30 June 2013 RM'000
Short-term investment	20	20
Cash and bank balances	60	245
	80	265

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 RM11.4 million for the current quarter under review and RM26.0 million for the cumulative period year to date, or an increase of RM2 million from the previous year's corresponding quarter and RM7.4 million for the 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 reduced its loss before taxation to approximately RM0.8 million for the current quarter under review and RM0.9 million for the cumulative period year to date, compared to the loss before taxation of RM1.6 million in the previous year's corresponding quarter and RM3.1 million for the cumulative period year to date. The significant reduction in the loss before taxation for the quarter under review and cumulative period year to date compared to the previous corresponding quarter and cumulative year to date was due mainly to the higher revenue recorded. The higher revenue was offset by higher planned spending in selling and distribution expenses and higher depreciation charges as more equipment were commissioned towards the end of the previous financial year.

2. Performance of the current quarter against the preceding quarter

	Current Quarter 31 December 2013	Preceding Quarter 30 September 2013
	RM'000	RM'000
Revenue	11,380	14,593
Earnings Before Interest Taxes Depreciation and Amortisation	313	977
Loss After Tax	(773)	(104)

Revenue for the current quarter under review was lower than the preceding quarter as the competitors traditionally intensify their marketing and sales campaigns during the last quarter of a year. The impact of the lower sales contributed to the lower EBITDA and higher loss after taxation.

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 is cognisant of the challenges faced by the mobile telecommunications industry as a whole and has taken steps to mitigate the lower revenue as a result of decreasing voice, SMS and MMS usage.

In view of the changing consumer behaviour, 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 mobile applications and data services. These include the following:

- Focus, promotion and enhancements on data plans;
- Promotion, enhancements and continuous updates of its SIM-Free mobile app service brand named Voopee;
- Enhancements to and promotions on the Group's online sales portals;
- Develop or enhance marketing and branding strategies; and
- Introduction of new products and services and feature enhancements.

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

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4. Profit forecast

The Board of Directors wishes to inform that the XOX Group did not issue any profit forecast.

5. Loss before tax

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RM'000	RM'000	RM'000	RM'000
Interest income	1	(10)	2	49
Interest expense	14	8	21	17
Provision for and write off of/(Reversal of) receivables	(530)	-	(1,073)	-
Depreciation on plant and equipment	1,070	762	2,142	1,516
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:

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RM'000	RM'000	RM'000	RM'000
Loss before tax	(770)	(1,572)	(872)	(3,106)
Tax at statutory rate of 25%	(193)	(393)	(218)	(777)
Expenses not deductible for tax purposes	82	138	231	286
Income not taxable	(530)	-	(1,064)	-
Deferred tax not recognised	644	255	1,057	491
Income tax expenses	3	-	6	-

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

On 25 November 2013, it was announced that the Company proposed to implement a private placement of up to 30,200,000 new ordinary shares of RM0.10 each, representing not more than 10% of the issued and paid-up share capital of the Company to investors to be identified. The private placement was subsequently completed on 24 February 2014, following the listing and quotation of 30,000,000 new shares on the ACE Market of Bursa Malaysia Securities Berhad.

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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 December 2013	As at 30 June 2013
	RM'000	RM'000
Hire purchase		
Short-term	104	184
Long-term	140	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 31 December 2013	As at 30 June 2013
	RM'000	RM'000
Total accumulated losses:		
- Realised	(49,546)	(48,812)
- Unrealised	-	-
	(49,543)	(48,812)

12. 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 December 2013</u>	<u>31 December 2012</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
	RM'000	RM'000	RM'000	RM'000
Net Loss attributable to equity holders of the company	(712)	(1,572)	(734)	(3,106)
Weighted average number of ordinary shares in issue ('000)	302,000	302,000	302,000	302,000
Net Loss Per Share - Basic (sen)	(0.2)	(0.5)	(0.2)	(1.0)

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.