

XOX BHD

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

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Unaudited Condensed Consolidated Statement of Comprehensive Income

	← INDIVIDUAL QUARTER →		← CUMULATIVE QUARTER →	
	Current Quarter <u>30 June</u> <u>2014</u>	Preceding Year Corresponding Quarter <u>30 June</u> <u>2013</u>	Year to Date <u>30 June</u> <u>2014</u>	Preceding Year Corresponding Period <u>30 June</u> <u>2013</u>
Note	RM'000	RM'000	RM'000	RM'000
Revenue	19,313	11,991	56,795	40,807
Cost of sales	(10,077)	2,464	(34,210)	(15,194)
Gross Profit	9,236	14,455	22,585	25,613
Other income	408	538	514	436
Selling and distribution expenses	(2,342)	(1,319)	(6,785)	(3,453)
Administrative expenses	(4,632)	(4,137)	(12,921)	(14,748)
Other expenses	(1,535)	(982)	(4,908)	(3,151)
Finance costs	(10)	(48)	(57)	(161)
Profit/(Loss) Before Tax	1,125	8,507	(1,572)	4,536
Income tax expense	6	(19)	18	(22)
Profit/(Loss) After Taxation / Total comprehensive expenses	1,131	8,488	(1,554)	4,514
Profit/(Loss) After Taxation / Total comprehensive expenses				
Attributable to:-				
- Equity holders of the Company	1,300	8,567	(1,239)	4,593
- Non-controlling interest	(169)	(79)	(315)	(79)
	1,131	8,488	(1,554)	4,514
Net Profit/(Loss) Per Share attribute to equity holders of the Company				
- Basic (sen)	0.39	2.84	(0.40)	1.52
- Diluted (sen)	0.39	2.84	(0.40)	1.52

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 30 June 2014 RM'000	Audited As at 30 June 2013 RM'000
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Equipment	31,383	33,254
<i>Total Non – Current Assets</i>	31,383	33,254
<u>CURRENT ASSETS</u>		
Inventories	746	784
Trade receivables	27,976	10,511
Other receivables, deposits and prepayments	5,191	3,242
Short-term investment	20	20
Cash and bank balances	740	245
<i>Total Current Assets</i>	34,673	14,802
TOTAL ASSETS	66,056	48,056
<u>EQUITY AND LIABILITIES</u>		
Share capital	33,200	30,200
Capital reserve	2,200	2,200
Share premium	32,730	32,610
Accumulated losses	(50,051)	(48,812)
<i>Total Equity</i>	18,079	16,198
Non-controlling interest	(296)	19
	17,783	16,217
<u>NON CURRENT LIABILITY</u>		
Hire purchase payables	101	395
Deferred tax liabilities	-	4
	101	399
<u>CURRENT LIABILITIES</u>		
Trade payables	20,345	16,795
Other payables and accruals	26,830	14,461
Hire purchase payables	97	184
Amount owing to director	900	-
<i>Total Liabilities</i>	48,172	31,440
TOTAL EQUITY AND LIABILITIES	66,056	48,056
Net assets per share attributable to equity holders of the Company (sen) #	5.45	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 (302,000,000 ordinary shares of RM0.10 each for the previous financial year) 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 →		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	-	-	-	(1,239)	(315)	(1,554)
At 30 June 2014	<u>33,200</u>	<u>2,200</u>	<u>32,730</u>	<u>(50,051)</u>	<u>(296)</u>	<u>17,783</u>
At 1 July 2012	30,200	2,200	32,610	(53,405)	-	11,605
Disposal of partial interest in a subsidiary company	-	-	-	-	98	98
Total comprehensive expenses for the period	-	-	-	4,593	(79)	4,514
At 30 June 2013	<u>30,200</u>	<u>2,200</u>	<u>32,610</u>	<u>(48,812)</u>	<u>19</u>	<u>16,217</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

	12 months ended 30 June 2014	Preceding Year ended 30 June 2013
NOTE	RM'000	RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation	(1,572)	4,536
Adjustments for:		
Depreciation of equipment	4,364	3,175
(Gain)/Loss on unrealised foreign exchange	292	(198)
Impairment on trade receivable	1,777	1,963
Impairment on trade receivable recovered	(1,963)	-
Loss on disposal of fixed assets	20	3
Interest expense	26	161
Interest income	(5)	(49)
Inventories written down	-	13
Impairment of inventory	72	-
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	3,011	9,603
Decrease/(increase) in inventories	38	(3)
Increase in trade and other receivables	(19,227)	(4,854)
Increase/(decrease) in trade and other payables	16,461	(9,875)
Cash from/(used) in operations	283	(5,129)
Interest paid	(26)	(161)
Tax paid	-	(9)
Interest received	5	49
Tax refunded	6	2
Net cash from/(used) in operating activities	268	(5,247)
CASH FLOWS FOR INVESTING ACTIVITIES		
Proceeds from disposal of subsidiary	-	-
Purchase of equipment	(2,792)	(3,399)
Proceeds from sale of equipment	280	55
Investment in a subsidiary by MI	-	-
Net cash for investing activities	(2,512)	(3,344)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(381)	(175)
Net proceeds from issuance of shares	3,120	-
Net cash from financing activities	2,739	(175)
NET DECREASE IN CASH AND CASH EQUIVALENTS	495	(8,766)
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	A15 760	265

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 FOURTH QUARTER ENDED 30 JUNE 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

There are no 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 RM821,000 and RM2,792,000 in the current and cumulative quarter under review respectively.

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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	18

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 2014 RM'000	Preceding year corresponding quarter 30 June 2013 RM'000
(i) Key management personnel compensation: Short-term employee benefits	202	374

15. Cash and cash equivalents

	As At 30 June 2014 RM'000	As At 30 June 2013 RM'000
Short-term investment	20	20
Cash and bank balances	740	245
	<u>760</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 RM19.3 million for the current quarter under review and RM56.8 million for the cumulative period year to date, or an increase of RM7.3 million from the previous year's corresponding quarter and RM16.0 million for the cumulative period year to date. XOX continues to improve its revenue by refocusing on its product branding, subscriber retention and quality subscriber acquisition. The strategies involved were implemented in the past and is beginning to gather momentum.

XOX recorded a profit before taxation of RM1.10 million for the current quarter under review compared to RM8.50 million in the previous year's corresponding quarter. The results of the preceding year corresponding quarter included a one-off discount of RM10 million received from its trade creditor. Excluding this discount, the loss before tax for the preceding year's corresponding quarter would have been RM1.5 million. The improvement in performance was contributed mainly from the higher revenues but offset by higher administrative expenses, depreciation expenses and higher marketing expenses to build the brand image.

XOX incurred a loss before taxation of RM1.6 million for the cumulative period year to date compared to RM4.5 million profit in the previous year's corresponding cumulative period year to date. As mentioned above, the results of the previous year's corresponding period year to date includes the one-off discount and if excluded a loss of RM5.5 million would have been incurred. The improvement in the loss before taxation is due to mainly to the increase in revenues and lower administrative expense offset by higher marketing expenses in building the brand image and higher depreciation charges.

Performance of the current quarter against the preceding quarter

	Current Quarter 30 June 2014	Preceding Quarter 31 March 2014
	RM'000	RM'000
Revenue	19,313	11,510
(Loss)/Earnings Before Interest Taxes Depreciation and Amortisation	2,289	(759)
Profit /(Loss) After Tax	1,131	(1,826)

Sales revenue increased as a result of XOX's improvement programs related to subscriber acquisition and better brand image as a result of various marketing, advertising and promotion campaigns.

Earnings before interest taxes depreciation and amortisation (EBITDA) and profit before taxation improved mainly due to the improvement in sales revenue.

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

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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 sales, 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>30 June 2014</u>	<u>30 June 2013</u>	<u>30 June 2014</u>	<u>30 June 2013</u>
	RM'000	RM'000	RM'000	RM'000
Interest income	1	-	5	49
Interest expense	10	7	26	33
Provision for and write off of/(Reversal of) receivables	1,777	-	(186)	-
Depreciation on plant and equipment	1,155	887	4,364	3,174
Impairment, provision for and write off of inventories	72	13	72	13
Gain or loss on disposal of quoted or unquoted investments or properties	-	-	-	-
Realised and unrealised foreign exchange loss/(gain)	343	(166)	343	(166)
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>30 June 2014</u>	<u>30 June 2013</u>	<u>30 June 2014</u>	<u>30 June 2013</u>
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax	1,300	8,507	(1,239)	4,536
Tax at statutory rate of 25%	325	2,127	(310)	1,134
Expenses not deductible for tax purposes	470	660	703	966
Income not subject to tax	(1,777)	-	(1,777)	(803)
Deferred tax not recognised	-	-	-	258
Utilisation of previously unrecognised deferred tax assets	976	(2,768)	1,366	(1,533)
Income tax expenses	(6)	19	(18)	22

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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. The proceeds from this private placement exercise was fully utilised 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	1,430	Completed	-	-
Private placement expenses	180	180	Completed	-	-
	3,120	3,120		-	-

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 2014	As at 30 June 2013
	RM'000	RM'000
Hire purchase		
Short-term	97	184
Long-term	101	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

There were no 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 2014	As at 30 June 2013
	RM'000	RM'000
Total accumulated losses:		
- Realised	(50,051)	(48,812)
- Unrealised	-	-
	(50,051)	(48,812)

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12. Net loss per share

	Individual Quarter		Cumulative Quarter	
	Current year quarter <u>30 June 2014</u>	Preceding year corresponding quarter <u>30 June 2013</u>	Current year to date <u>30 June 2014</u>	Preceding year corresponding period <u>30 June 2013</u>
	RM'000	RM'000	RM'000	RM'000
Net Profit/(Loss) attributable to equity holders of the company	1,300	8,567	(1,239)	4,593
Weighted average number of ordinary shares in issue ('000)	332,000	302,000	312,849	302,000
Net Loss Per Share - Basic (sen)	0.39	2.84	(0.40)	1.52

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.