

# **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 2014

### Contents

Unaudited Condensed Consolidated Statement of Comprehensive Income

Unaudited Condensed Consolidated Statement of Financial Position

Unaudited Condensed Consolidated Statement of Changes in Equity

Unaudited Condensed Consolidated Statement of Cash Flow

Notes to the Interim Financial Report

Additional information

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2014

### 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 2014</u>	<u>31 March 2013</u>	<u>31 March 2014</u>	<u>31 March 2013</u>
Note	RM'000	RM'000	RM'000	RM'000
Revenue	11,510	9,775	37,483	28,352
Cost of sales	(7,097)	(5,437)	(24,134)	(17,592)
Gross Profit	4,413	4,338	13,349	10,760
Other income	26	152	107	359
Selling and distribution expenses	(2,255)	(1,150)	(4,442)	(2,995)
Administrative expenses	(2,791)	(3,368)	(8,288)	(9,559)
Other expenses	(1,208)	(793)	(3,376)	(2,400)
Finance costs	(11)	(44)	(47)	(136)
Loss Before Tax	(1,826)	(865)	(2,697)	(3,971)
Income tax expense	18	-	12	-
Loss After Taxation / Total comprehensive expenses	(1,808)	(865)	(2,685)	(3,971)
Loss After Taxation / Total comprehensive expenses				
Attributable to:-				
- Equity holders of the Company	(1,810)	(865)	(2,539)	(3,971)
- Non-controlling interest	2	-	(146)	-
	(1,808)	(865)	(2,685)	(3,971)
Net Loss Per Share attribute to equity holders of the Company				
- Basic (sen)	(0.57)	(0.29)	(0.83)	(1.31)
- Diluted (sen)	(0.57)	(0.29)	(0.83)	(1.31)

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 31 MARCH 2014

### Unaudited Condensed Consolidated Statement of Financial Position

	<b>Unaudited As at 31 March 2014 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	31,717	33,254
<i>Total Non – Current Assets</i>	31,717	33,254
<b><u>CURRENT ASSETS</u></b>		
Inventories	900	784
Trade receivables	21,390	10,511
Other receivables, deposits and prepayments	4,284	3,242
Short-term investment	9	20
Cash and bank balances	103	245
<i>Total Current Assets</i>	26,686	14,802
<b>TOTAL ASSETS</b>	<b>58,403</b>	<b>48,056</b>
<b><u>EQUITY AND LIABILITIES</u></b>		
Share capital	33,200	30,200
Capital reserve	2,200	2,200
Share premium	32,730	32,610
Accumulated losses	(51,351)	(48,812)
<i>Total Equity</i>	16,779	16,198
Non-controlling interest	(127)	19
	16,652	16,217
<b><u>NON CURRENT LIABILITY</u></b>		
Hire purchase payables	117	395
Deferred tax liabilities	4	4
	121	399
<b><u>CURRENT LIABILITIES</u></b>		
Trade payables	11,868	16,795
Other payables and accruals	29,658	14,461
Hire purchase payables	104	184
<i>Total Liabilities</i>	41,630	31,440
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>58,403</b>	<b>48,056</b>
Net assets per share attributable to equity holders of the Company (sen) #	5.05	5.36

Notes: -

- # The net assets per share attributable to equity holders of the Company is computed based on the net assets divided by 332,000,000 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.

# XOX BHD

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2014

### 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
Issuance of shares pursuant to private placement	3,000	-	300	-	-	3,300
Private placement share issue expenses	-	-	(180)	-	-	(180)
Total comprehensive expenses for the period	-	-	-	(2,539)	(146)	(2,685)
At 31 March 2014	<u>33,200</u>	<u>2,200</u>	<u>32,730</u>	<u>(51,351)</u>	<u>(127)</u>	<u>16,652</u>
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>-</u>	<u>7,634</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.

# XOX BHD

(Company Registration No.: 900384-X)  
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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2014

### Unaudited Condensed Consolidated Statement of Cash Flow

		<b>9 months ended 31 March 2014</b>	<b>Preceding Year Corresponding 9 months ended 31 March 2013</b>
NOTE		RM'000	RM'000
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>			
Loss before taxation		(2,697)	(3,971)
Adjustments for:			
Depreciation of equipment		3,209	2,288
Loss on disposal of fixed assets		19	-
Interest expense		24	25
Interest income		(5)	(50)
<b>OPERATING LOSS BEFORE WORKING CAPITAL CHANGES</b>		<b>550</b>	<b>(1,708)</b>
Increase in inventories		(116)	(74)
Increase in trade and other receivables		(11,921)	(1,256)
Increase/(Decrease) in trade and other payables		10,300	(4,076)
<b>Cash used in operations</b>		<b>(1,187)</b>	<b>(7,114)</b>
Interest paid		(24)	(25)
Tax paid		(18)	(5)
<b>Net used in operating activities</b>		<b>(1,229)</b>	<b>(7,144)</b>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>			
Interest received		5	50
Purchase of equipment		(1,971)	(1,664)
Proceeds from sale of equipment		280	-
<b>Net cash for investing activities</b>		<b>(1,686)</b>	<b>(1,614)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of hire purchase payables		(358)	(132)
Net proceeds from issuance of shares		3,120	-
<b>Net cash from financing activities</b>		<b>2,762</b>	<b>(132)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(153)</b>	<b>(8,890)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>		<b>265</b>	<b>9,031</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>A15</b>	<b>112</b>	<b>141</b>

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.

# XOX BHD

(Company Registration No.: 900384-X)  
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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2014

### 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.

#### 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.

The Court has fixed the case management to be held on 19 May 2014 and trial on 9 to 13 June 2014.

# 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 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 RM549,000 and RM1,971,000 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	140

### 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 March 2014 RM'000	Preceding year corresponding quarter 31 March 2013 RM'000
(i) Key management personnel compensation: Short-term employee benefits	228	445

### 15. Cash and cash equivalents

	As At 31 March 2014 RM'000	As At 30 June 2013 RM'000
Short-term investment	9	20
Cash and bank balances	103	245
	<u>112</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.

# 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 2014

### 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 RM11.5 million for the current quarter under review and RM37.5 million for the cumulative period year to date, or an increase of RM1.7 million from the previous year's corresponding quarter and RM9.1 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 incurred a loss before taxation of RM1.8 million for the current quarter under review compared to the loss before taxation of RM0.9 million in the previous year's corresponding quarter. Despite the increase in net revenues, XOX increased its discounts to its customers resulting in a lower gross profit margin and incurred higher selling and distribution expenses to increase its brand awareness via various marketing campaigns and initiatives. Higher depreciation charges, classified as other expenses, were also higher as there was more equipment commissioned towards the end of the previous financial year.

XOX incurred a loss before taxation of RM2.7 million for the cumulative period year to date compared to RM4.0 million in the previous year's corresponding cumulative period year to date. The improvements were mainly due to the increased revenues recorded offset by higher expenses in selling and distribution and depreciation expenses.

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

	Current Quarter 31 March 2014	Preceding Quarter 31 December 2013
	RM'000	RM'000
Revenue	11,510	11,380
(Loss)/Earnings Before Interest Taxes Depreciation and Amortisation	(759)	313
Loss After Tax	(1,826)	(773)

Sales revenue was similar in the current quarter under review compared to the immediate preceding quarter. XOX incurred higher LBITDA and loss after taxation in the current quarter as it spent more in marketing expenses during the quarter in an effort to improve its brand awareness.

#### 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;



# 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 2014

- 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.

#### 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 March 2014</u>	<u>31 March 2013</u>	<u>31 March 2014</u>	<u>31 March 2013</u>
	RM'000	RM'000	RM'000	RM'000
Interest income	3	-	5	50
Interest expense	3	8	24	25
Provision for and write off of/(Reversal of) receivables	(434)	-	(1,508)	-
Depreciation on plant and equipment	1,067	771	3,209	2,288
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 March 2014</u>	<u>31 March 2013</u>	<u>31 March 2014</u>	<u>31 March 2013</u>
	RM'000	RM'000	RM'000	RM'000
Loss before tax	(1,826)	(865)	(2,697)	(3,971)
Tax at statutory rate of 25%	(457)	(216)	(674)	(993)
Expenses not deductible for tax purposes	61	21	292	306
Income not taxable	(433)	-	(1,498)	-
Deferred tax not recognised	811	195	1,868	687
Income tax expenses	(18)	-	(12)	-

#### 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,

# 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 2014

following the listing and quotation of 30,000,000 new shares on the ACE Market of Bursa Malaysia Securities Berhad. The status of the utilisation of proceeds from this private placement exercise is as follows:

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Deviation	
				Amount (RM'000)	%
Repayment of trade creditor	1,510	1,510	Completed	-	-
Selling & marketing expenses	1,430	980	4 months	-	-
Private placement expenses	180	180	Completed	-	-
	3,120	2,670		-	-

### 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 31 March 2014	As at 30 June 2013
	RM'000	RM'000
<b>Hire purchase</b>		
Short-term	104	184
Long-term	117	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 March 2014	As at 30 June 2013
	RM'000	RM'000
Total accumulated losses:		
- Realised	(51,351)	(48,812)
- Unrealised	-	-
	(51,351)	(48,812)

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

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2014

### 12. Net loss per share

	Individual Quarter		Cumulative Quarter	
	Current year quarter  <u>31 March</u> <u>2014</u> RM'000	Preceding year corresponding quarter <u>31 March</u> <u>2013</u> RM'000	Current year to date  <u>31 March</u> <u>2014</u> RM'000	Preceding year corresponding period <u>31 March</u> <u>2013</u> RM'000
Net Loss attributable to equity holders of the company	(1,810)	(865)	(2,539)	(3,971)
Weighted average number of ordinary shares in issue ('000)	315,667	302,000	306,489	302,000
Net Loss Per Share - Basic (sen)	(0.57)	(0.29)	(0.83)	(1.31)

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.