XOX BHD

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016

Unaudited Condensed Consolidated Statement of Comprehensive Income

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Quarter 31 December 2016	Preceding Year Corresponding Quarter 31 December 2015	Year to Date 31 December 2016	Preceding Year Corresponding Period 31 December 2015
	Note	RM'000	RM'000	RM'000	RM'000
Revenue		51,606	36,818	102,682	72,777
Cost of sales		(28,252)	(19,706)	(57,460)	(39,980)
Gross Profit		23,354	17,112	45,222	32,797
Other income		87	339	1,091	355
Selling and distribution expenses		(13,557)	(9,257)	(27,714)	(17,181)
Administrative expenses		(6,231)	(5,773)	(12,401)	(11,771)
Other expenses		(2,545)	(1,374)	(6,843)	(2,666)
Finance costs		(38)	(8)	(54)	(16)
Profit/(Loss) Before Tax	B5	1,070	1,039	(699)	1,518
Income tax expense	B6	(7)	(229)	(13)	(281)
Profit/(Loss) After Taxation / Total Comprehensive Income		1,063	810	(712)	1,237
Profit/(Loss) After Taxation / Total Comprehensive Income Attributable to:-					
- Equity holders of the Company		546	227	(773)	860
- Non-controlling interest		517	583	61	377
		1,063	810	(712)	1,237
Net Profit/(Loss) Per Share attribute to equity holders of the Company					
- Basic (sen)	B12	0.09	0.07	(0.13)	0.26
- Diluted (sen)	B12	0.09	0.07	(0.13)	0.26

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 2016 and the accompanying explanatory notes attached to this interim financial statements.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016

Unaudited Condensed Consolidated Statement of Financial Position	**Unaudited As at 31 December 2016 RM'000**	**Audited As at 30 June 2016 RM'000**
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	55,915	51,594
Intangible assets	3	3
Other investment	3,226	1,111
Total Non – Current Assets	59,144	52,708
CURRENT ASSETS		
Inventories	5,917	2,275
Trade receivables	25,734	20,358
Other receivables, deposits and prepayments	23,997	16,963
Short-term investment	-	21
Fixed Deposit	85	10,085
Cash and bank balances	11,160	10,388
Total Current Assets	66,893	60,090
TOTAL ASSETS	126,037	112,798
EQUITY AND LIABILITIES		
Share capital	60,222	55,641
Capital reserve	2,200	2,200
Share premium	24,349	19,340
Warrant reserve	(19,741)	(19,741)
Other reserve	19,741	19,741
Share issuance scheme option reserve	6,134	10,601
Accumulated losses	(9,706)	(9,754)
Total Equity	83,199	78,028
Non-controlling interest	705	644
	83,904	78,672
NON CURRENT LIABILITY		
Finance lease payables	1,990	440
Deferred tax liabilities	13	13
	2,003	453
CURRENT LIABILITIES		
Trade payables	25,466	21,791
Other payable and accruals	14,154	11,688
Finance lease payables	510	194
Total Liabilities	40,130	33,673
TOTAL EQUITY AND LIABILITIES	126,037	112,798
Net assets per share attributable to equity holders of the Company (sen) #	13.82	14.02

Notes: -

The net assets per share attributable to equity holders of the Company is computed based on the net assets divided by 602,224,175 ordinary shares of RM0.10 each of the Company. 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 2016 and the accompanying explanatory notes attached to this interim financial statements.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent									
	Non-distributable									
	Share Capital RM'000	**Share Premium RM'000**	**Capital Reserve RM'000**	**Warrant Reserve RM'000**	**Other Reserve RM'000**	**Share Issuance Scheme Option Reserve RM'000**	**Accumulated Losses RM'000**	**Total RM'000**	**Non-Controlling Interest RM'000**	**Total Equity RM'000**
At 1 July 2016	55,641	19,340	2,200	(19,741)	19,741	10,601	(9,754)	78,028	644	78,672
Total comprehensive loss for the period	-	-	-	-	-	-	(773)	(773)	61	(712)
Share options exercised	4,541	1,362	-	-	-	-	-	5,904	-	5,904
Share-based payment transactions	-	3,647	-	-	-	(4,467)	821	-	-	-
Share Issuance	40	-	-	-	-	-	-	40	-	40
At 31 December 2016	60,222	24,349	2,200	(19,741)	19,741	6,134	(9,706)	83,199	705	83,904
At 1 July 2015	33,200	32,730	2,200	-	-	-	(49,308)	18,822	148	18.970
Total comprehensive Income for the period	-	-	-	-	-	-	860	860	377	1,237
Capital reduction	(16,600)	(32,530)	-	-	-	-	49,130	-	-	-
Restricted issue	19,000	-	-	-	-	-	-	19,000	-	19,000
Disposal of subsidiary	-	-	-	-	-	-	-	-	311	311
At 31 December 2015	35,600	200	2,200	-	-	-	682	38,682	836	39,518

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 2016 and the accompanying explanatory notes attached to this interim financial statements.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016

Unaudited Condensed Consolidated Statement of Cash Flow

	NOTE	Cumulative Quarter Ended 31 December 2016	Preceding Year Corresponding 6 Months Ended 31 December 2015
		RM'000	RM'000
CASH FLOWS FOR OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(699)	1,518
Adjustments for:			
Depreciation of equipment		2,955	2,566
Interest expense		54	16
Interest income		(8)	(9)
Impairment loss on other investment		3,885	-
Gain on disposal of investment		(852)	-
Impairment on trade receivable		-	639
Gain on disposal of subsidiary		-	(311)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		5,335	4,419
(Increase) / Decrease in inventories		(3,642)	778
(Increase) / Decrease in trade and other receivables		(12,410)	18
Increase / (Decrease) in trade and other payables		6,141	(26,089)
Cash used in operations		(4,576)	(20,874)
Interest paid		(54)	(16)
Tax paid		(13)	30
Net cash used in operating activities		(4,643)	(20,860)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		8	9
Proceeds from disposal of investment		852	-
Purchase of equipment		(7,276)	(1,968)
Net cash used in investing activities		(6,416)	(1,959)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of hire purchase payables		(190)	(116)
Drawdown of hire purchase		2,056	150
Proceeds from share option exercised		5,904	-
Purchase of quoted shares		(6,000)	-
Proceeds from share issuance		40	-
Proceed from restricted issue		-	19,000.
Net cash from financing activities		1,810	19,034
NET INCREASE IN CASH AND CASH EQUIVALENTS		(9,249)	(3,785)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD		20,494	9,306
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	**A15**	11,245	5,521

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 2016 and the accompanying explanatory notes attached to this interim financial statements.

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 Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

The unaudited 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 2016.

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 2016 except for the followings new MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") that came into effect for the financial periods beginning on or after 1 January 2016:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 – 2014 Cycle	
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception

The initial adoption of the above MFRS & Amendments to MFRSs did not have any significant impacts on the interim financial statements of the Group.

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 2016.

3. Seasonality or cyclicality 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 other than as disclosed below: -

	No. of shares issued and fully paid up ordinary share of RM0.10 each	Share Issuance Scheme Option
As at 1 July 2016	556,414,675	132,018,200
Share Option Exercised	45,409,500	(45,409,500)
Share Option Forfeited	---	(10,225,600)
Share Issuance Exercised **	400,000	---
As at 31 December 2016	602,224,175	76,383,100

** Shares issued and alloted to Macquarie Bank Limited pursuant to Share Issuance Exercise approved by Shareholders on 15 November 2016.

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 that is in the provision of mobile communication services and its related products.

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

There were no material events subsequent to the end of this current quarter that have not been reflected in the financial statement for this current financial quarter under review up to the date of this report.

10. Changes in the composition of the Group

There were no material 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 RM2,542,000.00 in the current 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 is as follows:-

	RM'000
Approved and contracted for:	
- Equipment	Nil

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 2016 RM'000	**Preceding year corresponding quarter 31 December 2015** RM'000
(i) Key management personnel compensation:		
Short-term employee benefits	394	303

15. Cash and cash equivalents

	As At 31 December 2016 RM'000	**As At 30 June 2016 RM'000**
Short-term investment	-	21
Cash and bank balances	11,160	10,388
Fixed Deposits	85	10,085
	11,245	20,494

16. Other investments

Save for the short-term investment placed with a bank disclosed in Section A.15, the Company had subscribed for additional 60,000,000 ordinary shares of RM0.10 each in M3 Technologies (Asia) Berhad ("M3 Technologies") for a total cash consideration of RM6,000,000 through the subscription of Right Shares and excess Right Shares pursuant to the Right Issue with Warrants exercise undertaken by M3 Technologies.

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

For the current quarter under review, XOX Group reported revenue rose by 40.2% to RM51.61 million comoared to RM36.82 million in the previous year's corresponding quarter. And the Group's year-to-date revenue increased by 41.1% to RM102.7 million from RM72.8 million compared to the corresponding year-to-date of the preceding financial year. The increase in Group revenue was mainly due to the enlarged subscribers' base driven by the continued intensive marketing activities on branding and promotional products offerings.

The Group recorded a profit before tax of RM1.07 million as compared with a profit before tax of RM1.04 million reported in the previous year's corresponding quarter after accounting for the net impairment loss on other investment of RM1.08 million. However, the Group's year-to date earnings was impacted by the net impairment loss of RM3 million on other investment, resulting in a loss before tax of RM0.70 million compared to a profit before tax of RM1.52 million for the corresponding period of the previous financial year.

2. Performance of the current quarter against the preceding quarter

	Current Quarter 31 December 2016	**Preceding Quarter 30 September 2016**
	RM'000	**RM'000**
Revenue	51,606	51,076
Earnings/(Loss) Before Interest Taxes Depreciation and Amortisation	2,602	(307)
Profit/(Loss) after tax	1,063	(1,774)

For the current quarter under review, the Group's revenue stood at RM51.61 million against RM51.08 million in the previous quarter despite the intensive price competition in the market. The Group registered an improved profit before interest taxes depreciation and amortisation (EBITDA) and profit after taxation compared with the preceding quarter's performance following better operational efficiency, well-managed marketing spending and lower impairment losses recorded.

3. Prospects and business outlook

Given the current economic outlook with challenges ahead, the Group remains committed to focusing on product innovation, digitising customer experiences and delivering network service quality, putting strategies in place to provide better connectivity.

The overall outlook for the telecommunication industry is promising but challenging with all the advancement made in the telecommunication technology, although the slowdown of market conditions continue to cause further uncertainties. Barring any unforeseen circumstances, which include competitive pressures and uncertain economic environment, the Board of Directors is of the view that the Group expects to post positive results for the financial year ahead.

4. Profit forecast

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

5. Profit /(Loss) before tax

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31 December 2016	Preceding year corresponding quarter 31 December 2015	Current year to date 31 December 2016	Preceding year corresponding period 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Interest income	(6)	(7)	(8)	(9)
Interest expense	38	8	54	16
Depreciation on plant and equipment	1,508	1.274	2,955	2,566
Provision for and write off of doubtful debts	-	639	-	639

6. Income Tax Expense

The reconciliation of income tax expenses applicable to the profit/(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 31 December 2016	Preceding year corresponding quarter 31 December 2015	Current year to date 31 December 2016	Preceding year corresponding period 31 December 2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax	1,070	1,039	(699)	1,518
Tax at statutory rate of 25%	268	260	(175)	380
Expenses not deductible for tax purposes	481	111	803	630
Income not subject to tax	(6)	(8)	8	(10)
Deferred tax not recognised	(736)	(134)	(623)	(719)
Income tax expenses	7	229	13	281

7. Gain or loss on disposal of quoted and/or unquoted investments and/or properties

There were no other material disposal of quoted, unquoted and/or properties for the current quarter and financial year to date under review.

8. Corporate proposals and utilisation of proceeds

Save as disclosed below, there were no other corporate proposals which had been announced by the Company and are pending for completion as of today.

A. On 20 and 22 July 2016, Mercury Securities Sdn Bhd ("Mercury Securities") on behalf of the Board of Directors of XOX Bhd announced that the Company had on 20 July entered into a conditional subscription agreement with Macquarie Bank Limited ("Macquarie Bank" or the "Investor") ("Subscription Agreement") in relation to the proposed issuance and allotment of up to 400.0 million new ordinary shares of RM0.10 each in XOX to the Investor accordance with the terms and conditions of the Subscription Agreement ("Proposed Share Issuance").

On 12 October 2016 and 25 October 2016, Mercury Securities on behalf of the Board of Directors of XOX Bhd further announced that the Company had entered into a Supplemental Agreement and Second Supplemental Agreement with Macquarie Bank respectively to amend and vary certain terms of the Subscription Agreement which including the reduction of Subscription Total to 250,000,000 new ordinary shares of RM0.10 each in XOX.

On 26 October 2016, the Company announced that Bursa Malaysia Securities Berhad had, vide its letter dated 26 October 2016, approved the listing and quotation of up to 250,000,000 new ordinary shares of RM0.10 each in XOX to be issued pursuant to the Proposed Share Issuance. The Circular to the Shareholders pertaining to the Proposed Share Issuance was issued on 28 October 2016.

On 15 November 2016, the shareholders of XOX have at its Extraordinary General Meeting ("EGM") passed the ordinary resolution pursuant to the Proposed Share Issuance.

Pursuant to the Companies Act 2016 being effected, all shares of a company issued before or upon the commencement of the Act shall no longer have a par or nominal value,. As such, on 14 February 2017, the Company had entered into a third supplemental agreement with Macquarie Bank Limited to amend the new Floor Price of RM0.005 based on the minimum tick size of RM0.005 for securities traded and quoted on Bursa Securities which are priced at less than RM1.00.

The Company had issued and allotted the following XOX Shares to Macquarie Bank at the issue prices on the respective dates:-

DATE	ISSUE PRICE (RM)	NO. OF XOX SHARES
24-11-2016	0.1000	40,000
16-01-2017	0.1000	29,000,000
16-02-2017	0.0936	500,000
17-02-2017	0.0930	5,000,000
TOTAL		34,540,000

B. On 26 November 2015, XOX announced that its indirect wholly owned subsidiary,XOX Mobile Sdn Bhd ("XOX Mobile") has entered into a Joint Venture Agreement with Mobligation Co. Ltd for the purpose to establish a new joint venture company to jointly promote and develop innovative mobile portal and browser particularly the Timber Browser, Kong Browser and Nepkin Micro Site in South East Asia; todate we are still working on the Joint Venture arrangement before formation of the joint venture company.

C. On 14 April 2016, XOX announced that its indirect wholly owned subsidiary,XOX Media Sdn Bhd ("XOX Media") has entered into a Memorandum of Understanding ("MOU") with Leopard Mobile ("Leopard") to explore business collaboration between two parties in cross marketing and cross bundling programs where Leopard will promote and market Voopee through its various channels and its users and XOX Media will market the range of Leopard's products through its channels and subscribers. Todate, both teams are working on the collaboration arrangement.

D. Utilisation of Proceeds

Utilisation of the proceeds from Restricted Issue and Right Issue of Shares with Warrant up to the end of the current quarter under review and financial year-to-date are as follow: -

(1) Restricted Issue (Completed on 19 November 2016)

Details	**Proposed Utilisation**	**Actual Utilisation**	**Balance available for utilisation**
	RM	**RM**	**RM**
(a) Settlement of amount owing to Celcom	19,000,000	19,000,000	-
Total	19,000,000	19,000,000	-

(2) Rights Issue of Shares with Warrants (Completed on 22 February 2016)

Details	Proposed Utilisation (based on acceptance of applications for Rights Shares)	Actual Utilisation	Balance available for utilisation
	RM	RM	RM
(a) Phone bundling expenses	13,792,748	10,586,090	3,206,658
(b) Working capital	19,317,353	19,317,353	-
(c) Capital expenditure	6,172,834	6,172,834	-
(d) Defray estimated expenses in relation to the Corporate Exercise	800,000	800,000	-
Total	**40,082,935**	**36,876,277**	**3,206,658**

9. Group Borrowings

Except for additional Hire Purchase borrowing of RM2.056 million there were no other borrowings during the current quarter under review and financial year-to-date.

	As at 31 December 2016	As at 30 June 2016
	RM'000	RM'000
Hire purchase		
Short-term	510	195
Long-term	1,990	440

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 Profit /(Losses) Disclosure

	As at 31 December 2016	As at 30 June 2016
	RM'000	RM'000
Total accumulated losses:		
- Realised	(9,650)	(9,698)
- Unrealised	(56)	(56)
	(9,706)	(9,754)

12. Net Profit/(Loss) per share

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31 December 2016	**Preceding year corresponding quarter 31 December 2015**	**Current year to date 31 December 2016**	**Preceding year corresponding period 31 December 2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net (Loss)/Profit attributable to equity holders of the company	546	227	(773)	860
Weighted average number of ordinary shares in issue ('000)	585,481	330,641	585,481	330,641
Net (Loss)/Profit Per Share - Basic (sen)	0.09	0.07	(0.13)	0.26

The fully diluted profit per share is not presented as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.