

XOX BHD

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

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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>30 September 2014</u>	<u>30 September 2013</u>	<u>30 September 2014</u>	<u>30 September 2013</u>
Note	RM'000	RM'000	RM'000	RM'000
Revenue	17,252	14,593	17,252	14,593
Cost of sales	(10,905)	(10,174)	(10,905)	(10,174)
Gross Profit	6,347	4,419	6,347	4,419
Other income	590	60	590	60
Selling and distribution expenses	(2,807)	(875)	(2,807)	(875)
Administrative expenses	(3,243)	(2,616)	(3,243)	(2,616)
Other expenses	(1,216)	(1,075)	(1,216)	(1,075)
Finance costs	(13)	(14)	(13)	(14)
Loss Before Tax	(342)	(101)	(342)	(101)
Income tax expense	(10)	(3)	(10)	(3)
Loss After Taxation / Total comprehensive expenses	(352)	(104)	(352)	(104)
Loss After Taxation / Total comprehensive expenses				
Attributable to:-				
- Equity holders of the Company	(336)	(21)	(336)	(21)
- Non-controlling interest	(16)	(83)	(16)	(83)
	(352)	(104)	(352)	(104)
Net Loss Per Share attribute to equity holders of the Company				
- Basic (sen)	(0.10)	(0.01)	(0.10)	(0.01)
- Diluted (sen)	(0.10)	(0.01)	(0.10)	(0.01)

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 2014 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 September 2014 RM'000	Audited As at 30 June 2014 RM'000
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Equipment	30,812	31,383
<i>Total Non – Current Assets</i>	30,812	31,383
<u>CURRENT ASSETS</u>		
Inventories	869	746
Trade receivables	32,072	27,998
Other receivables, deposits and prepayments	5,194	5,206
Short-term investment	20	20
Cash and bank balances	1,842	751
<i>Total Current Assets</i>	39,997	34,721
TOTAL ASSETS	70,809	66,104
<u>EQUITY AND LIABILITIES</u>		
Share capital	33,200	33,200
Capital reserve	2,200	2,200
Share premium	32,730	32,730
Accumulated losses	(50,401)	(50,065)
<i>Total Equity</i>	17,729	18,065
Non-controlling interest	(320)	(304)
	17,409	17,761
<u>NON CURRENT LIABILITY</u>		
Hire Purchase Payables	64	101
Deferred tax liabilities	-	-
	64	101
<u>CURRENT LIABILITIES</u>		
Trade payables	23,621	20,345
Other payable and accruals	28,729	26,900
Hire purchase payables	186	97
Amount due to former director	800	900
<i>Total Liabilities</i>	53,336	48,242
TOTAL EQUITY AND LIABILITIES	70,809	66,104
Net assets per share attributable to equity holders of the Company (sen) #	5.34	5.44

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 2014 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 2014	33,200	2,200	32,730	(50,065)	(304)	17,761
Total comprehensive expenses for the period	-	-	-	(336)	(16)	(352)
At 30 September 2014	<u>33,200</u>	<u>2,200</u>	<u>32,730</u>	<u>(50,401)</u>	<u>(320)</u>	<u>17,409</u>
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>

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 2014 and the accompanying explanatory notes attached to this interim financial statements.

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Unaudited Condensed Consolidated Statement of Cash Flow

	Cumulative Quarter Ended 30 September 2014	Preceding Year Corresponding Quarter Ended 30 September 2013
NOTE	RM'000	RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation	(341)	(101)
Adjustments for:		
Depreciation of equipment	1,112	1,072
Interest expense	2	6
Interest income	-	(1)
Impairment on trade receivable recovered	(458)	-
Impairment of inventory recovered	(72)	-
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	243	976
(Increase)/Decrease in inventories	(51)	14
Increase in trade and other receivables	(3,604)	(6,046)
Increase in trade and other payables	5,004	5,966
Cash for operations	1,592	910
Interest paid	(2)	(6)
Tax paid	(10)	(5)
Net cash for operating activities	1,580	899
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	-	1
Purchase of equipment	(541)	(646)
Net cash for investing activities	(541)	(645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(24)	(45)
Drawdown of hire purchase	76	-
Net cash from /(used in) financing activities	52	(45)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,091	209
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	771	265
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	1,862	474
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 2014 and the accompanying explanatory notes attached to this interim financial statements.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

A. Explanatory Notes Pursuant To MFRS 134

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 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 2014.

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 2014.

Adoption of new and amended standards and interpretation

During the financial year, the Group have adopted the following amendments to MFRSs and IC Interpretation which are effective and mandatory for the current financial year:

Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

Adoption of above amendments to MFRSs and IC Interpretation did not have any significant impact on the financial statements of the Group.

Standards issued but not yet effective

The Group have not applied the following new MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group.

		Effective dates for financial periods beginning on or after
Amendments to MFRS 119	Defined Benefits Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle		1 July 2014
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle		1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments (IMFRS 9 issued by IASB in July 2014)	1 January 2018

The Group intend to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs is not expected to have any significant impacts on the financial statements of the Group except as mentioned below:

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MFRS 9 *Financial Instruments*

MFRS 9 (IFRS 9 (2009)) introduced new requirements for the classification and measurement of financial assets. It was subsequently amended by MFRS 9 (IFRS 9 (2010)) to include requirements for the classification and measurement of financial liabilities and for derecognition, and MFRS 9 (IFRS 9 as amended by IASB in November 2013) to include new requirements for general hedge accounting. Another version of MFRS 9 (IFRS 9 issued by IASB in July 2014) was issued to include:

- (a) impairment requirements for financial assets; and
- (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

- (a) all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment that is not held for trading in other comprehensive income, with only dividend income generally recognised in profit or loss.
- (b) with regard to the classification and measurement of financial liabilities and derecognition of financial instruments, these requirements have been relocated from MFRS 139, without change, except for financial liabilities that are designated as at fair value through profit or loss. Entities with financial liabilities designated as at fair value through profit or loss recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income, unless it would create or enlarge an accounting mismatch in profit or loss. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity. Under MFRS 139, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.
- (c) in relation to impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- (d) the new general hedge accounting represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

An entity is allowed to change the accounting for financial liabilities that it has elected to measure at fair value, before applying any of the other requirements in MFRS 9.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

The Group is in the process of assessing the impact of the adoption of these Standards, since the effects would only be observable in future financial years.

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 2014.

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.

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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

Segmental information are neither included in the internal management reports nor provided regularly to the Management as the Group operates principally in Malaysia and in one major business segment. Accordingly, there are no segmental information disclosures.

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

On 9 October 2014, the company announced to Bursa Malaysia Securities Berhad, a proposal to implement a Corporate Exercise. The details of the corporate exercise are as follows:

- (a) proposed reduction of up to RM32,730,251 from the share premium account of the Company pursuant to Sections 60(2) and 64(1) of the Companies Act, 1965;
- (b) proposed reduction of the issued and paid-up share capital of XOX pursuant to Section 64 of the Act involving the cancellation of RM0.05 of the par value of each existing ordinary share of RM0.10 each in the Company ("XOX Share(s)" or Share(s)) and thereafter, the consolidation of every 2 ordinary shares of RM0.05 each into 1 new XOX Share of RM0.10 each on an entitlement date to be determined and announced later;
- (c) proposed restricted issue of 190,000,000 new XOX Shares at an issue price of RM0.10 each per restricted issue share to parties to be identified later
- (d) proposed renounceable rights issue of up to 356,000,000 new XOX Shares ("Rights Share") on the basis of 1 Rights Share for every 1 existing XOX Share held on an entitlement date to be determined later ("Rights Entitlement Date"), together with up to 356,000,000 free detachable new warrants ("Warrants") on the basis of 1 Warrant for every 1 Rights Share subscribed by the entitled shareholders;
- (e) proposed establishment of a share issuance scheme of up to 30% of the issued and paid-up share capital of XOX (excluding treasury shares, if any) at any point in time for the eligible directors and employees of XOX and its subsidiaries;
- (f) proposed increase in the authorised share capital of XOX from RM100,000,000 comprising 1,000,000,000 XOX Shares to RM300,000,000 comprising 3,000,000,000 Shares; and
- (g) proposed amendment to the Memorandum of Association of XOX to facilitate the implementation of the Proposed Capital Reduction and Proposed IASC.

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.

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12. Equipment

The Group acquired additional equipment amounting to approximately RM541,000 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	118

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 September 2014 RM'000	Preceding year corresponding quarter 30 September 2013 RM'000
(i) Key management personnel compensation: Short-term employee benefits	202	368

15. Cash and cash equivalents

	As At 30 September 2014 RM'000	As At 30 June 2014 RM'000
Short-term investment	20	20
Cash and bank balances	1,842	751
	<u>1,862</u>	<u>771</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 RM17.3 million for the current quarter under review and the cumulative period year to date, or an increase of RM2.7 million from the previous year's corresponding quarter cumulative period year to date. XOX continues to improve its revenue by focusing on its product branding, subscriber retention and quality subscriber acquisition.

XOX recorded a loss before taxation of RM0.3 million for the current quarter under review compared to loss before taxation of RM0.1 million in the previous year's corresponding quarter. The improvement in the revenue and gross profit were negated by higher selling and distribution expenses. The increased spending of these expenses were necessary to enhance the strategies to improve product branding and subscriber acquisitions.

2. Performance of the current quarter against the preceding quarter

	Current Quarter 30 September 2014	Preceding Quarter 30 June 2014
	RM'000	RM'000
Revenue	17,252	19,313
Earnings Before Interest Taxes Depreciation and Amortisation	772	2,289
(Loss) /Profit After Tax	(352)	1,131

Sales revenue decreased due to slower growth in subscriber acquisition experienced during the quarter compared to the previous quarter.

Consequently, earnings before interest taxes depreciation and amortisation (EBITDA) and profit/(loss) before taxation decreased due to the slower sales revenue offset by reductions in administrative expenses mostly as there was no impairment for trade receivables made in the current quarter.

3. Prospects and business outlook

In Bank Negara Malaysia's Quarterly Bulletin for the second quarter of 2014, it was reported that the growth for the communication sub-sector remained robust at 10% growth for the first half of 2014, driven by strong demand for data communication services.

The growth in demand for data services is expected to lead to lower demand for traditional mobile services such as voice, SMS and multimedia messaging service (MMS). This is because more consumers will be able to use the widely available mobile applications such as WhatsApp, Viber, Skype, Line and many others to enjoy low or no cost voice, SMS and MMS services.

Based on the foregoing, we anticipate another difficult year although the Board of Directors have taken steps to reduce costs further in order for the Group to register favourable results for the coming years.

The 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.

In view of the changing consumer behaviour in using more data services we have realigned and planed our Group's focus to ensure that it is in line with current consumer trends. The Group's plans include additional promotion and enhancements on data plans, subscriber growth from the Group's SIM-free mobile application brand named Voopee, online promotion and activities to promote focussed advertising and branding messages to target customers.

The Group's financial performance is dependent on the growth of its subscriber base and the average monthly revenue from the sales of recharge vouchers per subscriber. We expect the Group to continue to make headway in the acquisition of subscribers through the various initiatives launched and planned to be launched.

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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>30 September 2014</u>	<u>30 September 2013</u>	<u>30 September 2014</u>	<u>30 September 2013</u>
	RM'000	RM'000	RM'000	RM'000
Interest income	-	1	-	1
Interest expense	2	6	2	6
Provision for and write off of/(Reversal of) receivables	(458)	(544)	(458)	(544)
Depreciation on plant and equipment	1,112	1,072	1,112	1,072
Impairment, provision for and write off of inventories	-	-	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-	-	-
Realised and unrealised 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>30 September 2014</u>	<u>30 September 2013</u>	<u>30 September 2014</u>	<u>30 September 2013</u>
	RM'000	RM'000	RM'000	RM'000
Loss before tax	(342)	(101)	(342)	(101)
Tax at statutory rate of 25%	(86)	(25)	(86)	(25)
Expenses not deductible for tax purposes	108	149	108	149
Income not subject to tax	(1,204)	-	(1,204)	-
Deferred tax not recognised	-	28	-	28
Utilisation of previously unrecognised deferred tax assets	1,192	(149)	1,192	(149)
Income tax expenses	10	3	10	3

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 were 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	As at
	30 September 2014	30 June 2014
	RM'000	RM'000
Hire purchase		
Short-term	186	97
Long-term	64	101

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	As at
	30 September 2014	30 June 2014
	RM'000	RM'000
Total accumulated losses:		
- Realised	(50,098)	(49,762)
- Unrealised	(303)	(303)
	(50,401)	(50,065)

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12. Net Loss per share

	Individual Quarter		Cumulative Quarter	
	Current year quarter <u>30 September</u> <u>2014</u> RM'000	Preceding year corresponding quarter <u>30 September</u> <u>2013</u> RM'000	Current year to date <u>30 September</u> <u>2014</u> RM'000	Preceding year corresponding period <u>30 September</u> <u>2013</u> RM'000
Net Loss attributable to equity holders of the company	(336)	(21)	(336)	(21)
Weighted average number of ordinary shares in issue ('000)	332,000	302,000	332,000	302,000
Net Loss Per Share - Basic (sen)	(0.10)	(0.01)	(0.10)	(0.01)

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.

13. Limited Review by External Auditor

The external auditor of the Company has conducted a limited review of the above quarterly announcement.