

XOX BHD

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 JUNE 2017

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Unaudited Condensed Consolidated Statement of Comprehensive Income

	← INDIVIDUAL QUARTER →		← CUMULATIVE QUARTER →	
	Current Quarter <u>30 June</u> <u>2017</u>	Preceding Year Corresponding Quarter <u>30 June</u> <u>2016</u>	Year to Date <u>30 June</u> <u>2017</u>	Preceding Year Corresponding Period <u>30 June</u> <u>2016</u>
Note	RM'000	RM'000	RM'000	RM'000
Revenue	41,785	50,427	191,604	160,718
Cost of sales	(21,887)	(30,154)	(104,926)	(88,843)
Gross Profit	19,898	20,273	86,678	71,875
Other income	2,664	214	4,242	301
Selling and distribution expenses	(11,830)	(12,760)	(52,619)	(40,157)
Administrative expenses	(9,937)	(18,742)	(35,816)	(40,251)
Finance costs	(33)	(7)	(123)	(30)
Profit/(Loss) Before Tax	762	(11,022)	2,362	(8,262)
Income tax expense	(240)	195	(368)	(330)
Profit/(Loss) After Taxation / Total Comprehensive Income	522	(10,827)	1,994	(8,592)
Profit/(Loss) After Taxation / Total Comprehensive Income				
Attributable to:-				
- Equity holders of the Company	324	(10,652)	2,150	(8,776)
- Non-controlling interest	197	(175)	(156)	184
	522	(10,827)	1,994	(8,592)
Net Profit/(Loss) Per Share attribute to equity holders of the Company				
- Basic (sen)	0.05	(2.56)	0.32	(2.11)
- Diluted (sen)	0.05	(2.56)	0.32	(2.11)

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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Unaudited Condensed Consolidated Statement of Financial Position	Unaudited As at 30 June 2017 RM'000	Audited As at 30 June 2016 RM'000
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Property, plant and equipment	69,394	51,594
Intangible assets	-	3
Other investment	5,735	1,111
<i>Total Non – Current Assets</i>	75,129	52,708
<u>CURRENT ASSETS</u>		
Inventories	7,586	2,275
Trade receivables	16,208	20,358
Other receivables, deposits and prepayments	43,314	16,963
Short-term investment	-	21
Fixed deposit	-	10,085
Cash and short term deposits	16,593	10,388
<i>Total Current Assets</i>	83,701	60,090
TOTAL ASSETS	158,830	112,798
<u>EQUITY AND LIABILITIES</u>		
Share capital	107,637	55,641
Capital reserve	2,200	2,200
Share premium	-	19,340
Warrant reserve	(19,741)	(19,741)
Other reserve	19,741	19,741
Share issuance scheme option reserve	5,931	10,601
Accumulated losses	(6,583)	(9,754)
<i>Total Equity</i>	109,185	78,028
Non-controlling interest	487	644
	109,673	78,672
<u>NON CURRENT LIABILITY</u>		
Finance lease payables	1,722	440
Deferred tax liabilities	5	13
	1,727	453
<u>CURRENT LIABILITIES</u>		
Trade payables	33,321	21,791
Other payable and accruals	13,583	11,688
Finance lease payables	526	194
<i>Total Liabilities</i>	47,430	33,673
TOTAL EQUITY AND LIABILITIES	158,830	112,798
Net assets per share attributable to equity holders of the Company (sen) #	12.82	14.02

Notes: -

The net assets per share attributable to equity holders of the Company is computed based on the net assets divided by 780,724,175 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 2016 and the accompanying explanatory notes attached to this interim financial statements.

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	Unaudited Condensed Consolidated Statement of Changes in Equity							Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Attributable to owners of the parent					Share Issuance Scheme Option Reserve RM'000	Accumulated Losses RM'000			
	Non-distributable		Capital Reserve RM'000	Warrant Reserve RM'000	Other Reserve RM'000					
Share Capital RM'000	Share Premium 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 income for the period	-	-	-	-	-	-	2,150	2,150	(156)	1,994
Share options exercised	4,541	1,362	-	-	-	-	-	5,903	-	5,903
Share-based payment transactions	-	3,647	-	-	-	(4,670)	1,023	-	-	-
Share Issuance	23,106	-	-	-	-	-	-	23,106	-	23,106
Transfer pursuant to S618(2) of CA2016 *	24,349	(24,349)	-	-	-	-	-	-	-	-
At 30 June 2017	107,637	-	2,200	(19,741)	19,741	5,931	(6,583)	109,185	487	109,673
At 1 July 2015	33,200	32,730	2,200	-	-	-	(49,308)	18,822	148	18,970
Total comprehensive income for the period	-	-	-	-	-	-	(9,576)	(9,576)	191	(9,384)
Capital reduction	(16,600)	(32,530)	-	-	-	-	49,130	-	-	-
Restricted issue	19,000	-	-	-	-	-	-	19,000	-	19,000
Share issuance expenses	-	(901)	-	-	-	-	-	(901)	-	(901)
Disposal of subsidiary	-	-	-	-	-	-	-	-	304	304
Right issue of shares	20,041	20,041	-	-	-	-	-	40,082	-	40,082
Issue of warrants	-	-	-	19,741	(19,741)	-	-	-	-	-
Share-based payment transactions	-	-	-	-	-	10,601	-	10,601	-	10,601
At 30 June 2016	55,641	19,340	2,200	19,741	(19,741)	10,601	(9,754)	78,028	644	78,672

* 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 2016 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 June 2017	Preceding Year Corresponding 12 Months Ended 30 June 2016
NOTE	RM'000	RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	2,362	(8,262)
Adjustments for:		
Depreciation of property, plant and equipment	6,532	5,160
Interest expense	123	30
Interest income	(16)	(20)
Impairment loss on other investment	1,375	1,299
Gain on disposal of other investment	(1,344)	-
Equity-settled share-based payment expenses	-	10,601
Impairment on trade receivable	149	639
Gain on disposal of subsidiary	-	(311)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	9,181	9,136
(Increase) / Decrease in inventories	(5,457)	790
(Increase) / Decrease in trade and other receivables	(22,117)	(6,363)
Increase / (Decrease) in trade and other payables	13,478	(25,271)
Cash used in operations	(4,915)	(21,708)
Interest paid	(123)	(30)
Tax paid	(517)	-
Tax refund	-	196
Net cash used in operating activities	(5,555)	(21,542)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	16	20
Proceeds from disposal of investment	1,344	-
Purchase of equipment	(24,333)	(23,981)
Net cash used in investing activities	(22,973)	(23,961)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(440)	(249)
Drawdown of hire purchase	2,056	270
Proceeds from share option exercised	5,903	-
Purchase of quoted shares	(6,000)	(2,410)
Proceeds from Right Issues with Warrants	-	40,082
Proceeds from Restricted Issues	-	19,000
Proceeds from share issuance	23,106	-
Net cash from financing activities	24,625	56,693
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(3,903)	11,190
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	20,496	9,306
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	16,593	20,496
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 2016 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 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 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.

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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: -

- (a) 38,400,000 ordinary shares were issued under Share Issuance Scheme Option;
- (b) 250,000,000 ordinary shares were issued under the Share Issuance subscribed by Macquarie Bank;
- (c) Pursuant to Section 618(2) of the CA 2016, the credit balance of share premium account of RM24,348,863 were included as part of the paid up share capital.

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 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.
- (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.
- (iii) The Company had on 28 July 2017 incorporated a new wholly-owned subsidiary company in Singapore with the name of “XOX Mobile Pte. Ltd.”.
- (iv) 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 and PBNU.

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.

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12. Equipment

The Group acquired additional equipment amounting to approximately RM17,052,093.00 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	1,013

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 2017 RM'000	Preceding year corresponding quarter 30 June 2016 RM'000
(i) Key management personnel compensation: Short-term employee benefits	393	393
(ii) Sales of web blasting services to a related party	11	-
(iii) Purchases from a related party	2	-

15. Cash and cash equivalents

	As At 30 June 2017 RM'000	As At 30 June 2016 RM'000
Short-term investment	2,000	22
Cash and bank balances	14,593	10,389
Fixed Deposits	-	10,085
	<u>16,593</u>	<u>20,496</u>

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 for the 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

For the current quarter under review, XOX's Group reported a 17.14% decrease in revenue from RM50.43 million to RM41.79 compared to previous year's corresponding quarter. The decrease was due to a lower price point set especially for Data products being offered to enable the Company to compete under the intense price competitive market from January 2017 onwards.

However, XOX's Group reported revenue rose by 19.22% to RM191.60 million from RM160.72 million in the corresponding year-to-date periods despite operating in a challenging market. The better result was contributed from an improved subscriber base.

The Group recorded a profit before tax of RM0.76 million as compared with a loss before tax of RM11.02 million in the previous year's corresponding quarter; due to the previous year's corresponding quarter results included a fair value adjustment of RM10.60 million on Share Options granted under Share Issuance Scheme. Thus, on a year-to-date basis, a profit before tax of RM2.36 million was reported compared to the previous corresponding year-to-date's result of a loss before tax of RM8.26 million.

2. Performance of the current quarter against the preceding quarter

	Current Quarter 30 June 2017	Preceding Quarter 31 March 2017
	RM'000	RM'000
Revenue	41,785	47,137
Earnings Before Interest Taxes Depreciation and Amortisation	2,847	3,852
Profit after tax	522	2,184

For the current quarter under review, the Group recorded a 11.35% decrease in sales revenue against previous quarter which was the continued effect from the lower price point set especially for Data products despite the increased in subscriber base.

The Group reported a consistent earnings before interest taxes depreciation and amortisation (EBITDA) and profit after taxation compared with the preceding quarter's performance if the unrealised investment gain recorded in the preceding quarter was excluded.

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 better manage coverage, quality and capacity.

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.

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5. 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 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>30 June 2016</u>
	RM'000	RM'000	RM'000	RM'000
Interest income	(6)	(7)	(16)	(20)
Interest expense	33	7	123	30
Depreciation on plant and equipment	2,059	1,323	6,532	5,160
Provision for and write off of doubtful debts	148	-	-	639
Impairment loss on investment	358	1,299	1,375	1,299

6. Income Tax Expense

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>30 June 2016</u>
	RM'000	RM'000	RM'000	RM'000
Tax expenses recognised in profit or loss:				
Current provision	82	(211)	210	314
Under provision in prior year	154	8	154	8
	236	(203)	364	322
Deferred tax:				
Current provision	1	1	1	1
Under provision in prior year	3	7	3	7
	4	8	4	8
Income tax expenses	240	(195)	368	330

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.

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 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 Mobilgation 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; to date we are still working on the Joint Venture arrangement before formation of the joint venture company.

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- 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. To date, both teams are working on the collaboration arrangement.
- C. Utilisation of Proceeds

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

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

Details	Proposed Utilisation RM	Actual Utilisation RM	Balance available for utilisation 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) 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

(3) **Share Issuance (Completed on 12 April 2017)**

Details	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	7,375,300	4,918,600
(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	17,022,000	6,083,900

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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 30 June 2017	As at 30 June 2016
	RM'000	RM'000
Hire purchase		
Short-term	526	194
Long-term	1,722	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 30 June 2017	As at 30 June 2016
	RM'000	RM'000
Total accumulated losses:		
- Realised	(6,523)	(8,903)
- Unrealised	(60)	(51)
	(6,583)	(8,954)

12. Net Profit per share

	Individual Quarter		Cumulative Quarter	
	Current year quarter <u>30 June</u> <u>2017</u> RM'000	Preceding year corresponding quarter <u>30 June</u> <u>2016</u> RM'000	Current year to date <u>30 June</u> <u>2017</u> RM'000	Preceding year corresponding period <u>30 June</u> <u>2016</u> RM'000
Net Profit attributable to equity holders of the company	324	(10,652)	2,150	(8,776)
Weighted average number of ordinary shares in issue ('000)	668,759	415,410	668,759	415,410
Net Profit Per Share - Basic (sen)	0.05	(2.56)	0.32	(2.11)

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.