

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 2017

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Requirements (“Bursa Securities LR”)

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD (1ST QUARTER)		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO-DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Revenue	45,344	51,076	45,344	51,076
Operating Expenses	(45,152)	(53,832)	(45,152)	(53,832)
Other Income	642	1,004	642	1,004
Finance Costs	(31)	(17)	(31)	(17)
Profit/(Loss) Before Tax	803	(1,769)	803	(1,769)
Tax Expenses	(46)	(5)	(46)	(5)
Profit/(Loss) After Tax/Total Comprehensive Income	757	(1,774)	757	(1,774)
Profit/(Loss) After Tax/Total Comprehensive Income Attributable to:				
- Ordinary Equity Holders of the Parent	843	(1,318)	843	(1,318)
- Non-controlling Interest	(86)	(456)	(86)	(456)
	757	(1,774)	757	(1,774)
Earnings/(Loss) per Share Attributable To Equity Holders of the Parent				
- Basic (sen)	0.10	(0.23)	0.10	(0.23)
- Diluted (sen)	0.10	(0.23)	0.10	(0.23)

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 2017 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 2017 UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30 SEPTEMBER 2017 RM'000	AUDITED AS AT 30 JUNE 2017 RM'000
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Property, plant and equipment	69,418	70,311
Other investment	2,724	5,735
<i>Total Non – Current Assets</i>	<i>72,142</i>	<i>76,046</i>
<u>CURRENT ASSETS</u>		
Inventories	8,381	7,586
Trade receivables	10,844	15,697
Other receivables, deposits and prepayments	37,313	32,325
Cash and short term deposits	15,436	16,593
<i>Total Current Assets</i>	<i>71,974</i>	<i>72,201</i>
TOTAL ASSETS	144,116	148,247
<u>EQUITY AND LIABILITIES</u>		
Share capital	107,637	107,637
Capital reserve	2,200	2,200
Warrant reserves	19,741	19,741
Other reserves	(19,741)	(19,741)
Share Issuance Scheme Options Reserve	5,894	5,931
Accumulated losses	(5,823)	(6,703)
<i>Total Equity</i>	<i>109,908</i>	<i>109,065</i>
Non-controlling interest	519	605
	<i>110,427</i>	<i>109,670</i>
<u>NON CURRENT LIABILITY</u>		
Finance lease payables	1,598	1,721
Deferred tax liabilities	18	18
	<i>1,616</i>	<i>1,739</i>
<u>CURRENT LIABILITIES</u>		
Trade payables	25,480	25,984
Other payable and accruals	6,071	10,327
Finance lease payables	522	527
	<i>32,073</i>	<i>36,838</i>
TOTAL LIABILITIES	33,689	38,577
TOTAL EQUITY AND LIABILITIES	144,116	148,247
Net assets per share attributable to equity holders of the Company (sen) #	12.90	12.80

Notes: -

- # The net assets per share attributable to equity holders of the Company is computed based on the net assets divided by 851,824,175 ordinary shares 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 2017 and the accompanying explanatory notes attached to this interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent Non-distributable							Non- Controlling Interest RM'000	Total Equity RM'000
	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	
At 1 July 2017	107,637	-	2,200	19,741	(19,741)	5,931	(6,703)	109,065	605
Net profit/Total comprehensive income for the period	-	-	-	-	-	-	843	843	(86)
Share-based payment transactions	-	-	-	-	-	(37)	37	-	-
At 30 September 2017	107,637	-	2,200	19,741	(19,741)	5,894	(5,823)	109,908	519
At 1 July 2016	55,641	19,340	2,200	19,741	(19,741)	10,601	(9,754)	78,028	643
Total (loss)/Total comprehensive loss for the period	-	-	-	-	-	-	(1,318)	(1,318)	(456)
Share options exercised	3,840	1,152	-	-	-	-	-	4,992	-
Share-based payment transactions	-	3,084	-	-	-	(3,871)	787	-	-
At 30 September 2016	59,481	23,576	2,200	19,741	(19,741)	6,730	(10,285)	81,702	187

* Pursuant to the Companies Act 2016 ("CA2016") which came into effect on 31 January 2017, the credit amounts in the share premium account has been transferred to the share capital account. The Group may exercise its right to use the credit amounts transferred from the share premium account within 24 months after the commencement of the CA2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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 2017 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 2017	Preceding Year Corresponding 3 Months Ended 30 September 2016
NOTE	RM'000	RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit/(Loss) before taxation	803	(1,769)
Adjustments for:		
Depreciation of property, plant and equipment	1,993	1,447
Impairment gain/(loss) on other investment	-	2,809
Gain on disposal of other investment	(606)	(852)
Interest expense	31	17
Interest income	(8)	(2)
OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES	2,213	1,651
Changes in working capital:		
Inventories	(795)	(1,412)
Trade and other receivables	(97)	(8,477)
Trade and other payables	(4,741)	4,142
	(5,633)	(5,747)
Cash used in operations	(3,420)	(4,097)
Interest received	8	2
Interest paid	(31)	(17)
Tax paid	(72)	(6)
Tax refund	19	-
	(76)	(21)
Net cash used in operating activities	(3,496)	(4,117)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,100)	(2,678)
Acquisition of other investments	-	(6,000)
Proceeds from disposal of other investments	3,567	852
Net cash generated from/(used in) investing activities	2,467	(7,826)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(128)	(68)
Proceeds from issuance of share capital	-	4,992
Net cash from financing activities	(128)	4,924
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(1,157)	(7,019)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	16,593	20,494
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	15,436	13,475

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 2017 and the accompanying explanatory notes attached to this interim financial statements.

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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 2017.

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 2017 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 2017:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRS 2014 – 2016 Cycle:	
• Amendments to MFRS 12	

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. Seasonality or cyclical 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.

3. 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.

4. Changes in estimates

There were no material changes in estimates for the current quarter under review and financial year-to-date.

5. 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.

6. Dividends Paid

No dividends were declared or paid by the Group in the current quarter under review.

7. 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.

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8. 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 other than as disclosed below: -

- (i) On 14 July 2017, the Company has announced that the Company propose to undertake the private placement of new ordinary shares in XOx of up to 10% of the existing total number of issued shares of the Company to third party investors to be identified later and at an issued price to be determined later. On 24 July 2017, The Company has obtained approval from Bursa Securities the listing and quotation of up to 85,182,000 new XOx Shares to be issued pursuant to the Proposed Private Placement.

On 10 October 2017, the Company announced that the issue price for the placement of 85,182,000 Placement Shares at RM0.0983 per Placement share and the Private Placement has been completed following the listing and quotation of 85,182,000 Placement Shares on the ACE Market of Bursa Securities on 20 October 2017.

- (ii) On 27 July 2017, XOx Media Sdn Bhd ("XOx Media"), a wholly-owned subsidiary of the Company has entered into a Memorandum of Understanding ("MOU") with PT. Inovasi Telematika Nusantara ("PT. Inovasi") and Pengurus Besar Nahdlatul Ulama ("PBNU") for the purposed of conducting a study and the planning for the development and deployment of the Voopee solution under the Nahdlatul Ulama branding with all other accompanying solutions targeting to be adopted by PBNU members.

In line with the MOU entered on 27 July 2017, XOx Media has on 10 November 2017 entered into a Collaboration Agreement with PT. Inovasi and PBNU to cooperate and collaboration on the development of the NU Mobile Application using Voopee solution, which to be promoted into Indonesia's market and to be served as the platform to provide information, e-services and e-commerce platform. NU Mobile Application is an application which offers various services electronically including the sim-less mobile services and a platform to engage various services like government, banking, education and most importantly, e-wallet functions for its users.

9. Changes in the composition of the Group

There were no material changes in the composition of the Group during the quarter under review.

10. 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.

11. 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	1,933

12. 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

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- (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 2017 RM'000	Preceding year corresponding quarter 30 September 2016 RM'000
(i) Key management personnel compensation:		
Short-term employee benefits	438	394
(ii) Sales of web blasting services to a related party	<u>6</u>	<u>-</u>

13. Cash and cash equivalents

	As At 30 September 2017 RM'000	As At 30 September 2016 RM'000
Short-term investment	-	22
Cash and bank balances	15,436	13,368
Fixed Deposits	<u>-</u>	<u>85</u>
	<u>15,436</u>	<u>13,475</u>

14. Other investments

Save for the short-term investment placed with a bank disclosed in Section A.15; the Company is holding 32,049,200 ordinary shares of M3 Technologies (Asia) Berhad ("M3 Technologies") at total market value of RM2,724,182 as at 30 September 2017.

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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 (“YTD”)

	Individual Period (1 st quarter)		Changes (RM'000/%)	
	Current Year Quarter & YTD 30 September 2017 (RM'000)	Preceding Year Corresponding Quarter & YTD 30 September 2016 (RM'000)		
Revenue	45,344	51,076	(5,732)	-11%
Earnings Before Interest Tax Depreciation & Amortisation (“EBITDA”)	2,819	(307)	3,126	+1,018%
Profit/(Loss) Before Tax	803	(1,769)	2,572	+145%
Profit/(Loss) After Tax	757	(1,775)	2,532	+143%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	843	(1,318)	2,161	+164%

For the current quarter under review, XOX's Group reported an 11% decrease in revenue from RM51.08 million to RM45.34 million compared to previous year's corresponding quarter. The decrease was due to a lower price point set especially for Data products being offered at 40% lower to enable the Company to compete under the intense price competitive market from January 2017 onwards.

However, the Group recorded a profit before tax of RM0.80 million as compared with a loss before tax of RM1.77 million in the previous year's corresponding quarter. Current year's result included a gain on disposal of other investment of RM0.61 million, while the previous year's corresponding quarter results included a net impairment loss on other investment of RM1.96 million. Thus, excluding one-off items from both quarters, the current quarter's PAT was satable at RM0.15 million compared to the previous corresponding quarter's PAT of RM0.18 million despite a lower revenue reported.

2. Performance of the current quarter against the preceding quarter

	Current Quarter 30 September 2017	Immediate Preceding Quarter 30 June 2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue	45,344	41,785	3,559	+9%
Earnings Before Interest Tax Depreciation & Amortisation (“EBITDA”)	2,819	2,847	(28)	-1%
Profit/(Loss) Before Tax	803	762	41	+5%
Profit/(Loss) After Tax	757	522	235	+45%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	843	324	519	+160%

For the current quarter under review, the Group's revenue grew 9% boosted by new DATA plans offering from May 2017, resulting from subscriber growth and growth in data usage.

The Group reported a consistent EBITDA and profit after taxation compared with the preceding quarter's performance.

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3. Prospects and business outlook

The global telecommunications industry continues its transformation into the digital in a connected world, driven by the ongoing innovations and technological developments that are taking place.

The constantly growing competition from Over-the-top (OTT) players who offer apps that allow voice call, instant messaging, and file transfer simultaneously all in one application via the internet have been able to embed many of the traditional telecommunication services into their products offerings, that is causing disruption and is putting enormous pressure on the traditional business model of telecommunications services provider. As a result, telecommunication industry continues to be a critical force for growth & innovations; it can prove to be a challenge as well as opportunity for telecommunication companies and mobile operators

In view of these challenges facing the telecommunication industry, we are optimistic the prospects are bright for the Group with our resilient strategies in place, and aims to change the traditional business model by transforming into a multi-platform media company where sales of content – music, concerts, live event feeds to replace sales of SIM cards and airtime as the Company's core business.

Barring any unforeseen circumstances, which include competitive pressure and uncertain economic environment, the Board of Directors is of the view that the Group expects to post positive results for the quarters ahead.

4. Profit forecast or profit guarantee

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

5. Qualification of preceding audited financial statements

There was no audit qualification reported in the audited financial statements of the Group for the financial year ended 30 June 2017.

6. Profit/(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</u> <u>2017</u>	<u>30 September</u> <u>2016</u>	<u>30 September</u> <u>2017</u>	<u>30 September</u> <u>2016</u>
	RM'000	RM'000	RM'000	RM'000
Interest income	(8)	(2)	(8)	(2)
Interest expense	31	17	31	17
Depreciation on plant and equipment	1,993	1,447	1,993	1,447
Gain on disposal of other investment	(606)	(852)	(606)	(852)
Impairment loss on investment	-	2,809	-	2,809

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7. Income Tax Expense

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	<u>30 September</u> <u>2017</u>	<u>30 September</u> <u>2016</u>	<u>30 September</u> <u>2017</u>	<u>30 September</u> <u>2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Income Tax:				
- Current	145	323	145	323
Deferred Tax				
- Net originating and reversal of timing differences	(99)	(318)	(99)	(318)
Income tax expenses	46	5	46	5

The effective tax rate of the Group for the current quarter and financial period to-date is slightly lower than the statutory income tax rate due to utilisation of tax losses and unabsorbed capital allowances.

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

During the quarter under review, the Company had disposed of 39,640,800 ordinary shares of M3 Technologies (Asia) Berhad ("M3 Technologies") for a total cash proceeds of RM4,372,271.74, resulted a disposal gain on other investment of RM606,395.74.

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

9. 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 at end of the reporting quarter.

- A. 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.
- B. 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.
- C. On 18 August 2017, XOX Media has entered into a MOU with Mutimedia Research Lab Sdn Bhd ("MRL") to cooperate and collaborate with the aim of enhancing the functions of Voopee mobile application by sharing and incorporating MRL range of video conferencing and server technology to exploit market that arises from XOX Media collaboration with PT. Inovasi Telematika Nusantara and Pengurus Besar Nahdlatul Ulama. Todate, both teams are working on the collaboration arrangement.

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C. Utilisation of Proceeds

UTILISATION OF PROCEEDS FROM RESTRICTED ISSUE AND RIGHTS ISSUE OF SHARES WITH WARRANT AS AT 30 SEPTEMBER 2017:-

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

Details	Proposed Utilisation (based on acceptance of applications for Rights Shares) RM	Actual Utilisation RM	Balance available for utilisation 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

(2) Share Issuance (Completed on 12 April 2017)

	Proposed Utilisation (based on actual proceeds received) RM	Actual Utilisation RM	Balance available for utilisation RM
(i) Voopee expansion plan:			
(a) Expansion of Voopee to Indonesia, the Phillipines, Thailand and/or any other countries to be identified	12,293,900	7,905,300	4,388,600
(b) Enhancement of features and software maintenance of Voopee	5,000,000	4,269,860	730,140
(c) Expansion of network capacity for Voopee	5,000,000	4,564,840	435,160
(ii) Estimated expenses related to the Proposed Share Issuance	812,000	812,000	-
Total	23,105,900	17,552,000	5,553,900

10. Group Borrowings

There were no other borrowings during the current quarter under review and financial year-to-date.

	As at 30 September 2017 RM'000	As at 30 September 2016 RM'000
Hire purchase		
Short-term	522	373
Long-term	1,598	2,249

The hire purchase payables are pertaining to the acquisition of motor vehicles.

The Group does not have any foreign currency denominated borrowings.

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11. Trade Receivables

	As at 30 September 2017	As at 30 June 2017
	RM'000	RM'000
Trade Receivables	15,136	19,989
Less: Accumulated impairment losses	(4,292)	(4,292)
	10,844	15,697

Trade receivables are non-interest bearing and are generally on 7 to 210 days term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

12. 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.

13. Realised and Unrealised Profit /(Losses) Disclosure

	As at 30 September 2017	As at 30 June 2017
	RM'000	RM'000
Total accumulated losses:		
- Realised	(61,247)	(62,004)
- Unrealised	(152)	(190)
	(61,399)	(62,194)
Less: Consolidation adjustments	55,576	55,491
	(5,823)	(6,703)

14. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Net Profit attributable to equity holders of the company	843	(1,318)	843	(1,318)
Weighted average number of ordinary shares in issue ('000)	851,824	574,780	851,824	574,780
Net Profit Per Share - Basic (sen)	0.10	(0.23)	0.10	(0.23)

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.